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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6993

藍月亮

2020

ANNUAL REPORT

Contents

Corporate Information

Board of Directors

Executive Directors

Ms. PAN Dong *(Chairman)*

Mr. LUO Qiuping *(Chief Executive Officer)*

Ms. LUO Dong

Mr. POON Kwok Leung

Ms. XIAO Haishan

Non-executive Director

Mr. CAO Wei

Independent Non-executive Directors

Mr. Bruno Robert MERCIER

Ms. NGAN Edith Manling

Mr. HU Yebi

Authorised Representatives

Ms. PAN Dong

Mr. POON Kwok Leung

Audit Committee

Ms. NGAN Edith Manling *(Chairman)*

Mr. CAO Wei

Mr. Bruno Robert MERCIER

Remuneration Committee

Mr. HU Yebi *(Chairman)*

Ms. PAN Dong

Ms. XIAO Haishan

Mr. Bruno Robert MERCIER

Ms. NGAN Edith Manling

Nomination Committee

Ms. PAN Dong *(Chairman)*

Mr. HU Yebi

Mr. Bruno Robert MERCIER

Company Secretary

Mr. POON Kwok Leung, *CPA*

Registered Office

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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

No. 36, Pu Nan Road

Yun Pu Industrial Zone

Huangpu District

Guangzhou

The People's Republic of China

Principal Place of Business in Hong Kong

Unit 4606, 46/F

COSCO Tower

Grand Millennium Plaza

No. 183 Queen's Road Central

Hong Kong

Stock Code

6993

Website

http://www.bluemoon.com.cn

Auditor

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

Legal Advisers

Linklaters
11/F, Alexandra House
Chater Road
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

Principal Bankers

Bank of China Limited, Guangzhou Development Zone Branch
Industrial and Commercial Bank of China Limited, Guangzhou Economic and Technological Development Zone Branch
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited
United Overseas Bank (China) Limited, Guangzhou Branch

Financial Highlights

Key Financial Information and Financial Ratio

Key Financial Information	2020 HK$'000	2019 HK$'000
Revenue	**6,996,348**	7,049,905
Gross profit	**4,513,756**	4,523,010
Profit before income tax	**1,749,647**	1,475,241
Profit for the year/Profit attributable to equity holders of the Company	**1,309,411**	1,079,617
Earnings per share (HK cents) (Note)		
Basic	**26.03**	21.59
Diluted	**25.97**	21.59
Dividend per share (HK cents)		
Final	**6.90**	N/A
Key Financial Ratio		
Gross profit margin	**64.5%**	64.2%
Net profit margin	**18.7%**	15.3%
Current ratio	**3.5**	1.8
Return on equity	**18.0%**	45.7%
Return on assets	**12.6%**	23.1%
Dividend payout ratio	**30.3%**	N/A

Note:

Basic earnings per share is calculated by dividing profit attributable to Blue Moon Group Holdings Limited's (the "**Company**") equity holders by the weighted average number of ordinary shares of the Company in issue. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the effect of the capitalization issue (as defined in the prospectus of the Company dated 4 December 2020 (the "**Prospectus**") has been effective from 1 January 2019.

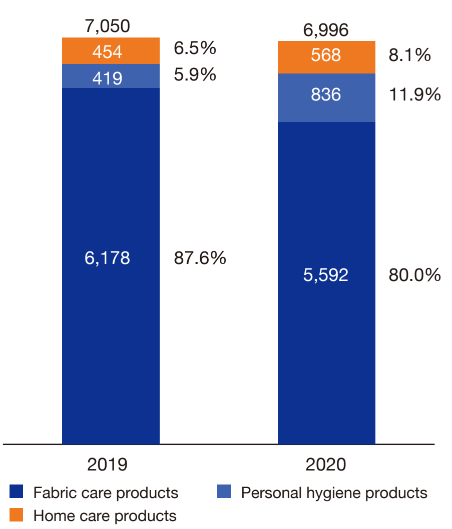
Analysis of revenue of the Group by products

Revenue by products	2020 HK$'000	2020 %	2019 HK$'000	2019 %
Fabric care products	**5,595,885**	**80.0**	6,177,613	87.6
Personal hygiene products	**835,738**	**11.9**	418,545	5.9
Home care products	**564,725**	**8.1**	453,747	6.5
Total	**6,996,348**	**100.0**	7,049,905	100.0

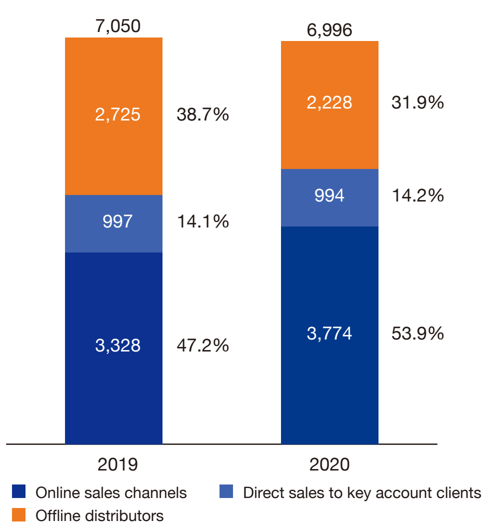
Analysis of revenue of the Group by channels

Revenue by channels	2020 HK$'000	2020 %	2019 HK$'000	2019 %
Online sales channels	**3,774,453**	**53.9**	3,328,158	47.2
Direct sales to key account clients	**993,642**	**14.2**	996,582	14.1
Offline distributors	**2,228,253**	**31.9**	2,725,165	38.7
Total	**6,996,348**	**100.0**	7,049,905	100.0

Revenue Breakdown by Products
(HK$ mm)

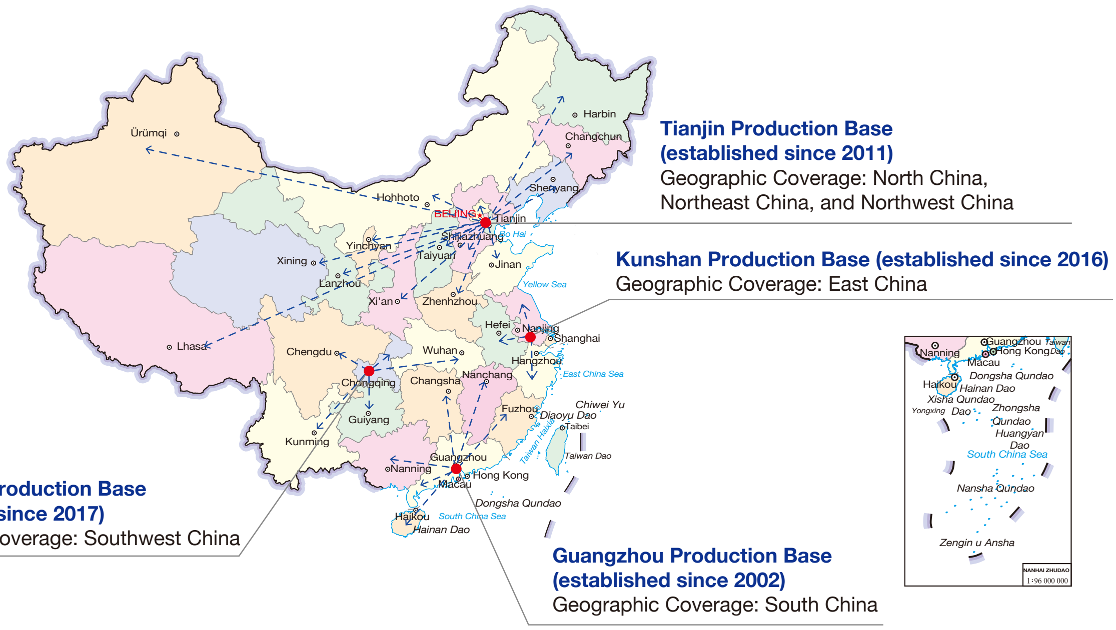


Revenue Breakdown by Channels
(HK$ mm)



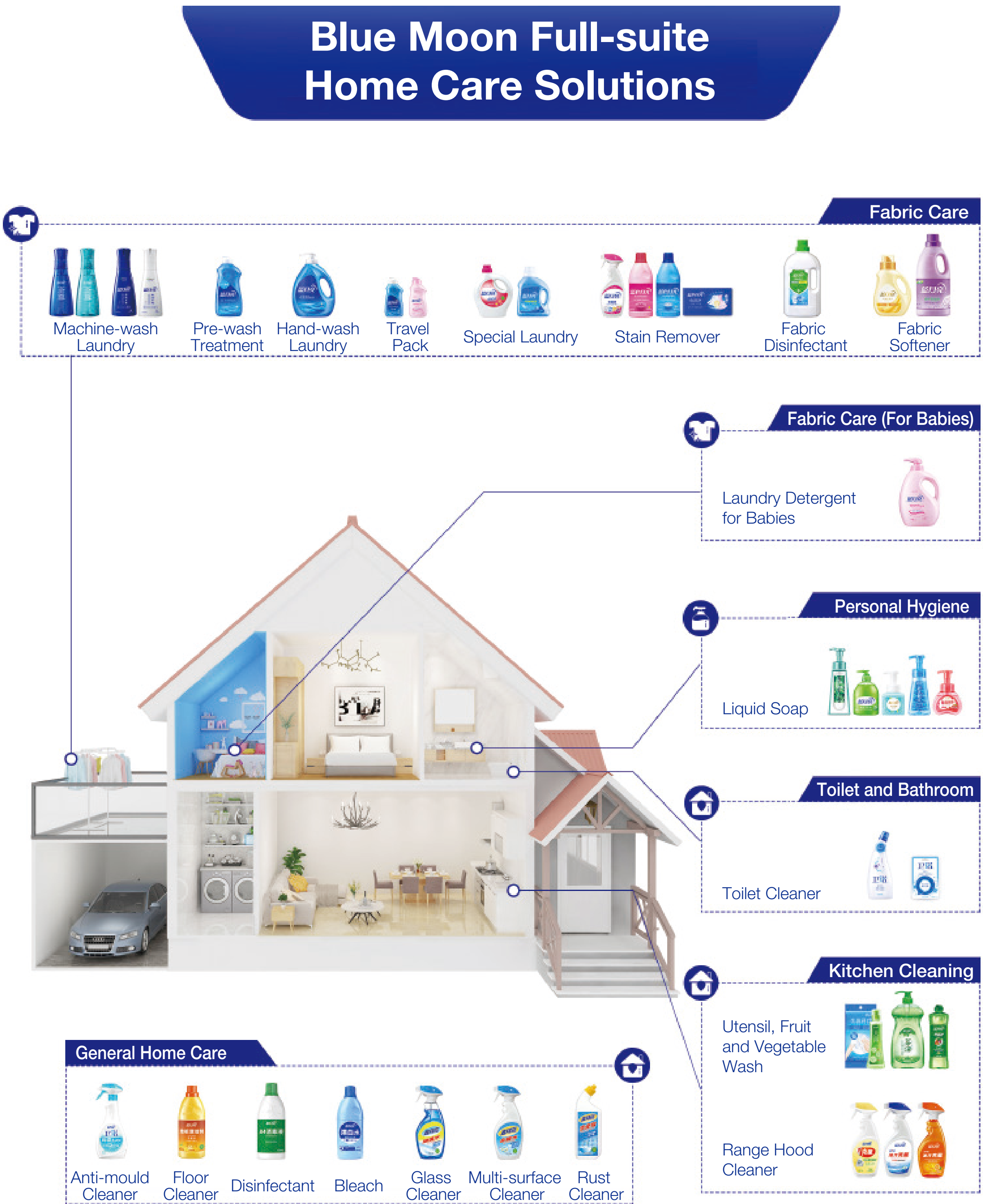
Production Bases

As at 31 December 2020, the Company and its subsidiaries (together, the "**Group**") had four production bases located in Guangzhou, Tianjin, Kunshan, and Chongqing of the People's Republic of China ("**PRC**"). The map below illustrates the geographic coverage of the Group's production bases in the PRC as at 31 December 2020.



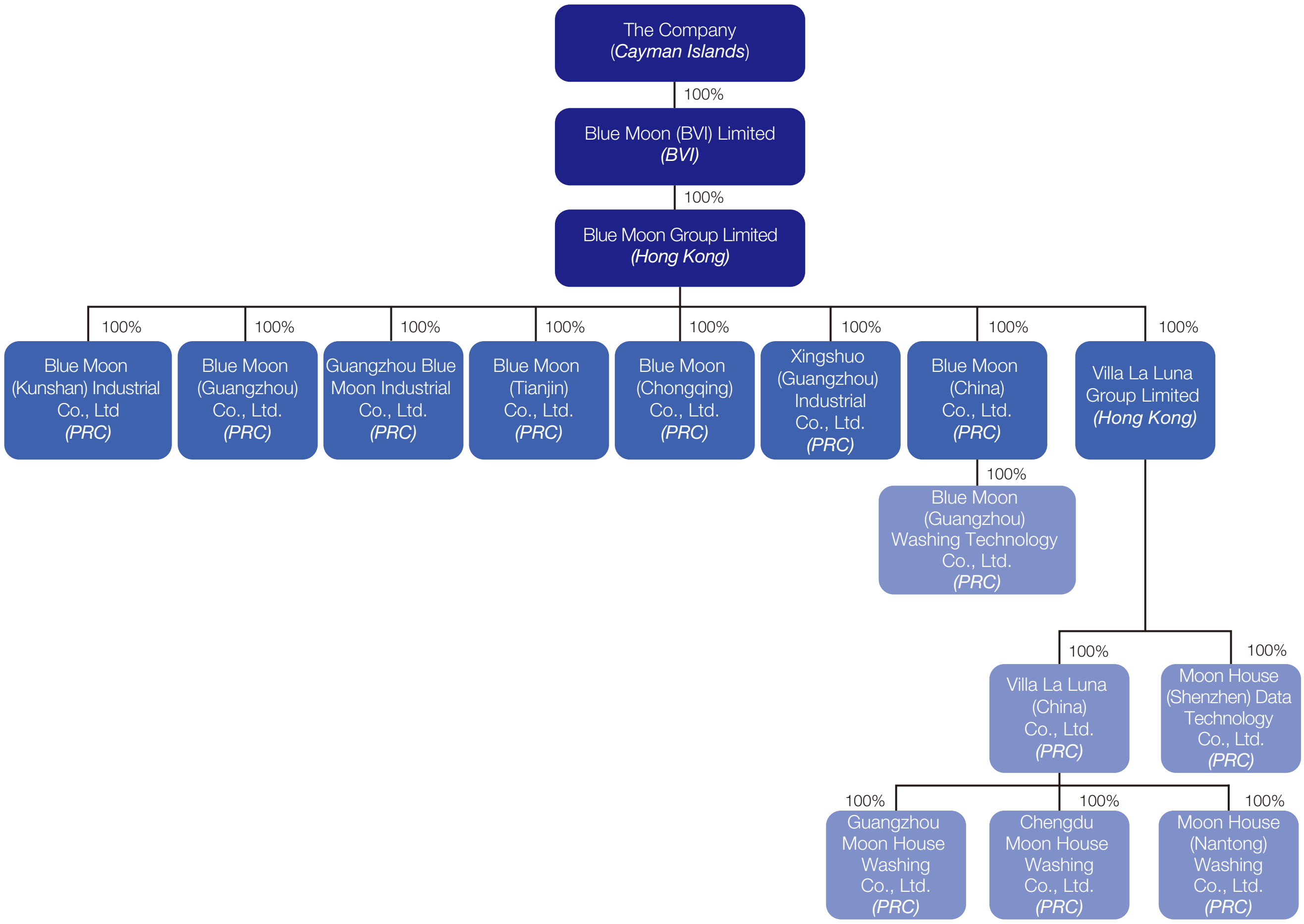
Company Products

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



Corporate Structure

The corporate structure of the Group is as follows:



Letter to the Shareholders

Dear Shareholders,

Thank you for your support, trust and help to Blue Moon!

