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Blue Moon Group Holdings Limited

藍月亮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6993)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL SUMMARY

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue	2,222,727	2,883,465
Gross profit	1,227,596	1,529,617
Gross profit margin	55.2%	53.0%
Loss for the period/loss attributable to equity holders of the Company	(167,462)	(148,872)

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

The board of directors (the “**Board**” or the “**Directors**”) of Blue Moon Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023, together with comparative information, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	5	2,222,727	2,883,465
Cost of sales	7	(995,131)	(1,353,848)
		<hr/>	<hr/>
Gross profit		1,227,596	1,529,617
Other income and other gains/(losses), net	6	12,817	(114,401)
Selling and distribution expenses	7	(1,058,971)	(1,146,783)
General and administrative expenses	7	(540,704)	(502,177)
Provision for impairment losses of financial assets		(72,093)	(12,110)
		<hr/>	<hr/>
Operating loss		(431,355)	(245,854)
Finance income		137,007	85,280
Finance costs		(3,415)	(7,818)
		<hr/>	<hr/>
Finance income, net		133,592	77,462
		<hr/>	<hr/>
Loss before income tax		(297,763)	(168,392)
Income tax credit	8	130,301	19,520
		<hr/>	<hr/>
Loss for the period		(167,462)	(148,872)
		<hr/> <hr/>	<hr/> <hr/>
Loss attributable to equity holders of the Company		(167,462)	(148,872)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
Loss for the period		(167,462)	(148,872)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences from translation of financial statements of subsidiaries		(179,580)	(20,832)
Other comprehensive loss for the period, net of tax		(179,580)	(20,832)
Total comprehensive loss for the period		(347,042)	(169,704)
Total comprehensive loss attributable to equity holders of the Company		(347,042)	(169,704)
Loss per share attributable to equity holders of the Company			
Basic	9	HK(3.01) cents	HK(2.65) cents
Diluted	9	HK(3.01) cents	HK(2.65) cents

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2023

		Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,444,583	1,487,737
Right-of-use assets		496,673	514,062
Intangible assets		126,909	140,556
Prepayments for property, plant and equipment		93,078	100,736
Deferred income tax assets		325,498	96,696
Financial asset at fair value through other comprehensive income		14,642	15,113
		<u>2,501,383</u>	<u>2,354,900</u>
Current assets			
Inventories		348,234	272,900
Trade and bills receivables	12	890,618	2,050,546
Prepayments, deposits and other receivables		324,965	349,006
Cash and cash equivalents		7,686,907	7,702,373
		<u>9,250,724</u>	<u>10,374,825</u>
Total assets		<u><u>11,752,107</u></u>	<u><u>12,729,725</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	58,629	58,621
Other reserves		8,906,132	9,065,932
Retained earnings		844,724	1,948,227
Total equity		<u>9,809,485</u>	<u>11,072,780</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

AS AT 30 JUNE 2023

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred government grant		55,471	57,934
Deferred income tax liabilities		3,318	45,886
Lease liabilities		119,034	126,779
		<u>177,823</u>	<u>230,599</u>
Current liabilities			
Trade and bills payables	14	304,840	481,161
Contract liabilities		39,018	74,558
Accruals and other payables		363,835	742,327
Amount due to a related company		321	227
Dividend payable	10	936,041	—
Current income tax liabilities		42,112	55,292
Lease liabilities		78,632	72,781
		<u>1,764,799</u>	<u>1,426,346</u>
Total liabilities		<u>1,942,622</u>	<u>1,656,945</u>
Total equity and liabilities		<u>11,752,107</u>	<u>12,729,725</u>
Net current assets		<u>7,485,925</u>	<u>8,948,479</u>
Total assets less current liabilities		<u>9,987,308</u>	<u>11,303,379</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

The ordinary shares of the Company (the “**Shares**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 December 2020.

Ms. PAN Dong is the ultimate controlling shareholder of the Company and Mr. LUO Qiuping, the Chief Executive Officer of the Company, is the husband of Ms. PAN Dong.

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

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

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

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

3 Accounting policies

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

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

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

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

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

The new standard and amendments to existing standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 Accounting policies (continued)

(b) Amendments to existing standards not yet adopted

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liabilities in a sales and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 Segment information

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

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

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

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

5 Revenue

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

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

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

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

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

7 Expenses by nature

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

8 Income tax credit

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

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

Notes:

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries have no assessable profit arising in or deriving from Hong Kong during the six months ended 30 June 2023 and for the same period in 2022.

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

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

Blue Moon (Chongqing) Co., Ltd. has been qualified as a Western Region Encouragement Industrial Enterprise and has enjoyed a preferential income tax rate of 15% since 2017 until 2030.

9 Loss per share

Basic

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

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

9 Loss per share (continued)

Diluted

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

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

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

10 Dividends

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

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

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

11 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
<i>(Unaudited)</i>							
Six months ended 30 June 2022							
Opening net book amount	966,164	337	312,139	88,162	11,482	155,851	1,534,135
Additions	425	1,997	12,231	13,957	1,628	80,535	110,773
Disposals	(10)	—	(4,280)	(2,733)	(158)	—	(7,181)
Transfer	125,061	—	12,869	2,180	—	(140,110)	—
Depreciation	(14,233)	(338)	(31,177)	(12,679)	(1,372)	—	(59,799)
Exchange differences	(44,451)	(52)	(13,489)	(3,892)	(507)	(5,512)	(67,903)
Closing net book amount	<u>1,032,956</u>	<u>1,944</u>	<u>288,293</u>	<u>84,995</u>	<u>11,073</u>	<u>90,764</u>	<u>1,510,025</u>
As at 30 June 2022							
Cost	1,209,158	13,398	728,099	207,404	27,690	90,764	2,276,513
Accumulated depreciation	<u>(176,202)</u>	<u>(11,454)</u>	<u>(439,806)</u>	<u>(122,409)</u>	<u>(16,617)</u>	<u>—</u>	<u>(766,488)</u>
Net book amount	<u>1,032,956</u>	<u>1,944</u>	<u>288,293</u>	<u>84,995</u>	<u>11,073</u>	<u>90,764</u>	<u>1,510,025</u>
<i>(Unaudited)</i>							
Six months ended 30 June 2023							
Opening net book amount	1,008,474	11,810	313,428	89,702	18,858	45,465	1,487,737
Additions	—	10,789	5,948	24,385	1,699	42,033	84,854
Disposals	—	—	(7,753)	(5,593)	(850)	—	(14,196)
Transfer	5,058	—	30,084	650	—	(35,792)	—
Depreciation	(19,206)	(1,948)	(34,440)	(11,397)	(1,365)	—	(68,356)
Exchange differences	(30,731)	(66)	(9,665)	(2,901)	(594)	(1,499)	(45,456)
Closing net book amount	<u>963,595</u>	<u>20,585</u>	<u>297,602</u>	<u>94,846</u>	<u>17,748</u>	<u>50,207</u>	<u>1,444,583</u>
As at 30 June 2023							
Cost	1,161,578	33,407	760,899	202,625	35,365	50,207	2,244,081
Accumulated depreciation	<u>(197,983)</u>	<u>(12,