The past year was a special year for Blue Moon. The Company became successfully listed on the Main Board of the Hong Kong Stock Exchange on 16 December 2020, and was officially included in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect on 15 March 2021. Staying committed to using technology to bring a clean and comfortable life to people and in pursuit of our dream to make 400 million households in China clean and hassle-free, we have always insisted on placing consumer demand at the core and technological innovation as the foundation to seek development and breakthrough in the ever-changing market for over two decades. Our products currently cover three categories, which include home care products, personal hygiene products and fabric care products. In particular, Blue Moon's liquid laundry detergent and liquid soap were ranked first in brand power index for 10 consecutive years from 2011 to 2020, while Blue Moon's liquid laundry detergent and liquid soap respectively had the largest comprehensive market share in the industry for 11 consecutive years from 2009 to 2019 and 8 consecutive years from 2012 to 2019. Becoming a listed company implies that the Group has moved towards a new platform and also implies greater responsibility and mission.

In 2020, the COVID-19 pandemic had a serious impact on the global economy and consumer market. The Group's operations in the first half of the year were affected to a certain degree due to the quarantine measures implemented to control the pandemic. However, in the second half of 2020, the Group's results rebounded rapidly given the effective control of the COVID-19 pandemic within China and the flexible adjustment of the Group's business strategy. The Group recorded revenue of HK$4,560.5 million in the second half of the year, representing an increase of 5.3% as compared with that of the corresponding period in 2019. The Group recorded revenue of HK$6,996.3 million throughout 2020, representing a slight decrease of 0.8% as compared with that of 2019. The Group realised net profit of HK$1,309.4 million, representing a year-on-year increase of 21.3%.

Improving product offering to capture new business opportunities

During the past year, we maximised the Group's advantages in research and development and innovation and continuously improved our product offering to capture business opportunities resulting from the increased awareness of public and personal health hygiene, enhanced consumption demands and growing consumer preferences for convenient cleaning solutions by Chinese consumers. Since 2020, the Group has sped up its effort in launching new products, including foam antibacterial liquid soap, dishwashing net flower, automatic hand washing machine and wash-free antibacterial liquid soap. Furthermore, the Group successfully upgraded a variety of products such as concentrated softener, Blue Moonlight Bleach, Jinxiang Amino Acid Liquid Soap, which were favoured by consumers, and thereby help promote the continuous growth in sales of products.

Insisting on knowledge-based marketing strategy to expand services

We continued to carry out knowledge-based marketing strategy to provide consumers with professional tutorials and comprehensive consultation services and continued to transmit scientific washing methods so that high quality products and scientific methods can be used by consumers. At the same time, we also provided services such as deep home cleaning (家居深度洗) and difficult cleaning (疑難洗) to cater for the diverse cleaning needs of consumers.

Accelerating digital transformation to improve operational efficiency

Meanwhile, we accelerated digital transformation and further implemented strategies to create an advanced information technology system for business operation to achieve digitalised operations in procurement, manufacturing and sales. For example, inventory turnover days continuously decreased from 96.8 days in 2017 to 62.2 days in 2020. Leveraging the power of our advanced information system, the Group's operational efficiency continued to be optimised.

Enhancing e-commerce and optimising the traditional distribution infrastructure through omni-channel system

We continued to develop and strengthen the omni-channel system to deepen brand penetration in various channels and scenarios where consumers are located. In the past year, we enhanced e-commerce channels and improved operating efficiency through strategic deployment in the country and establishing front-line warehouses near our customers. As a result, the three-day delivery completion rate of our online flagship stores increased by approximately 3.1%. In addition, we made a number of improvements to its overall logistics management. The average logistics cost for each product sold in our online proprietary stores decreased by approximately 6.3% compared to last year. For offline business, we have flexibly adjusted our business strategies and optimised the traditional distribution infrastructure. Such measures have effectively reduced our sales expenses and improved our operational efficiency.

Taking social responsibility to collectively build a sustainable future

We take a firm stance in carrying out our social responsibility to demonstrate corporate responsibility. The Group has actively followed China's national policy in relation to green environmental protection and resources conservation and has in this regard driven forward the process of liquid detergent concentration and launched refill packs for several products to promote the sustainable development of the society. We continued to promote various energy saving and emission reduction projects and Blue Moon (Chongqing) Co., Ltd. was named a "National Green Factory" by the Ministry of Industry and Information Technology. At the beginning of 2020, given the outbreak of the COVID-19 pandemic, the Group successively collected and allocated RMB5.3 million worth of anti-pandemic supplies including products such as antibacterial liquid soap and bleach, which were donated to places such as Wuhan to assist frontline medical staff and the general public. Due to the Group's effective social responsibility actions, Blue Moon received the 2020 Responsible Brand Award at the China Charity Festival.

Looking forward, as China and other parts of the world are actively fighting COVID-19 with vaccines, quarantines and other control measures and striving to restore normal economic and social activities, we are confident in the prospects of the household care product industry as well as the Group's business operations. "To allow every family to enjoy a clean, healthy, comfortable, respectable and delightful "Blue Moon (藍月亮)" world" is our unchanging pursuit and vision and the entire team of Blue Moon will work together and strive unremittingly in this regard. As Mr. LUO Qiuping, our founder and Chief Executive Officer, said, "*Blue Moon will continue to carry out gradual optimisation to improve our various indicators and achieve healthy development of the Company. Meanwhile, we will devote all our efforts to make changes. I believe that only changes can bring about revolutionary breakthroughs.*" I would also like to take this opportunity to express my heartfelt gratitude to our consumers, employees of the Group and various sectors of the community who have always supported us! Going forward, we hope to join hands with everyone to build a world for Blue Moon and make more households in China clean and hassle-free!

PAN Dong
Chairman

LUO Qiuping
Chief Executive Officer

Hong Kong, 29 March 2021

Management Discussion and Analysis

Business Review

The outbreak of COVID-19 brought forth unprecedented challenges and had a profound impact on global economies, including the Chinese economy. With the change in consumers' household care routines and cleaning habits to cope with COVID-19, household care products have become daily necessities for Chinese consumers and this resulted in a steady growth in demand for household care products.

The outbreak of COVID-19 in early 2020 impacted the operations and financial performance of the Group in the first half of the financial year ended 31 December 2020, and has put stress on its operating capabilities. Even though the Group's business operations were temporarily suspended due to the outbreak of the COVID-19, the Group resumed production of disinfectant products at full capacity on 26 January 2020 and committed to delivering products to more people in need amidst the outbreak of COVID-19. In the early months of 2020, with most traditional sales and distribution channels temporarily closed, e-commerce channels became a more popular retail model with consumers. Leveraging on this change in consumer behaviour, the Group was able to capitalise on its strategy to develop its online sales and distribution channels, and seize more business opportunities. As the impact of COVID-19 in China gradually subsided in the second half of 2020 and the work and lives of the Chinese people gradually returned to normal, the business, operations and financial performance of the Group have also resumed and recovered. The Group looks forward to leveraging its advantages and leadership in the industry to continue providing excellent products and services to its consumers and remains optimistic amidst this changing market environment.

As part of the Group's business strategy to solidify its market position, the Group worked to upgrade and improve the quality of its existing household care products, expand its product categories and strengthen premium product offerings in order to capture business opportunities resulting from the increased awareness of public and personal health and hygiene, enhanced consumption demands, and growing consumer preferences for convenient cleaning solutions in China. At the same time, the Group also strived to win consumers' trust by promoting scientific cleaning knowledge via the Company's online and offline channels, and enriching its consumer services.

The Group's product development evolves around consumers and is driven by innovation to provide better cleaning solutions for consumers in the PRC. In the past year, in face of the ever-changing social developments and COVID-19, the Group launched a variety of new products in the fields of personal care, fabric care, and other cleaning tools in order to meet the diverse cleaning needs of consumers. For instance, in the past year, the Group launched a new type of antibacterial foaming liquid soap, named Blue Moon foam Antibacterial Liquid Soap (藍月亮泡沫抑菌洗手液), that effectively suppresses bacteria and provides extended period of protection after each wash. The Group also introduced the Foam Time Kitchen Liquid Soap (泡沫時光廚房洗手液), a kitchen liquid soap which utilises deodorization technology to remove odour residues, with amino acid surfactant as the main active ingredient.

The Group also upgraded and launched new versions of the following products in the past year:

- Blue Moon Concentrated Softener (藍月亮濃縮柔順劑), a concentrated softener that adopts the technology of densely arranged soft molecules to make clothes more supple after washing.

- Blue Moonlight Bleach (藍色月光色漬淨), a stain remover that adopts a new generation of professional high-energy reactive oxygen species stain removal technology to remove stains while eliminating bacteria at the same time.

In addition, the Group also expanded its existing product offerings and developed cleaning tools to further meet the cleaning needs of customers. In particular, the Group developed the following cleaning tool in the past year:

- Moon House Dishwashing Cloth (月亮小屋洗碗網花), a dishwashing net flower, which is a new type of tableware cleaning tool with invention patent that adopts an innovative three-dimensional netting structure, which can continuously generate foam and can remove all kinds of stains efficiently while being gentle on tableware surfaces.

The Group also expanded its high-end product offering in order to capture more spending from the higher-end market and to strengthen its position as a high-end personal care brand. In the past year, the Group upgraded the Jinxiang Amino Acid Liquid Soap (淨享氨基酸洗手露) which uses an innovative hydration balance technology to reduce moisture loss and avoid drying out hands after washing. In terms of packaging, the Group also actively responded to the national call for green living, environmental protection and resources conservation and introduced refill packages to aid the sustainable use of resources, and development of society.

In 2020, the Company was ranked first in brand power in the industry in the liquid laundry detergent and liquid soap category for the tenth consecutive year. During the Singles' Day events in 2020, the Company topped the bestselling lists of laundry detergents on certain major e-commerce platforms. Relying on years of development in e-commerce and having built extensive offline network, the Group was able to optimize its omni-channel sales and distribution infrastructure, and to increase its product penetration even further. During the year, the Group consolidated its partnership with major e-commerce platforms and took advantage of e-commerce platforms' strategic initiatives to deepen its product penetration and reach a broader consumer base. In the meantime, the Group continued to strengthen its cooperation offline with national and regional retailers and distributors and leverage the extensive offline network of these customers to better serve its consumers in local communities. The Group has also increased its offline retail coverage to include new retail locations such as pharmacies, cosmetics stores, maternity stores and gas stations.

During the past year, the Group has further enhanced its engagement with consumers through a series of value-added services and activities which complemented its product sales. The Group continued to carry out its knowledge-based marketing strategy to provide household care-related knowledge and insights to consumers based on its research and production experience. Through the customer service hotline, online consultations and other after-sales services, the Group was able to increase its consumer reach and serve consumers in more ways, while also refining its strategy to better suit consumers' preferences based on the insights collected.

During the past year, the Group has also firmly practiced its business initiative of becoming a socially responsible enterprise and putting the health and wellbeing of people as one of its top initiatives. After a short period of business suspension due to the sudden outbreak of COVID-19 in early 2020, the Group resumed its production of disinfectant products at full capacity on 26 January 2020 and was committed to delivering its products to more people in need during the COVID-19 pandemic. The Group donated RMB5.3 million worth of disinfectant products to non-profit organisations in Hubei Province to support the supply to medical personnel and the public. As a result of its efforts and contributions, Blue Moon received the 2020 Responsible Brand Award at the China Charity Festival. As the impact of COVID-19 subsides in China and the Group's businesses, operations and financial performance resume and recover, the Company would continually provide excellent products and services to its consumers.

Outlook, Future Prospects and Strategies

The Chinese economy was adversely affected by the outbreak of COVID-19 in the past year, and the business and financial outcomes of the Group in early 2020 were similarly adversely affected.

Compared with other industries, however, China's household care industry in which the Group operates, suffered a relatively modest negative impact. Despite the economic downturn and ongoing COVID-19 pandemic situation during the early months of the year, the household care industry was able to recover quickly as a result of the increased demand for household care products. As a result, while China and other parts of the world are actively fighting COVID-19 with vaccines, quarantines and other measures and striving to restore normal economic and social activities, the Group remains optimistic regarding prospects for the household care product industry as well as its business operations.

As a core strategy of the Group's business, the Group plans to expand and upgrade its product offerings to solidify its leading market position. To achieve these strategies, the Group will continue to focus on the research and development of new products, upgrade existing products based on consumer feedback and industry knowhow and expand into new product categories when appropriate opportunities arise.

The Group considers its omni-channel sales and distribution network to be a vital part of its success and competitive advantage. As a result, the Group plans to further strengthen its omni-channel distribution network and increase product penetration. Specific measures include to continue solidifying its leadership in online channels, including leveraging major e-commerce platforms, and expand into emerging platforms such as social e-commerce and the online procurement systems of corporations. Furthermore, the Group intends to strengthen its cooperation with offline distributors to better serve consumers in local communities, and to capture opportunities across different city tiers in China.

The Group intends to continue to win consumers' trust through promotion of scientific cleaning knowledge. The Group differentiates itself by consistently delivering scientific household care knowledge to its consumers. The Group is committed to building a trustworthy brand underpinned by science and professionalism. The Group believes that, as its consumers gain more household care related knowledge, they will increasingly rely on the Group to deliver the lifestyle they deserve.

The Group plans to improve consumer experience by enriching its services. The Group intends to deliver to consumers a carefree "Blue Moon" lifestyle by providing a full suite of products and services. The Group's laundry services help consumers clean stains that are difficult to remove, its cleaning consultants provide consumers with professional advice and its customer service staff offer product support. By strengthening interactions with consumers, the Group obtains a better understanding of their consumption needs which enables the Group to develop better products and increase customer loyalty.

The Group plans to accelerate digitalisation and upgrade manufacturing network to further improve operational efficiency. Specific measures include to continue investing in technology infrastructure to enhance the digitalisation of the Group's systems and to improve the operational efficiency of different aspects of its business, including sales and distribution, supply chain and inventory management and logistics management.

The Group's employees are its most valuable and essential asset, facilitating its success and sustainable development. The Group aims to continuously attract, train and retain high-calibre employees and talent. Moreover, the Group will strive to offer employees a platform to achieve their career aspirations so that both the Group and its employees can succeed. The Group also intends to attract talented individuals who are specialists in relevant skills to support the growth of its business.

Financial Review

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$6,996.3 million, which remained relatively stable as compared to approximately HK$7,049.9 million for the year ended 31 December 2019. The Group recorded operating profit of approximately HK$1,746.1 million, which represents an increase of approximately 16.3% compared to that of the year ended 31 December 2019.

Revenue

The Group's revenue remained relatively stable at approximately HK$6,996.3 million for the year ended 31 December 2020. It was primarily due to a decrease in the sales of fabric care products, which is largely offset by an increase in the sales of personal hygiene products and home care products, both attributable to the impact of COVID-19. While COVID-19 weakened the consumers' demand for fabric care products as consumers temporarily reduced outdoor activities due to social distancing during COVID-19, it has increased consumers' awareness of personal hygiene, which in turn results in significant growth in the revenue generated from sales of personal hygiene products and home care products. The following table sets forth a breakdown of the Group's revenue from sales of products by product category for the periods indicated.

	Year ended 31 December				
	2020		2019		
	Revenue HK$'000	Total (%)	Revenue HK$'000	Total (%)	Change (%)
Fabric care products	5,595,885	80.0	6,177,613	87.6	(9.4)
Personal hygiene products	835,738	11.9	418,545	5.9	99.7
Home care products	564,725	8.1	453,747	6.5	24.5
Total	6,996,348	100.0	7,049,905	100.0	(0.8)

The Group sells products through online sales channels (primarily e-commerce platforms and online stores), key account clients (primarily hypermarkets and supermarkets) and offline distributors. The following table sets forth a breakdown of the Group's revenue contribution by channel for the periods indicated.

	Year ended 31 December				
	2020		2019		
	Revenue HK$'000	Total (%)	Revenue HK$'000	Total (%)	Change (%)
Online sales channels	**3,774,453**	**53.9**	3,328,158	47.2	13.4
Direct sales to key account clients	**993,642**	**14.2**	996,582	14.1	(0.3)
Offline distributors	**2,228,253**	**31.9**	2,725,165	38.7	(18.2)
Total	**6,996,348**	**100.0**	7,049,905	100.0	(0.8)

Cost of Sales

Costs of sales remained relatively stable at approximately HK$2,482.6 million for the year ended 31 December 2020 as compared to approximately HK$2,526.9 million for the year ended 31 December 2019.

Gross Profit

The Group's gross profit remained relatively stable at approximately HK$4,513.8 million for the year ended 31 December 2020 as compared to approximately HK$4.523.0 million for the year ended 31 December 2019. The gross profit margin remained relatively stable at 64.5% for 2020 as compared to 64.2% for 2019.

Other Income and Other Gains, Net

The Group's net other income and other gains increased by approximately 40.0% from approximately HK$51.5 million for the year ended 31 December 2019 to approximately HK$72.1 million for the year ended 31 December 2020, primarily due to an increase in government grants to offset the impact of COVID-19.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 13.2% from approximately HK$2,323.1 million for the year ended 31 December 2019 to approximately HK$2,016.6 million for the year ended 31 December 2020, primarily due to the decrease in employee benefit expenses as the Group (i) temporarily streamlined its offline sales force due to less customer traffic in offline channels as a result of COVID-19 and subsequently optimised its sales force; and (ii) benefited from government subsidies in response to COVID-19 that reduced its employee social insurance expenses.

General and Administrative Expenses

General and administrative expenses increased by approximately 10.0% from approximately HK$747.8 million for the year ended 31 December 2019 to approximately HK$822.4 million for the year ended 31 December 2020, primarily due to the listing expenses incurred in 2020 related to the Company's listing in Hong Kong.

Provision for impairment losses of financial assets

Additional provision for impairment losses of financial assets amounted to approximately HK$0.8 million was provided for during the year, primarily due to increase in gross trade receivables as at 31 December 2020 as compared to 31 December 2019.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 16.3% from approximately HK$1,501.8 million for the year ended 31 December 2019 to approximately HK$1,746.1 million for the year ended 31 December 2020.

Finance Income and Costs

Finance income increased by approximately 89.5% from approximately HK$5.7 million for the year ended 31 December 2019 to approximately HK$10.8 million for the year ended 31 December 2020, primarily in line with the increase in bank balance during the year.

Finance costs decreased by approximately 77.3% from approximately HK$32.2 million for the year ended 31 December 2019 to approximately HK$7.3 million for the year ended 31 December 2020, primarily due to a decrease in interest expenses on bank borrowings due to early repayment in 2020.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by approximately 18.6% from approximately HK$1,475.2 million for the year ended 31 December 2019 to approximately HK$1,749.6 million for the year ended 31 December 2020.

Income Tax Expense

The Group's income tax expenses increased by approximately 11.3% from approximately HK$395.6 million for the year ended 31 December 2019 to approximately HK$440.2 million for the year ended 31 December 2020. The effective income tax rate decreased from approximately 26.8% for the year ended 31 December 2019 to approximately 25.2% for the year ended 31 December 2020, primarily due to deferred tax liabilities recognised for withholding tax to distribute substantially all the retained earnings of the PRC subsidiaries as at 31 December 2019 compared to deferred tax recognised based on the latest dividend payout policy of the Group for the current year.

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

As a result of the foregoing, the Group's profit as well as the profit attributable to equity holders of the Company increased by approximately 21.3% from approximately HK$1,079.6 million for the year ended 31 December 2019 to approximately HK$1,309.4 million for the year ended 31 December 2020.

Basic and Diluted Earnings Per Share

Earnings per share (basic and diluted) was approximately HK26.03 cents and HK25.97 cents for the year ended 31 December 2020, respectively.

Liquidity and Financial Resources

As at 31 December 2020, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents and restricted cash, amounted to approximately HK$10,938.9 million, an increase of approximately HK$10,222.9 million from approximately HK$716.0 million as at 31 December 2019. The increase in bank deposits and cash was primarily due to the funds raised by the Group from the listing and large amount of funds generated from substantial growth of the Group's performance.

As at 31 December 2020, the net current assets of the Group were approximately HK$9,794.3 million (31 December 2019: approximately HK$1,354.9 million). The Group's current ratio (current assets/current liabilities) was approximately 3.48 times (31 December 2019: approximately 1.76 times).

As at 31 December 2020, the Group did not have any borrowings (31 December 2019: HK$413,925,000). Gearing ratio is not applicable as at 31 December 2020 (31 December 2019: 14% which is calculated using total bank borrowings divided by total equity).

Capital Expenditure and Capital Commitment

During the year ended 31 December 2020, the capital expenditure of the Group was approximately HK$339.4 million, which was primarily used to finance the Group's production capacity expansion for its production bases and the development of computer software.

As at 31 December 2020, the capital commitment of the Group amounted to approximately HK$187.0 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 2020, buildings and land use rights with the carrying amounts of approximately HK$186.6 million and HK$229.1 million (31 December 2019: approximately HK$202.8 million and HK$220.1 million), respectively, were pledged to banks to secure certain bank facilities of the Group.

As at 31 December 2020, the Group had restricted cash in the amount of HK$17.8 million (31 December 2019: approximately HK$25.9 million) which was placed in the bank to secure certain bank facilities.

Exposure to Foreign Exchange

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

Contingent Liabilities

As at 31 December 2020, 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 2020.

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 2020, the Group had obtained a total of 678 registered trademarks, 158 patents and 173 copyrights in China.

Human Resources

The Group had approximately 7,898 employees as at 31 December 2020. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis for rewarding individual performance and contributions to the Group's achievement and results.

Awards

The Group has received numerous awards and recognitions in recognition of its brand, business operations, products and corporate social responsibility achievements. The table below sets forth a summary of significant awards and recognitions that the Group has received during the year ended 31 December 2020:

	Awards/Certifications	Awarding Body
1.	China Environmental Label Outstanding Enterprise (中國環境標誌優秀企業)	Ecosystem Development Centre (生態環境發展中心)
2.	National COVID-19 Pandemic Prevention and Control Essential Enterprise (全國性疫情防控重點保障企業)	Ministry of Industry and Information Technology of China
3.	Guangdong Provincial Intellectual Property (廣東省知識產權示範企業)	Guangdong Administration for Market Regulation (Guangdong Intellectual Property Administration) (廣東省市場監督管理局(知識產權局))
4.	China Community Festival Responsible Brand of 2020 (中國公益節2020年度責任品牌)	China Community Festival Organizing Committee (中國公益節組委會)
5.	Ranked first in the China Brand Power Index (C-BPI 黃金品牌) of Liquid Laundry Detergent and Liquid Soap	Chnbrand (中國企業品牌顧問有限公司)
6.	Guangdong and Hong Kong Cleaner Production Outstanding Participant (Manufacturing) (粵港清潔生產優越夥伴(製造業))	Environment Bureau of Hong Kong

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 2020. All references in this section to other sections, parts of or notes in this annual report, form part of this Report of the Directors section.

Principal Activities

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

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the "Management Discussion and Analysis" section on pages 12 to 19 of this annual report.

A description of the possible 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 19 of this annual report.

Additionally, the financial risk management objectives and policies of the Company can be found in note 3 to the consolidated financial statements. These discussions form part of this Directors' Report.

Results and Dividends

The results of the Group for the year ended 31 December 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 69 to 141.

In January 2020, the Company declared a dividend in the amount of HK$36.6 million to ZED Group Limited ("**ZED**"), which is wholly owned by Ms. PAN Dong, one of the Company's controlling shareholders and was the Company's sole Shareholder until November 2010, in respect of the Company's retained earnings for the periods up to 31 December 2009. During the year ended 31 December 2020, the Company paid the total outstanding dividends payable to ZED in the aggregate amount of HK$84.9 million using the Company's internal resources.

In June 2020, the Company declared an interim dividend to the Company's then sole Shareholder, being Aswann Ventures Limited, in the amount of HK$2,300.0 million in respect of the Company's retained earnings for the period up to 30 June 2020. The interim dividend was paid on 18 January 2021 and 1 February 2021.

The Board recommended the payment of a final dividend for the year ended 31 December 2020 of HK6.9 cents per ordinary share, totalling HK$396.6 million.

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company ("**AGM**") will be held on Friday, 25 June 2021. The notice of AGM will be sent to the shareholders of the Company (the "**Shareholders**") on Friday, 30 April 2021.

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

(a) For the purpose of ascertaining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 21 June 2021.

(b) The final dividend will be payable on or about Friday, 30 July 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 7 July 2021. For the purpose of ascertaining Shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Monday, 5 July 2021 to Wednesday, 7 July 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the above mentioned final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Friday, 2 July 2021.

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 142 of this annual report. The summary does not form part of the audited financial statements.

Share Capital

The Company had 5,747,126,500 Shares in issue as at 31 December 2020. Details of the movements in the Shares during the year are set out in note 22 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2020, distributable reserves of the Company amounted to approximately HK$9,973.1 million (2019: HK$36.7 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 2020 amounted to approximately HK$20.3 million (2019: HK$16.2 million).

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of HK$269.1 million (2019: HK$234.7 million). Details of the movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 29 to the consolidated financial statements.

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 36.8% (2019: 36.2%) of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for approximately 17.0% (2019: 14.4%) of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 36.5% (2019: 36.1%) of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 9.1% (2019: 8.4%) of the Group's total purchases for the year.

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

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Directors

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

Executive Directors
Ms. PAN Dong *(Chairman)*
Mr. LUO Qiuping *(Chief Executive Officer)*
Ms. LUO Dong
Mr. POON Kwok Leung *(appointed on 22 June 2020)*
Ms. XIAO Haishan *(appointed on 22 June 2020)*

Non-executive Director
Mr. CAO Wei *(appointed on 22 June 2020)*

Independent Non-executive Directors
Mr. Bruno Robert MERCIER *(appointed on 22 June 2020[1])*
Ms. NGAN Edith Manling *(appointed on 22 June 2020[1])*
Mr. HU Yebi *(appointed on 22 June 2020[1])*

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

In addition, pursuant to Article 83(3) of the Articles of Association, Mr. CAO Wei, Mr. Bruno Robert MERCIER[1], Ms. NGAN Edith Manling[1] and Mr. HU Yebi[1], who were appointed on 22 June 2020, will hold office until the next AGM. They shall then retire at the forthcoming AGM. Mr. CAO Wei, Mr. Bruno Robert MERCIER[1], Ms. NGAN Edith Manling[1] and Mr. HU Yebi[1], being eligible, will offer themselves for re-election.

Note:

1. The respective appointment of Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi was with effect from 4 December 2020, being the date of the Prospectus.

Change in Directors' Information

Save for Ms. NGAN Edith Manling and Mr. Bruno Robert MERCIER, there are no other changes in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51 B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The biographical details of the Directors and senior management as at the date of this annual report are set out in this annual report on pages 38 to 47.

Confirmation of Independence

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

Directors' Service Contracts

Each of the Directors has signed an appointment letter with the Company for an initial term of three years or until the third AGM since 16 December 2020 (being the date on which the ordinary share(s) in the share capital of the Company with a par value of HK$0.01 each (the "**Shares**") are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange) (whichever is earlier), subject to rotation, re-nomination and re-election as and when required under the Articles of Association and the Listing Rules.

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

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, were subsisting during or at the end of the year ended 31 December 2020, except as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and note 9 to the financial statements.

Directors' Interests in Competing Business

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

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

As at 31 December 2020, the interests and/or short positions (as applicable) of the Directors in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the Company's associated corporations ("**Associated Corporations**") (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

(i) The Company

Directors	Nature of Interest	Number of Shares	Approximate % of Shares held[1]
Ms. PAN Dong[2]	Interest in controlled corporation	4,446,000,000	77.36
Mr. LUO Qiuping[2]	Interest of spouse	4,446,000,000	77.36
Ms. LUO Dong[3]	Beneficial owner	4,800,000	0.08
Mr. POON Kwok Leung[4][5]	Beneficial owner	1,000,000	0.02
	Interest in controlled corporation	3,500,000	0.06
Ms. XIAO Haishan[6]	Beneficial owner	1,000,000	0.02

Notes:

(1) As at 31 December 2020, the total number of issued Shares was 5,747,126,500.

(2) Ms. PAN Dong was the sole shareholder of ZED, which in turn held (i) directly 77.17% 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 adopted by the Board on 23 September 2020 (the "**Pre-IPO Share Option Scheme**") to subscribe for 4,800,000 Shares.

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

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

(6) Ms. XIAO Haishan was granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares.

(ii) Associated Corporations

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

Note:

(1) Ms. PAN Dong was the sole shareholder of ZED, which held the entire issued shares of VGL. Therefore, each of Ms. PAN and Mr. LUO (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 Pre-IPO 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 annual 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.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2020, the interests of the persons (other than the Directors) in the Shares or underlying Shares (within the meaning of Part XV of the SFO) of the Company which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of Interest	Number of Shares	Approximate % of shareholding[(1)]
ZED[(2)]	Beneficial owner/Interest in controlled corporation	4,446,000,000	77.36
HCM BM HOLDINGS, LTD.[(3)]	Beneficial owner	500,000,000	8.70
GAOLING FUND L.P.[(3)]	Beneficial owner/Interest in controlled corporation	532,843,000	9.27
HILLHOUSE CAPITAL ADVISORS, LTD.[(3)]	Interest in controlled corporation	534,500,000	9.30

Notes:

(1) As at 31 December 2020, the total number of issued Shares was 5,747,126,500.

(2) ZED held (i) 77.17% Shares directly and (ii) indirectly (as the sole shareholder of VGL) 0.19% shares of the Company. Therefore, ZED was deemed or taken to be interested in all the Shares which were beneficially owned by VGL for the purpose of Part XV of the SFO. Each of Ms. PAN Dong and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the Shares which were beneficially owned by ZED and VGL for the purpose of Part XV of the SFO.

(3) HCM BM Holdings, Ltd. was a company incorporated under the laws of the BVI with limited liability and was owned as to 95.32% by Gaoling Fund L.P., whose sole investment manager is Hillhouse Capital Advisors, Ltd. Gaoling Fund L.P. was a beneficial owner of 32,843,000 Shares. Hillhouse Capital Advisors, Ltd.'s interest also included the beneficial interest in 1,657,000 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 2020, 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 2020, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares). All the share options have been granted before the first date on which the Shares are listed and traded on the Main Board of the Stock Exchange (being 16 December 2020) (the "**Listing Date**"). For further details, please refer to the subsection headed "Pre-IPO Share Option Scheme" below. Save as otherwise disclosed in this annual report, there was no other equity-linked agreement entered into by the Company during the year ended 31 December 2020.

Pre-IPO Share Option Scheme

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

(i) Purpose

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

(ii) Who may join

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

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

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

(iii) Maximum number of Shares

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

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

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

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

(v) Exercise price for Shares

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

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

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

(vii) Outstanding options granted

On 23 September 2020 (being the date of grant), pursuant to the Pre-IPO Share Option Scheme, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares) to 684 grantees. The grantees comprise three Directors and 681 existing employees (including members of the senior management of the Group) 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.

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

		Number of options							
Name of Grantee	Date of grant	Outstanding options as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding options as at 31 December 2020	Exercise Price per Share (HK$)	Option Period
Directors of the Company									
Ms. LUO Dong	23 September 2020	–	4,800,000	–	–	–	4,800,000	HK$3.76	10 years from the date of Grant
Mr. POON Kwok Leung	23 September 2020	–	1,000,000	–	–	–	1,000,000	HK$3.76	10 years from the date of Grant
Ms. XIAO Haishan	23 September 2020	–	1,000,000	–	–	–	1,000,000	HK$3.76	10 years from the date of Grant
Others									
681 grantees comprising existing employees (including members of the senior management of the Group) and Business Associates of the Group	23 September 2020	–	54,851,000	–	–	–	54,851,000	HK$3.76	10 years from the date of grant
Total:		–	61,651,000	–	–	–	61,651,000		

Save as disclosed above, during the year ended 31 December 2020, 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.

Related Party Transactions

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

Connected Transactions and Continuing Connected Transactions

During the period between 1 January 2020 to 31 December 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 relying heavily 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 for the 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 2020 was HK$4,042,600.

The total amount incurred by the Company under the Master Purchase Framework Agreement for the year ended 31 December 2020 was HK$3,861,374. The Company has followed its pricing policies and guidelines in respect of the transactions entered into under the Master Purchase Framework Agreement when determining the price and terms of the transactions conducted during the financial year.

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

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

Confirmation by the Independent Non-executive Directors

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

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

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

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

Confirmation by the Auditor

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

(i) have not been approved by the Board;

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

(iii) have exceeded the relevant annual caps.

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

Retirement and Pension Scheme

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

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

From the Listing Date and up to the date of this annual 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/her duty, or supposed duty, in his/her respective offices or trusts.

Management Contract

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

Use of Proceeds from the Company's Global Offering

The net proceeds (the "**Net Proceeds**") from the initial public offering of the Shares 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 commissions and other estimated expenses, of HK$11,004 million are and will be utilised as stated in the Prospectus.

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

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, from the Listing Date to the date of this annual report, the Company has maintained the prescribed minimum public float under the Listing Rules.

Environment, Social and Governance

Further details of the Group's commitment and strategies to sustainability 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 2020 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2020, which will be published on the websites of the Company and the Stock Exchange by the end of May 2021.

Events after the year ended 31 December 2020

On 28 June 2020, the Company declared an interim dividend of HK$2,300,000,000 to the then immediate sole shareholder of the Company. Subsequent to 31 December 2020, the dividend was fully paid by the Group using its internal resources and the drawdown of a term loan facility pursuant to the Facility Agreement (as defined in the Prospectus).

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

Saved as disclosed above, there are no other significant events subsequent to 31 December 2020 which would materially affect the Group's operating and financial performance as of the date of this annual report.

Auditor

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, which will retire at the conclusion of the forthcoming annual general meeting 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 annual general meeting.

On behalf of the Board

PAN Dong
Chairman
Hong Kong, 29 March 2021

Board of Directors and Senior Management

Executive Directors

Ms. PAN Dong (潘東), aged 55, was appointed as a Director and the Chairman of the Company on 27 December 2007. She was re-designated as an Executive Director on 22 June 2020. She is primarily responsible for the technological development of the Group. She joined the Group on 1 August 1997 as the Chief Technology Officer and has served as the director of Blue Moon Group Limited (藍月亮國際集團有限公司) ("**Blue Moon Group**") since November 1997. In addition, she currently acts as the director of Guangzhou Blue Moon Industrial Co., Ltd. (廣州藍月亮實業有限公司) ("**Blue Moon Industrial"**), Blue Moon (BVI) Limited and Villa La Luna Group Limited (月亮小屋國際集團有限公司). She is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Ms. PAN is the wife of Mr. LUO.

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

Ms. PAN has been the deputy chairman of the Eighth Council of China Cleaning Industry Association (中國洗滌用品工業協會) ("**CCIA**") since November 2018. She has also been a member of National Standardisation Technical Committee on Surfactant and Fabric Care Products (TC272) (全國表面活性劑和洗滌用品標準化技術委員會) and the deputy chairman of the Detergent Sub-committee of National Standardisation Technical Committee on Surfactant and Fabric Care Products (TC272/SC2) (全國表面活性劑和洗滌用品標準化技術委員會洗滌用品分技術委員會) since May 2010. She was appointed as an adviser of the third editorial committee of the Journal of China Cleaning Industry (《中國洗滌用品工業》) in August 2019.

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

Mr. LUO Qiuping (羅秋平), aged 57, was appointed as a Director and the chief executive officer of the Company on 12 February 2008. He was re-designated as an Executive Director on 22 June 2020. He is primarily responsible for the strategic planning and overall management of the Group. Mr. LUO joined the Group as a director of Blue Moon Group in November 1994 and has been acting as the Chief Executive Officer of the Group since December 1994. He currently also serves as the director of Blue Moon Industrial and the executive director of Blue Moon (Tianjin) Co., Ltd. (藍月亮(天津)有限公司) ("**Blue Moon Tianjin**") and Blue Moon (Kunshan) Industrial Co., Ltd (藍月亮(昆山)實業有限公司) ("**Blue Moon Kunshan**"). Mr. LUO is the husband of Ms. PAN.

Mr. LUO has more than 30 years of experience in the household care industry. Prior to joining the Group, he worked at Daoming Company from April 1990 to June 1994, including serving as its general manager. Daoming Company is a company that engages in the manufacture and sales of raw materials, including at the time "Blue Moon (藍月亮)" brand cleaning products. He later founded Guangzhou Blue Moon Co., Ltd. (廣州藍月亮有限公司) ("**Guangzhou Blue Moon Company**") in December 1994 and served as its general manager until its dissolution in April 2012.

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

Ms. LUO Dong (羅東), aged 47, was appointed as a Director of the Company on 12 February 2008. She was re-designated as an Executive Director on 22 June 2020. She is responsible for the supply chain management of the Group. Ms. LUO joined the Group in December 2005. She has been working as the chief supply officer of the Group since 1 December 2005. She has also served as a director of Blue Moon Group since July 2007. In addition, she currently acts as the general manager of Blue Moon Tianjin, Blue Moon Kunshan and Blue Moon (Guangzhou) Co., Ltd. (藍月亮(廣州)有限公司) ("**Blue Moon Guangzhou**"), as well as the general manager of Blue Moon Industrial. She is also currently the executive director of Moon House (Nantong) Washing Co., Ltd. (月亮小屋(南通)洗滌有限公司).

Ms. LUO has 25 years of experience in the operation, purchase and manufacture management of the "Blue Moon (藍月亮)" brand products. Ms. LUO worked at Daoming Company as the project development engineer from July 1993 to November 1994. She joined Guangzhou Blue Moon Company in December 1994 and acted as the project development engineer and technology engineer from December 1994 to December 1995. She also held various positions successively in Guangzhou Blue Moon Company between December 1995 and November 2002, including the head of the laboratory, the head of the department of quality inspection, assistant manager of the technical quality department and the manager of the finished product department, and was primarily responsible for the manufacture management of household care products. She acted as the chief supply officer of Guangzhou Blue Moon Company from November 2002 to November 2005, and she was primarily responsible for the supply chain management of Guangzhou Blue Moon Company.

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

Mr. POON Kwok Leung (潘國樑), aged 41, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020. Mr. POON joined the Group in May 2008 as the financial controller. He was later appointed as the chief financial officer of the Group on 1 March 2016. He is responsible for the management of financial accounts and financing matters of the Group.

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

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

Ms. XIAO Haishan (肖海珊), aged 44, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020 and as the Chief Operation Officer of the Group on 1 July 2017. She is responsible for the operation and human resource management of the Group. Ms. XIAO first joined the Group in February 2011. From February 2011 to June 2017, she held various positions in the Group successively, including the assistant of the Group's chief executive officer, the operation director and the head of human resource centre of the Group. She currently acts as the executive director and general manager of Blue Moon (Chongqing) Co., Ltd. (藍月亮(重慶)有限公司), as well as the executive director of Xingshuo (Guangzhou) Industrial Co., Ltd. (星朔(廣州)實業有限公司), Blue Moon Guangzhou, Moon House (Shenzhen) Data Technology Co., Ltd. (月亮小屋(深圳)數據技術有限公司), Villa La Luna (China) Co., Ltd. (月亮小屋(中國)有限公司) ("**Villa La Luna**") and Blue Moon (China) Co., Ltd. (藍月亮(中國)有限公司) ("**Blue Moon China**"). She is also a member of the Remuneration Committee of the Company.

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

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

Non-Executive Director

Mr. CAO Wei (曹偉), aged 42, was appointed as a Non-executive Director of the Company on 22 June 2020. He is primarily responsible for participating in decision making of important matters of the Group. He is a member of the Audit Committee of the Company.

Mr. CAO has more than 10 years of experience in finance and investment management. From July 2003 to August 2004, Mr. CAO was an associate at Boston Consulting (Shanghai) Co., Ltd., a management consulting firm where Mr. CAO was primarily responsible for conducting consulting projects for clients in Greater China. He later worked in Warburg Pincus, an investment management firm, as a principal from September 2004 to June 2014, where he was responsible for the investment consulting in the consumer and retail sectors in Greater China. Since July 2014, Mr. CAO has been working in Hillhouse Yali (Beijing) Investment Consulting Company Limited (高瓴雅禮(北京)投資諮詢有限公司) ("**Hillhouse Yali**"). He is currently a partner of Hillhouse Yali and is primarily responsible for private equity investment in consumer and retail industries. Mr. CAO has also been appointed as the director of Bestore Co., Ltd. (stock code: 603719.SH) since November 2017, the independent non-executive director of People.cn Co., Ltd, (stock code: 603000.SH) since December 2017 and a director of Gongniu Group Co., Ltd. (stock code: 603195.SH) since December 2017, each a company listed on the Shanghai Stock Exchange.

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

Mr. MERCIER is currently a board director of Home Chain Foods International (the holder of the Burger King franchise in Taiwan) and Gramona SA, a family-owned Spanish premium winery.

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.

Ms. NGAN Edith Manling (顏文玲), aged 56, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. She is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Ms. NGAN is currently an independent non-executive director of the boards of the Tencent Music Entertainment Group, a company listed on the New York Stock Exchange and Blue Insurance Limited ("**Blue**"), a regulated entity of the Hong Kong Insurance Authority. She is the chairman of the Audit Committee of both companies, and a member of the Risk Committee at Blue.

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

Ms. NGAN is also an active member of the community and serves on various investment committees of government funds. She was the chairman of the Audit Committee of Lingnan University between 2014 and 2018 during her tenure as Council Member from 2012 to 2018. Ms. NGAN is currently a member of both the Hong Kong SAR Government Standing Commissions on Civil Service Pay and Conditions of Service, and on Disciplined Services Salaries and Conditions of Service and serves 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 57, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Mr. HU is responsible for supervising and providing independent judgement to the Board. He is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

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

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

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

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

Senior Management

Mr. LIU Zhiqiang (劉志強), aged 39, was appointed as the general manager of the E-commerce Centre of the Group on 1 July 2016. He joined the Group in July 2006. He is responsible for the operation and development of the e-commerce business of the Group. He is currently the general manager of Villa La Luna and Blue Moon China.

From July 2006 to December 2009, he acted as the Group's channel promotion associate, brand associate and media associate successively. He also held various positions successively, including the media supervisor, the media manager and the director of the Communication Centre, from December 2009 to February 2014. Before he was appointed as the general manager of the E-commerce Centre, he was the director of the marketing department from March 2014 to June 2016.

He graduated from Wuhan University with a bachelor's degree in public service administration in June 2006.

Mr. CHEN Mingliang (陳明亮), aged 44, was appointed as the general manager of the Sales Centre of the Group on 1 October 2012. He is currently responsible for sales promotion of the Group's products and services. Mr. CHEN joined the Group in December 2005. From December 2005 to April 2007, he acted as the regional manager of the Group. He was later promoted to the national key account manager in May 2007 and to the national sales director in December 2008. He also acted as the general manager of Blue Moon China from January 2011 to April 2017. He currently acts as the executive director of Blue Moon (Guangzhou) Washing Technology Co., Ltd. (藍月亮(廣州)洗滌科技有限公司) ("**Blue Moon Washing Technology**"), Chengdu Moon House Washing Co., Ltd. (成都月亮小屋洗滌有限公司), Guangzhou Moon House Washing Co., Ltd. (廣州月亮小屋洗滌有限公司) and the general manager of Blue Moon Washing Technology.

Mr. CHEN has over 20 years of experience in the sales of cleaning products. Before joining the Group, he worked at Guangzhou Blue Moon Company from July 1999 to November 2005 as the sales representative and later the provincial regional manager.

He graduated from Heilongjiang Institute of Commerce (黑龍江商學院) with a bachelor's degree in marketing in July 1999.

Mr. ZHENG Xianglong (鄭翔龍), aged 42, was appointed as the general manager of the Research and Development Technology Centre of the Group on 1 January 2018. He is responsible for the technological development of the Group's products. Mr. ZHENG joined the Group in July 2005 as a research and development engineer. He was the research and development manager of the Group from January 2010 to June 2015. He then served as the manager of the development department from June 2015 to December 2017.

Mr. ZHENG has extensive experience in the development of cleaning products. He has been appointed as a China patent examination technological expert of the National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局) since November 2017, where he was primarily responsible for providing technical support for the examination of patent applications.

He has also served as a member of the Science & Technology Committee of CCIA since September 2014, and a member of the expert committee of CCIA since April 2016. In addition, he has been an executive member of the council of Detergent & Cosmetics (《日用化學品科學》), a leading journal on pioneer technologies in global detergent and cosmetic industries, since July 2017.

Mr. ZHENG graduated from Tsinghua University with a bachelor's degree in chemical engineering and technology in July 2000. He then joined the doctorate programme at Tsinghua University and graduated with both a master's degree and a doctorate degree in chemical engineering and technology in July 2005.

Mr. LIN Shangpeng (林尚鵬), aged 56, was appointed as the head of the BM Laundry Academy on 18 June 2015. He is responsible for the research and development of professional cleaning technology of the Group. Mr. LIN joined the Group in December 2005 and served as the manager of the development department from December 2005 to June 2015.

Before joining the Group, he worked at Guangzhou Blue Moon Company and acted as an engineer of the development department from October 1997 to November 2003, and later the manager of the development department from December 2003 to November 2005.

In addition to his involvement in the Group, Mr. LIN also actively participates in various associations in the cleaning industry. He has acted as a member of the editorial committee of the Journal of China Cleaning Industry (《中國洗滌用品工業》) since December 2006. He was also an expert of the Fragrance, Cosmetics and Cleaning Products Professional Branch of Guangdong Light Industries Association (廣東省輕工業協會香料香精化妝品洗滌用品專業分會) from April 2009 to April 2012. He also acted as the Guangzhou standardising expert of the Quality & Technology Supervision Bureau of Guangzhou Municipality (廣州市質量技術監督局) from April 2009 to April 2014. Since August 2013, he has been a member of the Detergent and Disinfectant for Food Appliances Committee (SAC/TC395) (全國食品用洗滌消毒產品標準化技術委員會). He was also appointed as the deputy chairman of the First Daily Chemical Products Committee of The Chemical Industry and Engineering Society of China (中國化工學會第一屆日用化學品專業委員會) in July 2019 for a term of five years.

Mr. LIN graduated from Sun Yat-sen University with a bachelor's degree in chemistry and a master's degree in analytical chemistry in July 1984 and July 1987, respectively.

Mr. MIN Jianhua (閔建華), aged 37, was appointed as general manager of the Product Centre of the Group on 1 May 2013. He is responsible for the planning and development of the Group's brand and product lines. He joined the Group in January 2007. From January 2007 to October 2010, he had held various positions successively, including the regional trade market associate, the head of the city planning team and the product associate. He then served as the product manager of the marketing department from November 2010 to April 2013.

Mr. MIN graduated from Yangtze University (長江大學) with a bachelor's degree in agriculture in July 2006.

Mr. ZENG Liqun (曾立群), aged 38, was appointed as the general manager of the Communication Centre of the Group on 1 August 2018. He is responsible for the communication and public relations of the Group. Mr. ZENG joined the Group in August 2018.

Mr. ZENG has over 17 years of experience in product branding and marketing. He was the head of the planning team in Hangzhou Tingyuan Food Co., Ltd. (杭州頂園食品有限公司) from August 2002 to July 2006, where Mr. ZENG was responsible for Fuzhou marketing team's trade marketing planning. Prior to joining the Group, he worked at JDB (China) Drinks Co., Ltd. (加多寶(中國)飲料有限公司) from July 2006 to July 2018 where his last position was the brand director primarily responsible for developing the branding strategy of the company.

Mr. ZENG graduated from Bei Jing Business Management College (北京商業管理幹部學院) with an associate degree in business administration in July 2002. He received his postgraduate diploma with distinction from the University of Hong Kong in integrated marketing communications in October 2012.

Ms. XU Yuling (徐玉玲), aged 58, was appointed as general manager of the public affairs department of the Group on 1 December 2015. She is responsible for company and legal affairs of the Group. She joined the Group in December 2005. From December 2005 to December 2008, she was the deputy manager of the sales department. She then served as the head of general manager's office from January 2009 to November 2015.

From September 1983 to June 1992, Ms. XU worked at Guangzhou Pearl River Paper Mill (廣州珠江造紙廠) as a technician where she was primarily responsible for technical work and Youth League Committee related work. She then took the role as a human resources manager at Guangzhou Economic and Technological Development Zone Kanghai Business Development Company (廣州經濟技術開發區康海企業發展有限公司) from July 1992 to February 1994, where she was primarily responsible for human resource management and administrative management. Ms. XU served as the human resources manager at Guangzhou Yuntong Technology Engineering Company Limited (廣州運通科技工程有限公司) from March 1994 to March 1995 where she was primarily responsible for human resource management. She joined Guangzhou Blue Moon Company in March 1995 and served as the manager of the personnel administration department from March 1995 to December 1998. She then acted as the deputy manager of the sales department from January 1999 to December 2005.

Ms. XU also actively participates in a number of associations promoting business and technological development. She has been the deputy vice chairman of Guangzhou Huangpu (Guangzhou Development Zone) Enterprise Confederation (廣州市黃埔區(廣州開發區)企業聯合會) since January 2018, a council member of Guangdong Hi-tech Enterprise Association (廣州市高新技術企業協會) since September 2018, and the vice chairman of Guangzhou Development Zone Association for Innovation and Technology (廣州開發區科技創新協會) since 2018. She has also been the vice chairman of Guangzhou Huangpu District Female Talents Development Promotion Association (廣州市黃埔區女性人才發展促進會) since April 2019, and vice chairman of the Guangzhou Huangpu Branch of China Council for the Promotion of International Trade (中國國際貿易促進委員會廣州市黃埔區委員會) since October 2019.

Ms. XU graduated from Guangzhou Vocational School of Light Industry (廣州市輕工中等專業學校) with a secondary degree in paper-making craftsmanship in September 1983. She completed the specialty training for party and government officials (黨政幹部專修科) and obtained an associate degree from Guangzhou Open University (廣州市廣播電視大學) in July 1987.

Company Secretary

Mr. POON Kwok Leung (潘國樑), aged 41, was appointed as the Company Secretary of the Company on 22 June 2020. Please refer to the subsection headed "Executive Directors — Mr. Poon Kwok Leung (潘國樑)" for his biographical details.

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules (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 period from the Listing Date to 31 December 2020.

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

Model Code for Securities Transactions by Directors

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

After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code from the Listing Date and up to the date of this annual report.

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 2020, 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 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.

Biographical details of the Directors and senior management of the Company as at the date of this annual report are set out on pages 38 to 47 of this annual report. Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the Shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

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

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

Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Ms. PAN Dong *(Chairman)*	—	✓	✓ *(Chairman)*
Mr. LUO Qiuping *(Chief Executive Officer)*	—	—	—
Ms. LUO Dong	—	—	—
Mr. POON Kwok Leung *(appointed on 22 June 2020)*	—	—	—
Ms. XIAO Haishan *(appointed on 22 June 2020)*	—	✓	—
Non-executive Director			
Mr. CAO Wei *(appointed on 22 June 2020)*	✓	—	—
Independent Non-executive Directors			
Mr. Bruno Robert MERCIER *(appointed on 22 June 2020)*[1]	✓	✓	✓
Ms. NGAN Edith Manling *(appointed on 22 June 2020)*[1]	✓ *(Chairman)*	✓	—
Mr. HU Yebi *(appointed on 22 June 2020)*[1]	—	✓ *(Chairman)*	✓

Note:

1. The respective appointment of Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi was with effect from 4 December 2020, being the date of the Prospectus.

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

For the year ended 31 December 2020, the Board convened a total of two 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 are as follows:

	Number of meetings attended/eligible to attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Ms. PAN Dong *(Chairman)*	2/2	N/A	-/-	-/-
Mr. LUO Qiuping *(Chief Executive Officer)*	2/2	N/A	N/A	N/A
Ms. LUO Dong	2/2	N/A	N/A	N/A
Mr. POON Kwok Leung *(appointed on 22 June 2020)*	2/2	N/A	N/A	N/A
Ms. XIAO Haishan *(appointed on 22 June 2020)*	2/2	N/A	-/-	N/A
Non-executive Director				
Mr. CAO Wei *(appointed on 22 June 2020)*	1/1	-/-	N/A	N/A
Independent Non-executive Directors				
Mr. Bruno Robert MERCIER *(appointed on 22 June 2020[1])*	1/1	-/-	-/-	-/-
Ms. NGAN Edith Manling *(appointed on 22 June 2020[1])*	1/1	-/-	-/-	N/A
Mr. HU Yebi *(appointed on 22 June 2020[1])*	1/1	N/A	-/-	-/-

Note:

1. The respective appointment of Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi was with effect from 4 December 2020, being the date of the Prospectus.

Under the code provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals. Since the Shares of the Company were listed on 16 December 2020, the Directors consider that they have complied with the CG Code even though the Board only had two meetings during the year ended 31 December 2020. Going forward, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals 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 2020, the Board has reviewed the Group's corporate governance policies and practices, training and continuous professional development of its Directors and senior management, the Model Code, and the Group's compliance with the CG Code.

Relationship Among the Directors

There are no financial, business, family or other material/relevant relationships between any members of the Board throughout the year ended 31 December 2020, save that Ms. PAN Dong is the wife of Mr. LUO Qiuping. In the Board's opinion, this relationship does not affect the Directors' independent judgement and integrity in executing their roles and responsibilities. The Non-executive Director and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

Responsibilities of the Board and the Management

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

Directors' Training

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

To meet this goal, each newly appointed Director would receive introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development programme pursuant to A.6.5 of the CG Code, the Company has also updated the directors of the Company of any material changes in the Listing Rules and corporate governance practices from time to time. During the year ended 31 December 2020, all directors of the Company attended induction training to ensure they are apprised of the latest development regarding the Listing Rules and other applicable statutory requirements on listed companies, and to refresh their knowledge and skills in relation to their contribution to the Board. In addition, all Directors of the Company are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the directors of the Company abreast of such duties and responsibilities.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

In addition, pursuant to Article 83(3) of the Articles of Association, Mr. CAO Wei, Mr. Bruno Robert MERCIER[1], Ms. NGAN Edith Manling[1] and Mr. HU Yebi[1], who were appointed on 22 June 2020, will hold office until the next AGM. They shall then retire at the forthcoming AGM. Mr. CAO Wei, Mr. Bruno Robert MERCIER[1], Ms. NGAN Edith Manling[1] and Mr. HU Yebi[1], being eligible, will offer themselves for re-election.

Note:

1. The respective appointment of Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi was with effect from 4 December 2020, being the date of the Prospectus.

Chairman and Chief Executive Officer

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

The Chairman has executive responsibilities, provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group, while the Chief Executive Officer is delegated with the authority to manage the business of the Group in all aspects effectively and is accountable to the Board for the overall implementation of the Company's strategies and management of the operations of the Board. The division of work ensures a definite division between power 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 paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to (among other things) (i) review and supervise the financial reporting process, risk management and internal control system of the Group, (ii) review the financial information of the Group, and (iii) consider issues in relation to the external auditors and their appointment.

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

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

Having conducted the relevant review, the Audit Committee is of the view that the consolidated financial statements of the Group for the year ended 31 December 2020 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

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

According to paragraph C.3.3(e)(i) of the CG Code, the Audit Committee must meet with the Company's auditors at least twice a year. The Audit Committee did not hold any meetings during the year ended 31 December 2020 since the Shares of the Company were listed on 16 December 2020. In accordance with the terms of reference of the Audit Committee, it is expected that, going forward, the Audit Committee will schedule to meet at least twice per year and will meet with the Company's external auditors regarding the review of the Company's financial report and accounts at least twice a year.

Remuneration Committee

The Board has established a remuneration committee (the "**Remuneration Committee**") with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B.1 of 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 of removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate, (v) assess performance of Executive Directors, and (vi) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The emoluments of Directors are determined by reference to the skills, experience, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions.

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

The Remuneration Committee did not hold any meetings during the year ended 31 December 2020 since the Shares of the Company were listed on 16 December 2020. Going forward, the Remuneration Committee will hold at least one meeting each year 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.

Nomination Committee

The Board has established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with paragraph A.5 of 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 and experience) 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, Mr. HU Yebi and Mr. Bruno Robert MERCIER. The chairman of the Nomination Committee is Ms. PAN Dong.

The Nomination Committee did not hold any meetings during the year ended 31 December 2020 since the Shares of the Company were listed on 16 December 2020. Going forward, the Nomination Committee will hold at least one meeting each year to perform its duties.

Nomination Policy

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

Board Diversity

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

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

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

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

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

The Board is responsible for reviewing the diversity of the Board. During the year ended 31 December 2020, the Board has monitored the implementation of the Board Diversity Policy, reviewed the Board Diversity Policy and is satisfied with its effectiveness to achieve the diversity of the Board.

Directors' and Auditors' Responsibilities for the Financial Statements

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

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 64 and 68.

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 39 of this annual report. Mr. POON has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2020 in compliance with Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Group assets. The Board has conducted a review on the Group's risk management and internal control systems and their effectiveness. The review covered the period from 1 January 2020 to 31 December 2020 and all material controls, such as financial control, operational control and compliance control including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. Going forward, the Board will review the Group's risk management and internal control systems at least once a year.

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

Internal Audit

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

Inside Information

The Group is aware of its obligations under relevant sections of the SFO and Listing Rules. For the year ended 31 December 2020, the Group has implemented procedures and internal controls for the handling and dissemination of inside information, including:

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

Dividend Policy

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

According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Directors will consider, among other things, the 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 and five highest paid individuals, and senior management remuneration by band for the year are set out in note 8 to the consolidated financial statements.

Auditor's Remuneration

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, and their affiliated firms, for its audit/audit-related services and non-audit services (including tax compliance service, non-audit assurance engagement relating to the Group's continuing connected transactions, and agreed upon procedures relating to the Company's preliminary results announcement) for the year ended 31 December 2020 were HK$4.3 million and HK$0.3 million, respectively. In addition, the professional services fee paid to PricewaterhouseCoopers in connection with the initial public offerings of the Shares of the Company was HK$7.9 million.

Corporate Social Responsibility

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

Environment and Compliance with Laws

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

Material Change in the Articles of Association

In preparation for the listing of the Shares on the Main Board of the Stock Exchange, the Company has passed the resolution of the Shareholders to conditionally adopt the Articles of Association on 23 November 2020 with effect from the Listing Date. An up-to-date consolidated version of the Articles of Association of the Company is available on both the websites of the Company and the Stock Exchange.

No changes have been made to the Articles of Association by the Company from the Listing Date up to 31 December 2020.

Relationship with Stakeholders

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

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

Investor and Shareholder Relations

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

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

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

Shareholders' Rights

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

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

Right to convene extraordinary general meetings

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

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

Right to participate at general meetings

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

Right to put enquiries and proposals to the Board

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

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

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

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

Independent Auditor's Report

To the Shareholders of Blue Moon Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Blue Moon Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 69 to 141, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 a summary of significant accounting policies.

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss allowance for trade receivables Refer to notes 3.1(b) and 19 to the consolidated financial statements. As at 31 December 2020, the Group had gross trade receivables of HK$1,969 million and expected credit loss allowance for trade receivables amounted to HK$13 million. Loss allowance for trade receivables was provided based on the simplified approach of the expected credit loss model prescribed under HKFRS 9. Management applied judgement in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on their shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.	We have performed a combination of test of controls and substantive tests, including: • Understanding of management’s internal controls and assessment processes of estimating expected credit loss allowance for trade receivables; • Assessing 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; • Assessing the appropriateness of the expected credit loss provisioning methodology used by the Group; • Evaluating and testing the relevant controls over the estimation of such loss allowance; • Discussing with management to understand and assess the reason behind each individual provision, if any, and corroborating with independent online research on credit information; • Discussing 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;

Key Audit Matter	How our audit addressed the Key Audit Matter
The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on the expected credit loss allowance for trade receivables due to the magnitude of gross trade receivables balance at the year end date and the estimation of relevant expected credit loss involves significant judgement and subjective assumptions.	• Assessing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends; • Testing, on a sample basis, the trade receivables ageing profiles adopted in the collective assessment by checking to relevant invoices; and • Testing, on a sample basis, the settlement of trade receivables during the year by checking to relevant bank receipt records to evaluate the outcome of prior year's expected credit losses allowance. Based on the above, we considered management's judgements and assumptions applied in determining the expected credit losses allowance of trade receivables were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**6,996,348**	7,049,905
Cost of sales	7	**(2,482,592)**	(2,526,895)
Gross profit		**4,513,756**	4,523,010
Other income and other gains, net	6	**72,116**	51,522
Selling and distribution expenses	7	**(2,016,552)**	(2,323,123)
General and administrative expenses	7	**(822,440)**	(747,765)
Provision for impairment losses of financial assets	19	**(791)**	(1,867)
Operating profit		**1,746,089**	1,501,777
Finance income	10	**10,816**	5,652
Finance costs	10	**(7,258)**	(32,188)
Finance income/(costs), net	10	**3,558**	(26,536)
Profit before income tax		**1,749,647**	1,475,241
Income tax expense	11	**(440,236)**	(395,624)
Profit for the year		**1,309,411**	1,079,617
Profit attributable to equity holders of the Company		**1,309,411**	1,079,617

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	**2020 HK$'000**	2019 HK$'000
Profit for the year		**1,309,411**	1,079,617
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences from translation of financial statements of subsidiaries		**218,757**	(74,321)
Other comprehensive income/(loss) for the year, net of tax		**218,757**	(74,321)
Total comprehensive income for the year		**1,528,168**	1,005,296
Total comprehensive income attributable to equity holders of the Company		**1,528,168**	1,005,296
Earnings per share attributable to equity holders of the Company			
Basic	13	**HK26.03 cents**	HK21.59 cents
Diluted	13	**HK25.97 cents**	HK21.59 cents

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

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Intangible assets	15	**197,251**	146,943
Property, plant and equipment	16	**1,382,474**	1,211,091
Right-of-use assets	17	**416,460**	415,989
Prepayments for property, plant and equipment	20	**49,446**	59,421
Deferred income tax assets	26	**7,908**	76,540
		2,053,539	1,909,984
Current assets			
Inventories	18	**469,789**	375,757
Trade and bills receivables	19	**2,014,298**	1,750,049
Prepayments, deposits and other receivables	20	**319,089**	282,719
Restricted cash	21	**17,822**	25,890
Cash and cash equivalents	21	**10,921,095**	690,064
Tax recoverable		**7,505**	6,228
		13,749,598	3,130,707
Total assets		**15,803,137**	5,040,691
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**57,471**	—
Other reserves	24	**9,920,729**	58,853
Retained earnings		**1,701,221**	2,804,226
Total equity		**11,679,421**	2,863,079

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred government grant	25	**64,377**	61,843
Borrowings	29	**—**	207,396
Deferred income tax liabilities	26	**78,456**	98,698
Lease liabilities	17	**25,609**	33,824
		168,442	401,761
Current liabilities			
Trade payables	27	**548,044**	511,922
Contract liabilities	5	**30,779**	16,188
Accruals and other payables	28	**812,095**	746,871
Amounts due to related companies	31	**505**	1,076
Dividend payable	12	**2,300,000**	48,261
Current income tax liabilities		**231,716**	218,679
Borrowings	29	**—**	206,529
Lease liabilities	17	**32,135**	26,325
		3,955,274	1,775,851
Total liabilities		**4,123,716**	2,177,612
Total equity and liabilities		**15,803,137**	5,040,691
Net current assets		**9,794,324**	1,354,856
Total assets less current liabilities		**11,847,863**	3,264,840

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

These consolidated financial statements on pages 69 to 141 have been approved for issue by the Board of Directors on 29 March 2021 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 2020

	Attributable to equity holders of the Company			
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
As at 1 January 2020	**—**	**58,853**	**2,804,226**	**2,863,079**
Profit for the year	**—**	**—**	**1,309,411**	**1,309,411**
Other comprehensive income:				
Exchange translation of foreign operations	**—**	**218,757**	**—**	**218,757**
Total comprehensive income for the year	**—**	**218,757**	**1,309,411**	**1,528,168**
Transactions with the owners of the Company				
Issuance of ordinary shares upon:				
— capitalisation issue (Note 22)	**50,000**	**(50,000)**	**—**	**—**
— initial public offerings (Note 22)	**7,471**	**9,824,713**	**—**	**9,832,184**
Listing expenses charged	**—**	**(214,433)**	**—**	**(214,433)**
Dividend declared (Note 12)	**—**	**—**	**(2,336,664)**	**(2,336,664)**
Equity-settled share option expense (Note 23)	**—**	**7,087**	**—**	**7,087**
Appropriation to statutory surplus reserves	**—**	**75,752**	**(75,752)**	**—**
As at 31 December 2020	**57,471**	**9,920,729**	**1,701,221**	**11,679,421**
As at 1 January 2019	—	108,642	1,749,141	1,857,783
Profit for the year	—	—	1,079,617	1,079,617
Other comprehensive loss:				
Exchange translation of foreign operations	—	(74,321)	—	(74,321)
Total comprehensive income/(loss) for the year	—	(74,321)	1,079,617	1,005,296
Transactions with the owner of the Company				
Appropriation to statutory reserve	—	24,532	(24,532)	—
As at 31 December 2019	—	58,853	2,804,226	2,863,079

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 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**1,693,254**	1,155,182
Interest received		**10,816**	5,652
Income taxes paid		**(398,641)**	(128,410)
Net cash inflow from operating activities		**1,305,429**	1,032,424
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(251,071)**	(131,261)
Proceeds from disposal of property, plant and equipment	30(b)	**46,111**	10,587
Acquisition of intangible assets		**(70,330)**	(65,561)
Increase in restricted cash		**—**	(8,244)
Release of restricted cash		**9,439**	976
Net cash outflow from investing activities		**(265,851)**	(193,503)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon initial public offerings		**9,832,184**	—
Payments for professional fees in connection with the listing of the Company		**(159,445)**	—
Interest paid		**(11,903)**	(37,244)
Acquisition of right-of-use assets		**—**	(48,342)
Proceeds from borrowings		**28,344**	281,099
Repayment of borrowings		**(455,584)**	(726,813)
Dividend paid	12	**(84,925)**	(37,000)
Principal elements of lease payments		**(10,196)**	(30,578)
Net cash inflow/(outflow) from financing activities		**9,138,475**	(598,878)
Net increase in cash and cash equivalents		**10,178,053**	240,043
Cash and cash equivalents at the beginning of year		**690,064**	467,967
Effect of exchange rate changes on cash and cash equivalents		**52,978**	(17,946)
Cash and cash equivalents at the end of year		**10,921,095**	690,064

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 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, a director 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.

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 standards and revised conceptual framework for the first time or their annual reporting period commencing 1 January 2020:

HKFRS 3 (Amendments)	Definition of business
Hong Kong Accounting Standards ("**HKAS**") 1 and HKAS 8 (Amendments)	Amendments to definition of material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The amendments and revised conceptual framework 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 31 December 2020 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-related rent concessions	1 June 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKAS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — costs of fulfilling a contract	1 January 2022
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 Summary of significant accounting policies (continued)

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.

(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 Summary of significant accounting policies (continued)

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.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

2.7 Intangible assets

(a) Trademarks and patents

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

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

(a) Classification

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

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

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

(b) Recognition and derecognition

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

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(c) Measurement

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

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

(d) Impairment

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

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

2.10 Offsetting financial instruments

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

2.11 Inventories

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

2 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 22).

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

2.15 Trade and other payables

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

2.16 Borrowings

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

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

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

2 Summary of significant accounting policies (continued)

2.17 Borrowings costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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.

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) Share-based compensation (continued)

(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).

Non-market performance and service conditions are included in assumptions about the number of options 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 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.

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.

The grant by the Company of options over its equity instruments 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.

2 Summary of significant accounting policies (continued)

2.20 Provisions (continued)

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

2.21 Revenue recognition

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

(a) Sales of goods

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

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. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

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 services rendered or products delivered by the Group exceed the payments made by the counter parties, a contract asset is recognised. If the payments exceed the services rendered or products delivered, a contract liability is recognised. A contract liability is the obligation to transfer goods or services 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 or services 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 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 may not be used as security for borrowing purposes.

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

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

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

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

2.24 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate 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 as described below.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong.

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

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

(ii) Interest rate risk

The Group's interest rate risk mainly arose from interest-bearing borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk, while borrowings issued at fixed rates exposed the Group to fair value 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 2020, the Group is not subject to interest rate risk as the Group does not have any interest-bearing borrowings. As at 31 December 2019, 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 2019 would have been HK$4,139,000 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 of anticipated changes in market interest rate to ensure there are no undue exposures to significant interest rate movements.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk management

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

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

Sales are generally on open account with credit terms of 30 to 90 days during the year ended 31 December 2020. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances received from customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also has policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. At as 31 December 2020, trade and bills receivables of HK$2,026,878,000 (2019: HK$1,761,838,000) were due from companies operating under domestically well-known supermarkets, online platforms and certain wholesalers in the PRC. Loss allowances of HK$12,580,000 (2019: HK$11,789,000) have been provided for such trade and bills receivables as at 31 December 2020.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(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 cost

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 significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables with higher risk of default are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of such individually assessed trade receivables and the loss allowance in respect of these receivables are as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Individually assessed trade receivables	**265,392**	—
Loss allowance	**4,472**	—

Measurement of expected credit loss on collective basis

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

Loss allowance in respect of these collectively assessed trade receivables amounted to approximately HK$8,108,000 (2019: HK$11,789,000) based on an average expected loss rate of approximately 0.5% (2019: 0.7%) as at 31 December 2020.

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost

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

(c) Liquidity risk

The Group's primary cash requirements have been used on payments for additions and upgrades of property, plant and equipment, related debts and raw material purchases and operating expenses. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings and takes into account all available information on future business environment including among others, the economic impact of the unprecedented COVID-19 on the economies 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$10,921,095,000 (2019: HK$690,064,000) (Note 21) and trade and bills receivables of approximately HK$2,014,298,000 (2019: HK$1,750,049,000) (Note 19) that are expected to generate cash inflows for managing liquidity risk.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Within 1 Year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2020					
Trade payables	**548,044**	**—**	**—**	**—**	**548,044**
Accruals and other payables	**413,020**	**—**	**—**	**—**	**413,020**
Amounts due to related companies	**505**	**—**	**—**	**—**	**505**
Dividend payable	**2,300,000**	**—**	**—**	**—**	**2,300,000**
Lease liabilities	**32,413**	**21,667**	**7,188**	**639**	**61,907**
	3,293,982	**21,667**	**7,188**	**639**	**3,323,476**
As at 31 December 2019					
Trade payables	511,922	—	—	—	511,922
Accruals and other payables	305,755	—	—	—	305,755
Amounts due to related companies	1,076	—	—	—	1,076
Bank borrowings	208,862	123,873	100,609	—	433,344
Dividend payable	48,261	—	—	—	48,261
Lease liabilities	28,781	21,023	13,899	783	64,486
	1,104,657	144,896	114,508	783	1,364,844

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.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

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

	2020 HK$'000	2019 HK$'000
Total debt	–	413,925
Total equity	**11,679,421**	2,863,079
Gearing ratio	**N/A**	14%

3.3 Fair value estimation

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

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

4 Critical estimates and judgements

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

4.1 Critical accounting estimates

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

(a) Impairment of financial assets

The impairment for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period, including the consideration of the global health issues. 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, including the consideration of potential impacts on the subsequent sales orders and demand of its products resulting from the COVID-19 outbreak.

(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.

4 Critical estimates and judgements (continued)

4.1 Critical accounting estimates (continued)

(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

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:

	2020 HK$'000	2019 HK$'000
Revenue recognised at a point in time:		
Fabric care products	**5,595,885**	6,177,613
Personal hygiene products	**835,738**	418,545
Home care products	**564,725**	453,747
	6,996,348	7,049,905

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

	2020 HK$'000	2019 HK$'000
Customer A	**1,191,829**	1,014,095
Customer B	**927,910**	961,014
Total	**2,119,739**	1,975,109

Except for customer A and B, no other customer individually contributed to more than 10% of the Group's total revenue for the year ended 31 December 2020 and 2019.

Following the outbreak of the COVID-19 pandemic in early 2020, certain customers of the Group encountered difficulties in selling the goods purchased from the Group prior to the COVID-19 pandemic, i.e. before 31 December 2019, and requested for return of goods to the Group. Taking into consideration of long term business relationship, the Group has agreed to accept return of unsold products from certain customers on a one-off basis. Accordingly, returned goods with sales amount of approximately HK$143,863,000 has been accounted for as a deduction to the sales for the year ended 31 December 2020 ("**COVID-19 sales return**").

All of the Group's revenue was generated from customers in the PRC for the year ended 31 December 2020 and 2019, accordingly, no revenue by geographical location is presented.

5 Revenue and segment information (continued)

(b) Non-current assets

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

	2020 HK$'000	2019 HK$'000
Hong Kong	**3,344**	4,589
Mainland China	**2,042,287**	1,828,855
	2,045,631	1,833,444

(c) Liabilities related to contract with customers

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

	2020 HK$'000	2019 HK$'000
Contract liabilities related to sales of goods	**30,779**	16,188

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:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance related to sales of goods at the beginning of the year	**16,188**	20,502

There was no revenue recognised during the year (2019: Nil) from performance obligations satisfied in the previous respective year.

Amount of transaction price from unsatisfied performance obligation as at 31 December 2020 was equivalent to the contract liabilities as at each of the respective year end dates. Management expects 100% of the contract liabilities balance as at 31 December 2020 will be recognised as revenue in the next year (approximately HK$30,779,000). The balance mainly represents receipts in advance from offline distributors. The balance increased from HK$16,188,000 in 2019 to HK$30,779,000 in 2020 was mainly due to seasonality factor.

6 Other income and other gains, net

	2020 HK$'000	2019 HK$'000
Government grants (Note)	**67,820**	40,491
Net foreign exchange losses	**(1,403)**	(457)
Scrap sales	**4,442**	6,119
Sundry income	**1,257**	5,369
	72,116	51,522

Note:

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$1,401,000 (2019: HK$1,340,000) and operating subsidies of approximately HK$66,419,000 (2019: HK$39,151,000) for the year ended 31 December 2020. Management does not consider that there were any significant unfulfilled conditions or other contingencies attached to these operating subsidies.

7 Expenses by nature

	2020 HK$'000	2019 HK$'000
Cost of raw materials consumed	**2,256,348**	2,059,549
Changes in inventories of finished goods and work in progress	**(64,964)**	218,739
Manufacturing overheads (excluding depreciation)	**20,821**	11,574
Employee benefits expense (Note 8)	**1,292,838**	1,668,697
Advertising expenses	**407,314**	404,659
Promotion expenses	**368,803**	294,912
Transportation expenses	**512,331**	452,588
Other tax expenses	**68,901**	76,182
Rental expenses related to short term leases	**29,273**	23,183
Depreciation of property, plant and equipment (Note 16)	**126,349**	102,674
Depreciation of right-of-use assets (Note 17)	**29,603**	36,023
Amortisation of intangible assets (Note 15)	**25,534**	15,213
Auditor's remuneration		
— Audit services	**4,300**	3,075
— Non-audit services	**291**	—
Travelling expenses	**28,321**	59,756
Motor expenses	**11,876**	13,260
Consumables	**7,118**	9,271
Office expenses	**4,312**	3,281
Recruitment fee	**4,333**	6,649
Utility expenses	**26,986**	26,265
Consulting fee	**18,389**	26,694
Maintenance expenses	**19,361**	14,579
Loss/(gain) on disposals of plant and equipment, net	**2,265**	(298)
Loss on disposals of property, net	**—**	376
Listing expenses	**59,451**	—
Others	**61,430**	70,882
	5,321,584	5,597,783

8 Employee benefits expense

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

	2020 HK$'000	2019 HK$'000
Wages, salaries and allowances	**800,872**	764,028
Bonuses and commission	**297,565**	628,718
Contributions to social security plans	**152,034**	241,653
Other benefits	**35,280**	34,298
Equity-settled share option expense	**7,087**	—
	1,292,838	1,668,697

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.

Employee social security plans were exempted for certain period during the year in various provinces of the PRC as an anti-pandemic measure as a result of the outbreak of COVID-19.

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

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

	2020 HK$'000	2019 HK$'000
Cost of sales	**157,560**	143,415
Selling and distribution expenses	**646,974**	1,062,752
General and administrative expenses	**488,304**	462,530
	1,292,838	1,668,697

8 Employee benefits expense (continued)

(b) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group consist of 3 (2019: 2) directors respectively, the employee benefits expenses in relation to the remaining 2 (2019: 3) highest paid individuals are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries, allowances and other employee welfares	**6,084**	7,315
Discretionary bonuses	**13,366**	13,026
Employer's contribution to defined contribution plan	**168**	272
Equity-settled share option expense	**310**	—
	19,928	20,613

The emoluments of the above individuals fell within the following bands for the year ended 31 December 2020:

	2020	2019
Nil–HK$1,000,000	**—**	—
HK$3,500,001–HK$4,000,000	**—**	1
HK$4,500,001–HK$5,000,000	**—**	1
HK$6,000,001–HK$6,500,000	**1**	—
HK$11,500,001–HK$12,000,000	**—**	1
HK$13,500,001–HK$14,000,000	**1**	—

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during year (2019: Nil).

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

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

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

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	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
31 December 2019				
Executive directors				
Ms. Pan Dong	700	300	18	1,018
Mr. Luo Qiuping (Note i)	6,502	13,715	18	20,235
Ms. Luo Dong	7,539	5,034	92	12,665
	14,741	19,049	128	33,918

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 (2019: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

Notes:

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

(ii) Mr. Poon Kwok Leung and Ms. Xiao Haishan were appointed as executive directors with effective from 22 June 2020.

(iii) Mr. Cao Wei was appointed as a non-executive director with effective from 22 June 2020.

(iv) Mr. Bruno Robert Mercier, Ms. Ngan Edith Manling and Mr. Hu Yebi were appointed as independent non-executive directors with effective from 4 December 2020.

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 2020 (2019: Nil). No consideration was provided to or received by third parties for making available directors' services during the year (2019: Nil).

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year (2019: Nil).

Saved as disclosed in Note 31 to the consolidated financial statements, no other 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 (2019: Nil).

10 Finance income/(costs), net

	2020 HK$'000	2019 HK$'000
Finance income		
— Interest income on bank deposits	**10,816**	5,652
Finance costs		
— Interest expenses on bank borrowings	**(9,001)**	(34,010)
— Interest expenses on lease liabilities	**(2,902)**	(3,234)
	(11,903)	(37,244)
— Amount capitalised (Note 16)	**4,645**	5,056
	(7,258)	(32,188)
Finance income/(costs), net	**3,558**	(26,536)

11 Income tax expense

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

	2020 HK$'000	2019 HK$'000
Current income tax		
— PRC corporate income tax	**383,056**	313,482
Deferred income tax expense (Note 26)	**57,180**	82,142
Income tax expense	**440,236**	395,624

(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 (2019: Nil).

11 Income tax expense (continued)

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

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

Guangzhou Blue Moon Industrial Co., Ltd. had been qualified as a New and Hi-Tech Enterprise ("**NHTE**") and enjoyed a preferential income tax rate of 15% since 2014, which was subject to review and renewal every three years. The NHTE certificate remained valid for 3 years from November 2017 to November 2020. As Guangzhou Blue Moon Industrial Co., Ltd. did not renew the certificate after expiration date, the standard income tax rate of 25% was adopted for 2020.

Blue Moon (Chongqing) Co., Ltd. has been qualified as a Western Region Encouragement Industrial Enterprise and enjoyed a preferential income tax rate of 15% since 2017, which is subject to review and renewal of the local government.

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:

	2020 **HK$'000**	2019 HK$'000
Profit before income tax	**1,749,647**	1,475,241
Expected tax calculated at the weighted average applicable tax rate	**437,412**	332,972
Changes in applicable tax rate	**—**	(18,560)
Expenses not deductible for tax purposes	**3,006**	8,038
Effect of super-deduction for research and development expenses	**(6,104)**	(4,789)
Losses for which no deferred tax assets were recognised	**1,289**	1,424
Utilisation of previously unrecognised tax losses	**(2,468)**	—
Withholding tax on unremitted earnings	**20,064**	76,539
Over-provision	**(12,963)**	—
Income tax expense	**440,236**	395,624

The weighted average applicable tax rate was 25% (2019: 22.6%) for the year ended 31 December 2020. The increase was mainly caused by a change in the profitability of the Group's subsidiaries which are applicable to different tax rates.

12 Dividends

As at 31 December 2019, the dividend payable represented dividend declared in prior years but not yet settled, of which HK$37,000,000 was settled during the year ended 31 December 2019.

In January 2020, the Company declared a dividend of HK$36,664,000 and dividend totalled HK$84,925,000 have been settled by the Company during the year ended 31 December 2020.

In June 2020, Blue Moon (BVI) Limited, a directly held subsidiary of the Company, declared a dividend of HK$2,335,000,000 to the Company. Accordingly, the Company recognised a dividend receivable of HK$2,335,000,000 as at 31 December 2020.

On 28 June 2020, the Company declared an interim dividend of HK$2,300,000,000 to the then immediate sole shareholder of the Company. Such dividend is subject to and conditional upon the completion of the listing of the Company on or before 31 December 2021. Upon the successful listing of the Company on 16 December 2020, a dividend payable of HK$2,300,000,000 was recognised. Subsequent to 31 December 2020, the dividend was fully paid by the Company (Note 34).

The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

A dividend in respect of the year ended 31 December 2020 of HK6.9 cents per share was proposed by the Board of Directors on 29 March 2021 and to be approved by the shareholders in the forthcoming annual general meeting.

This proposed final dividend, amounting to HK$396,551,729, 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 2021.

13 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of ordinary shares in issue.

	2020	2019
Profit attributable to equity holders of the Company used in calculating basic and diluted earnings per share (HK$'000)	**1,309,411**	1,079,617
Weighted number of ordinary shares in issue ('000) (Note)	**5,030,620**	5,000,000
Basic earnings per share (HK cent per share)	**26.03**	21.59

Note:

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2020 has been determined on the assumption that the capitalisation issue as described in Note 22(b) had been effective from 1 January 2019.

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.

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

	2020 '000	2019 '000
Weighted number of ordinary shares used in calculating basic earnings per share	**5,030,620**	5,000,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**12,279**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**5,042,899**	5,000,000

13 Earnings per share (continued)

Diluted (continued)

	2020 HK cent	2019 HK cent
Diluted earnings per share attributable to the ordinary equity holders of the Company	**25.97**	21.59

14 Subsidiaries

The following is a full list of subsidiaries held by the Company as at 31 December 2020:

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 2020	Ownership interest held by the Group 2019
Directly held:					
Blue Moon (BVI) Limited	British Virgin Islands, limited liability company	Investment holding, Hong Kong	HK$10,000	**100%**	100%
Indirectly held:					
Blue Moon Group Limited (藍月亮國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK$427,488,000	**100%**	100%
Blue Moon Group Limited (藍月亮國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK$427,488,000	**100%**	100%
Guangzhou Blue Moon Industrial Co., Ltd.#* (廣州藍月亮實業有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$20,000,000	**100%**	100%

14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2020: (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 2020	2019
Indirectly held: (continued)					
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$30,000,000	**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$22,008,062	**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$28,700,100	**100%**	100%
Villa La Luna Group Ltd. (月亮小屋國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK$10,000	**100%**	100%
Xingshuo (Guangzhou) Industrial Co., Ltd.#* (星朔(廣州)實業有限公司)	The PRC, limited liability company	Biotechnology development services and production, the PRC	US$1,250,000	**100%**	100%
Blue Moon (Chongqing) Co., Ltd.#* (藍月亮(重慶)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$19,180,000	**100%**	100%

14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2020: (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	
				2020	2019
Indirectly held: (continued)					
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$17,224,464	**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$2,500,010	**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$6,000,200	**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	RMB60,000	**100%**	100%
Chengdu Moon House Washing Co. Ltd.* (成都月亮小屋洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB8,000,000	**100%**	100%
Guangzhou Moon House Washing Co. Ltd.* (廣州月亮小屋洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	Nil	**100%**	100%

Registered as wholly foreign owned enterprises under PRC law

* English translation is for identification purpose only

15 Intangible assets

	Trademarks and patents HK$'000	Computer software and development cost HK$'000	Computer system under development HK$'000	Total HK$'000
As at 1 January 2019				
Cost	43,232	176,354	1,376	220,962
Accumulated amortisation	(41,738)	(78,445)	—	(120,183)
Net book amount	1,494	97,909	1,376	100,779
Year ended 31 December 2019				
Opening net book amount	1,494	97,909	1,376	100,779
Additions	25	4,849	60,687	65,561
Amortisation	(204)	(15,009)	—	(15,213)
Exchange differences	(42)	(3,441)	(701)	(4,184)
Closing net book amount	1,273	84,308	61,362	146,943
As at 31 December 2019 and 1 January 2020				
Cost	42,296	176,098	61,362	279,756
Accumulated amortisation	(41,023)	(91,790)	—	(132,813)
Net book amount	1,273	84,308	61,362	146,943
Year ended 31 December 2020				
Opening net book amount	**1,273**	**84,308**	**61,362**	**146,943**
Additions	**248**	**36,533**	**33,549**	**70,330**
Transfer	**—**	**34,584**	**(34,584)**	**—**
Amortisation	**(217)**	**(25,317)**	**—**	**(25,534)**
Exchange differences	**91**	**1,588**	**3,833**	**5,512**
Closing net book amount	**1,395**	**131,696**	**64,160**	**197,251**
As at 31 December 2020				
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**

15 Intangible assets (continued)

The Group's computer system under development as at 31 December 2020 represented operating systems and software developed for the Group's internal use to support the Group's daily operations. Such intangible assets, upon completion, cannot generate cash inflows independently, and are considered as "Corporate assets" in accordance with "HKAS 36 — Impairment assets". Accordingly, in the impairment testing of such intangible assets not yet available for use, the related carrying amounts are allocated to the related cash generating unit (i.e. the Group's financial performance as a whole) and has been assessed annually on a consistent basis as at 31 December 2020.

All amortisation charges of intangible assets were included in general and administrative expenses (2019: same).

No impairment loss for the computer system under development is considered necessary for the year ended 31 December 2020 (2019: Nil) in view of favourable financial performance of the Group.

16 Property, plant and equipment

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

16 Property, plant and equipment (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction -in-progress HK$'000	Total HK$'000
As at 1 January 2019							
Cost	797,335	11,469	584,844	136,771	28,209	14,421	1,573,049
Accumulated depreciation	(78,840)	(11,072)	(269,013)	(73,435)	(16,404)	—	(448,764)
Net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285
Year ended 31 December 2019							
Opening net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285
Additions	456	—	9,895	11,873	4,719	207,787	234,730
Disposals	(376)	—	(6,187)	(3,780)	(322)	—	(10,665)
Transfer	18,444	—	37,106	3,536	—	(59,086)	—
Depreciation	(18,215)	(393)	(64,017)	(17,486)	(2,563)	—	(102,674)
Exchange differences	(15,396)	(4)	(13,759)	(3,270)	(207)	(1,949)	(34,585)
Closing net book amount	703,408	—	278,869	54,209	13,432	161,173	1,211,091
As at 31 December 2019							
Cost	798,510	11,244	591,560	140,839	28,338	161,173	1,731,664
Accumulated depreciation	(95,102)	(11,244)	(312,691)	(86,630)	(14,906)	—	(520,573)
Net book amount	703,408	—	278,869	54,209	13,432	161,173	1,211,091

16 Property, plant and equipment (continued)

Note:

As at 31 December 2020, buildings with the carrying amounts of approximately HK$186,560,000 (2019: HK$202,771,000) were pledged to banks to secure bank facilities (Note 29).

During the year ended 31 December 2020, the Group capitalised borrowing costs amounting to HK$4,645,000 (2019: HK$5,056,000) on qualifying assets (Note 10). Borrowing costs for the year ended 31 December 2020 were capitalised at the weighted average rate of its general borrowings of 2.9% (2019: 6.2%).

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

	2020 **HK$'000**	2019 HK$'000
Cost of sales	**65,325**	65,807
Selling and distribution expenses	**1,982**	1,830
General and administrative expenses	**59,042**	35,037
	126,349	102,674

17 Leases

(a) Right-of-use assets

	2020 HK$'000	2019 HK$'000
Land use rights (Note i)	**359,940**	356,380
Lease properties (Note ii)	**56,520**	59,609
	416,460	415,989

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 2020, land use rights with a total carrying amount of approximately HK$229,075,000 (2019: HK$220,128,000) were pledged to banks to secure certain bank facilities (Note 29).

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

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

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

	2020 HK$'000	2019 HK$'000
Selling and distribution expenses	**14,454**	19,551
General and administrative expenses	**15,149**	16,472
	29,603	36,023

17 Leases (continued)

(b) Lease liabilities

	2020 HK$'000	2019 HK$'000
Current portion	**32,135**	26,325
Non-current portion	**25,609**	33,824
	57,744	60,149

The total cash outflows for leases for the year were HK$42,323,000 (2019: HK$56,995,000).

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

(c) Short-term leases

As at 31 December 2020, the total future lease payments for short-term leases amounted to approximately HK$2,632,000 (2019: HK$6,671,000) (Note 33(b)).

18 Inventories

	2020 HK$'000	2019 HK$'000
Raw materials	**152,348**	128,721
Work in progress	**443**	830
Finished goods	**316,998**	246,206
	469,789	375,757

The cost of inventories recognised as cost of sales amounted to approximately HK$2,191,384,000 (2019: HK$2,278,288,000) for the year.

19 Trade and bills receivables

	2020 HK$'000	2019 HK$'000
Trade receivables	**1,968,978**	1,724,707
Bills receivables	**57,900**	37,131
Trade and bills receivables	**2,026,878**	1,761,838
Less: Loss allowance	**(12,580)**	(11,789)
Trade and bills receivables, net	**2,014,298**	1,750,049

As at 31 December 2020, the carrying amounts of the Group's trade and bills receivables were denominated in RMB and approximated their fair values.

During the year ended 31 December 2020, sales to wholesale customers are generally covered by advances received from customers. The remaining balances are generally covered by letters of credit with bills payable at sight.

Bills receivables are with average maturity dates of less than three months (2019: two).

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers (Note 5).

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.

19 Trade and bills receivables (continued)

The Group allows a credit period of up to 90 days to its customers. The aging analysis of trade and bills receivables as at the year end date, based on invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**1,064,708**	1,124,774
31–60 days	**434,812**	298,211
61–180 days	**373,777**	326,521
Over 180 days	**153,581**	12,332
	2,026,878	1,761,838

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:

	2020 HK$'000	2019 HK$'000
As at 1 January	**11,789**	9,922
Provision for impairment charged to consolidated statement of comprehensive income	**791**	1,867
As at 31 December	**12,580**	11,789

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

20 Prepayments, deposits and other receivables

	2020 HK$'000	2019 HK$'000
Non-current		
Prepayments for acquisition of property, plant and equipment	**49,446**	59,421
Current		
Prepayments for advertising and promotion expenses	**130,884**	88,132
Prepayments for raw materials and transportation	**4,211**	14,024
Deposits	**37,566**	31,903
VAT recoverable	**446**	35,531
Advances to staff	**5,158**	1,206
Receivables from payment intermediaries (Note)	**119,166**	100,101
Others	**21,658**	11,822
	319,089	282,719

Note:

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

As at 31 December 2020, the carrying amounts of prepayments, deposits and other receivables were denominated in RMB and approximated their fair values.

21 Cash and cash equivalents and restricted cash

	2020 HK$'000	2019 HK$'000
Cash at banks	**10,921,073**	689,998
Cash on hand	**22**	66
Cash and cash equivalents	**10,921,095**	690,064
Restricted cash (Note)	**17,822**	25,890
	10,938,917	715,954
Maximum exposure to credit risk	**10,938,895**	715,888

Note:

As at 31 December 2020, the Group's restricted cash was denominated in RMB and placed in the bank to secure a bank facility (Note 29).

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

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

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

	2020 HK$'000	2019 HK$'000
HK$	**9,678,431**	1,752
RMB	**1,240,265**	700,730
USD	**20,018**	12,988
Others	**203**	484
	10,938,917	715,954

22 Share capital

	Number of shares	Share Capital HK$'000
Authorised ordinary shares of HK$0.01 each:		
At 1 January 2019, 31 December 2019 and 1 January 2020	38,000,000	380
Increase in authorised share capital (Note (a))	9,962,000,000	99,620
At 31 December 2020	10,000,000,000	100,000
Ordinary shares of HK$0.01 each, issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020	10,000	—
Issuance of ordinary shares upon		
— capitalisation issue (Note (b))	4,999,990,000	50,000
— initial public offering (Note (c))	747,126,500	7,471
At 31 December 2020	5,747,126,500	57,471

Notes:

(a) On 14 September 2020, pursuant to the written resolution passed by the shareholders, the authorised share capital of the Company was increased from 38,000,000 shares of a single class with a par value of HK$0.01 each to a total of 10,000,000,000 shares of a single class with a par value of HK$0.01 each.

(b) Pursuant to shareholders' resolutions passed on 23 November 2020, the Company allotted and issued a total of 4,999,990,000 shares by way of capitalisation of the sum of HK$49,999,900 standing to the credit of the share premium account of the Company before the listing.

(c) On 16 December 2020, 747,126,500 ordinary shares of HK$0.01 each were issued at an offer price of HK$13.16 per share upon the listing of the Company's shares on the Stock Exchange. Gross proceeds from the issuance of these shares amounted to approximately HK$9,832,184,000 with approximately HK$7,471,000 and HK$9,610,280,000 being credited to the share capital and share premium account of the Company respectively, after net off with the listing expenses of approximately HK$214,433,000.

23 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 of Directors may determine any directors, employees of any member of the Group or business associates, who our Board of Directors 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 of Directors 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 of Directors.

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.

As at 31 December 2020, there were 61,651,000 options granted but not yet exercised under the Share Option Scheme.

23 Share option scheme (continued)

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

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

23 Share option scheme (continued)

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

During the year ended 31 December 2020, no share options were lapsed and share option expenses amounted to HK$7,087,000 were recognised as general and administrative expenses in the consolidated statement of comprehensive income (Note 8(a)).

The fair value of the equity-settled share options under the Pre-IPO Share Option Scheme granted during the year was estimated at HK$57,784,000 as at the date of grant using the Binomial valuation model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Share price as at valuation date* (HK$)	**4.00**
Expected dividend yield (%)	**30**
Expected volatility (%)	**24.5**
Employee exit rate post-vesting (%) — for directors and key management	**0**
Employee exit rate post-vesting (%) — for other employees excluding key management	**6.9**
Risk-free interest rate (%)	**0.5**
Expected life of options (year)	**10.11**
Exercise multiple	**2.20x–2.80x**

* based on the average of the low and high end of 100% of equity value of the Company, derived under discount cash flow approach

23 Share option scheme (continued)

No other feature of the options granted was incorporated into the measurement of fair value.

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

		2020	
	Weighted average exercise price HK$ per share	Remaining contractual life Year	Number of options
At the beginning of year	—		—
Granted during the year	3.76	10.11	61,651,000
Exercised during the year	—		—
Lapsed during the year	—		—
At the end of year	3.76	9.84	61,651,000

As at 31 December 2020, the Company had 65,651,000 share options outstanding under the Pre-IPO Share Option Scheme. Should they be fully exercised, the Company will receive HK$231,808,000 (before issue expenses). The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 65,651,000 additional ordinary shares of the Company and additional share capital of HK$617,000 and share premium of approximately HK$231,191,000 (before issue expenses).

Subsequent to 31 December 2020 and at the date of approval of these consolidated financial statements, the Company had 61,651,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.05% of the Company's shares in issue as at that date.

24 Other reserves

	Share premium HK$'000	Statutory surplus reserves HK$'000	Share-based payment reserve HK$'000	Exchange translation reserve HK$'000	Total HK$'000
As at 1 January 2019	—	183,679	—	(75,037)	108,642
Appropriation	—	24,532	—	—	24,532
Exchange differences	—	—	—	(74,321)	(74,321)
As at 31 December 2019	—	208,211	—	(149,358)	58,853
As at 1 January 2020	**—**	**208,211**	**—**	**(149,358)**	**58,853**
Issuance of ordinary shares upon:					
— capitalisation issue (Note 22)	**(50,000)**	**—**	**—**	**—**	**(50,000)**
— initial public offerings (Note 22)	**9,824,713**	**—**	**—**	**—**	**9,824,713**
Listing expenses charged	**(214,433)**	**—**	**—**	**—**	**(214,433)**
Equity-settled share option expense (Note 23)	**—**	**—**	**7,087**	**—**	**7,087**
Appropriation	**—**	**75,752**	**—**	**—**	**75,752**
Exchange differences	**—**	**—**	**—**	**218,757**	**218,757**
As at 31 December 2020	**9,560,280**	**283,963**	**7,087**	**69,399**	**9,920,729**

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

25 Deferred government grant

	2020 HK$'000	2019 HK$'000
As at 1 January	**61,843**	63,670
Amortisation (Note 6)	**(1,401)**	(1,340)
Exchange differences	**3,935**	(487)
As at 31 December	**64,377**	61,843

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

26 Deferred income tax

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

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

	2020 HK$'000	2019 HK$'000
Deferred income tax assets	**7,908**	76,540
Deferred income tax liabilities	**(78,456)**	(98,698)
Net deferred income tax liabilities	**(70,548)**	(22,158)

26 Deferred income tax (continued)

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

	2020 **HK$'000**	2019 HK$'000
As at 1 January	**(22,158)**	56,563
Charged to the consolidated statement of comprehensive income (Note 11)	**(57,180)**	(82,142)
Withholding tax paid	**13,737**	3,254
Exchange differences	**(4,947)**	167
As at 31 December	**(70,548)**	(22,158)

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

Deferred income tax liabilities

	Unremitted earnings of PRC entities HK$'000	Accelerated depreciation HK$'000	Total HK$'000
As at 1 January 2019	(19,151)	(16,408)	(35,559)
Charged to the consolidated statement of comprehensive income	(76,539)	(10,755)	(87,294)
Withholding tax paid	3,254	—	3,254
Exchange differences	1,220	478	1,698
As at 31 December 2019 and 1 January 2020	**(91,216)**	**(26,685)**	**(117,901)**
Charged to the consolidated statement of comprehensive income	**(20,064)**	**(10,064)**	**(30,128)**
Withholding tax paid	**13,737**	**—**	**13,737**
Exchange differences	**(6,066)**	**(2,030)**	**(8,096)**
As at 31 December 2020	**(103,609)**	**(38,779)**	**(142,388)**

26 Deferred income tax (continued)

Deferred income tax assets

	Accrued expenses and others HK$'000	Decelerated depreciation HK$'000	Unclaimed advertising expenses HK$'000	Unrealised profits HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2019	9,343	—	44,629	24,970	13,180	92,122
Credited/(charged) to the consolidated statement of comprehensive income	8	—	4,908	(1,309)	1,545	5,152
Exchange differences	(197)	—	(1,029)	—	(305)	(1,531)
As at 31 December 2019 and 1 January 2020	**9,154**	**—**	**48,508**	**23,661**	**14,420**	**95,743**
Credited/(charged) to the consolidated profit or loss	**7,658**	**1,183**	**(42,785)**	**5,769**	**1,123**	**(27,052)**
Exchange differences	**362**	**37**	**1,787**	**—**	**963**	**3,149**
As at 31 December 2020	**17,174**	**1,220**	**7,510**	**29,430**	**16,506**	**71,840**

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 2020, the Group did not recognise deferred income tax assets of approximately HK$6,239,000 (2019: HK$4,950,000) in respect of losses incurred by the Group's PRC subsidiaries amounting to approximately HK$24,956,000 (2019: HK$19,800,000), that can be carried forward for one to five years for offsetting against future taxable income.

As at 31 December 2020, the Group did not recognise deferred income tax assets of approximately HK$101,000 (2019: HK$85,000) in respect of losses incurred by the Group's Hong Kong subsidiaries amounting to approximately HK$613,000 (2019: HK$514,000), that can be used to offset future income with no expiry date.

27 Trade payables

	2020 HK$'000	2019 HK$'000
Trade payables	**548,044**	511,922

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

As at 31 December 2020, the carrying amounts of trade payables were denominated in RMB and approximated their fair values.

At 31 December 2020, the aging analysis of the trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Up to 3 months	**547,209**	510,654
3 to 6 months	**—**	1,268
6 months to 1 year	**835**	—
	548,044	511,922

28 Accruals and other payables

	2020 HK$'000	2019 HK$'000
Deposits from logistic companies	**8,845**	9,199
Accrued salaries and wages	**194,696**	215,787
Accrued advertising and promotion expenses	**9,066**	29,267
Accrued listing expenses	**97,362**	—
Payables for capital expenditures	**42,090**	63,738
VAT and other tax payables	**204,379**	225,329
Transportation cost payables	**198,648**	164,384
Others	**57,009**	39,167
	812,095	746,871

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

As at 31 December 2020, the carrying amounts of accruals and other payables were mainly denominated in RMB and approximated their fair values.

29 Bank borrowings

	2020 HK$'000	2019 HK$'000
Current portion	–	206,529
Non-current portion	–	207,396
	–	413,925

At 31 December 2020, based on the contractual repayment terms, the Group's bank borrowings maturity analysis would be as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	–	206,529
Between 2 and 5 years	–	207,396
	–	413,925

As at 31 December 2020, the Group has no bank borrowings (2019: HK$413,925,000). During the year, the Group has made early repayment for all bank borrowings.

The Group has undrawn borrowing facilities amounting to approximately HK$4,446,000,000 (2019: HK$1,739,000,000) as at 31 December 2020.

Bank borrowings were secured by corporate guarantees, buildings (Note 16), land use rights (Note 17) and bank deposits (Note 21) provided by the Company and certain of its subsidiaries.

As at 31 December 2019, the bank borrowings of the Group approximated their fair value, were denominated in RMB and with an effective interest rate of 4.6% per annum.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2020.

30 Consolidated statement of cash flows

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

	2020 HK$'000	2019 HK$'000
Profit before income tax	**1,749,647**	1,475,241
Adjustments for:		
— Interest income	**(10,816)**	(5,652)
— Interest expense	**7,258**	32,188
— Depreciation of property, plant and equipment	**126,349**	102,674
— Depreciation of right-of-use assets	**29,603**	36,023
— Equity-settled share option expense	**7,087**	—
— Loss/(gain) on disposals of plant and equipment, net	**2,265**	(298)
— Loss on disposals of property, net	**—**	376
— Amortisation of intangible assets	**25,534**	15,213
— Amortisation of deferred government grant	**(1,401)**	(1,340)
— Provision for impairment of financial assets	**791**	1,867
Operating profit before working capital changes	**1,936,317**	1,656,292
Changes in working capital:		
— Inventories	**(67,751)**	200,512
— Trade and bills receivables	**(147,888)**	(641,013)
— Prepayments, deposits and other receivables	**(17,635)**	(52,636)
— Trade payables	**3,097**	(149,818)
— Contract liabilities, accruals and other payables	**(12,265)**	144,898
— Amounts due to related companies	**(621)**	(3,053)
Net cash generated from operations	**1,693,254**	1,155,182

30 Consolidated statement of cash flows (continued)

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

	2020 HK$'000	2019 HK$'000
Net book amount	**48,376**	10,665
Net loss on disposals of plant and equipment (Note 7)	**(2,265)**	(78)
Proceeds from disposals of plant and equipment	**46,111**	10,587

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

	Bank borrowings due within 1 year HK$'000	Bank borrowings due after 1 year HK$'000	Dividend payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2019	(662,628)	(211,182)	(85,261)	(52,936)	(1,012,007)
Cash outflows/(inflows)	446,552	(838)	37,000	33,812	516,526
Non-cash items:					
Addition of leases	—	—	—	(39,042)	(39,042)
Interest accruals	—	—	—	(3,234)	(3,234)
Exchange difference	9,547	4,624	—	1,251	15,422
As at 31 December 2019	(206,529)	(207,396)	(48,261)	(60,149)	(522,335)
As at 1 January 2020	**(206,529)**	**(207,396)**	**(48,261)**	**(60,149)**	**(522,335)**
Cash outflows	**213,172**	**214,068**	**48,261**	**13,050**	**488,551**
Non-cash items:					
Addition of leases	**—**	**—**	**—**	**(4,064)**	**(4,064)**
Interest accruals	**—**	**—**	**—**	**(2,902)**	**(2,902)**
Dividend declared	**—**	**—**	**(2,300,000)**	**—**	**(2,300,000)**
Exchange difference	**(6,643)**	**(6,672)**	**—**	**(3,679)**	**(16,994)**
As at 31 December 2020	**—**	**—**	**(2,300,000)**	**(57,744)**	**(2,357,744)**

31 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
Guangzhou VAN Management Consultant Co. Ltd.	Company owned by Ms. Pan Dong
ZED Group Limited	Ultimate holding company

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

(a) Transactions with related parties

	2020 **HK$'000**	2019 HK$'000
Purchase of goods and raw materials from:		
Guangzhou Daoming Chemical Co., Ltd. (Note i)	**3,861**	6,568
Service fees paid to:		
Guangzhou VAN Management Consultant Co. Ltd. (Note ii)	**—**	1,177

Notes:

(i) 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.

(ii) The management consultancy services provided to the Group were conducted in accordance with the terms as agreed by both parties.

31 Related party transactions (continued)

The Group (continued)

(b) Balances with related parties

	2020 HK$'000	2019 HK$'000
Amounts due to related companies — Trade nature		
Guangzhou Daoming Chemical Co., Ltd.	**505**	960
Guangzhou VAN Management Consultant Co. Ltd	**—**	116
	505	1,076

The carrying amounts approximated their fair values and were denominated in RMB, which were unsecured, interest-free and repayable on demand. The trade balances due to the related companies represent the trade payables arising from the purchase of goods and raw materials and services from the related companies.

(c) Key management compensation

	2020 HK$'000	2019 HK$'000
Salaries, bonuses, allowances and other benefits	**26,162**	47,090
Contributions to social security plans	**413**	586
Equity-settled share option expense	**852**	—
	27,427	47,676

The Company

Amount due to a subsidiary represents expenses paid by a subsidiary on behalf of the Company as at 31 December 2020.

32 Financial instruments by category

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

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
Trade and bills receivable	**2,014,298**	1,750,049
Deposits and other receivables	**208,012**	145,032
Restricted cash	**17,822**	25,890
Cash and cash equivalents	**10,921,095**	690,064
	13,161,227	2,611,035
Financial liabilities at amortised cost		
Trade payables	**548,044**	511,922
Financial liabilities included in accruals and other payables	**413,020**	305,755
Amounts due to related companies	**505**	1,076
Bank borrowings	**—**	413,925
Dividend payable	**2,300,000**	48,261
Lease liabilities	**57,744**	60,149
	3,319,313	1,341,088

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

33 Commitments

(a) Capital commitments

	2020 HK$'000	2019 HK$'000
Acquisition of property, plant and equipment and intangible assets:		
— Contracted but not provided for	**186,983**	194,424

(b) Operating lease as lessee

As at 31 December 2020, 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:

	2020 HK$'000	2019 HK$'000
Buildings		
— No later than 1 year	**2,632**	6,671

34 Events occurring after the reporting period

(a) On 6 January 2021, an over-allotment option was exercised with 112,068,500 ordinary shares of HK$0.01 each issued at an offer price of HK$13.16 per share. Gross proceeds from the issuance of these shares amounted to approximately HK$1,474,821,000.

(b) On 29 January 2021, the Company drew down from its unutilised term loan facility a bank borrowing amounting to HK$1,300,000,000 to finance the dividend payment to the then immediate shareholder.

35 Balance sheet and reserves movement of the Company

(a) Balance sheet of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**10**	10
Current assets			
Dividend receivable		**2,770,000**	84,925
Cash and cash equivalents		**9,674,012**	—
		12,444,012	84,925
Total assets		**12,444,022**	84,935
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**57,471**	—
Reserves	35(b)	**9,973,125**	36,664
Total equity		**10,030,596**	36,664
LIABILITIES			
Current liabilities			
Accruals and other payables		**96,593**	10
Dividend payable	12	**2,300,000**	48,261
Amount due to a subsidiary	31	**16,833**	—
Total liabilities		**2,413,426**	48,271
Total equity and liabilities		**12,444,022**	84,935

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
As at 1 January 2019	—	—	—
Profit for the year	—	36,664	36,664
As at 31 December 2019	—	36,664	36,664
As at 1 January 2020	—	36,664	36,664
Profit for the year	—	2,705,758	2,705,758
Issuance of ordinary shares upon:			
— capitalisation issue (Note 22)	(50,000)	—	(50,000)
— initial public offerings (Note 22)	9,824,713	—	9,824,713
Listing expenses charged	(214,433)	—	(214,433)
Dividend declared (Note 12)	—	(2,336,664)	(2,336,664)
Equity-settled share option expense (Note 23)	7,087	—	7,087
As at 31 December 2020	9,567,367	405,758	9,973,125

Financial Summary

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

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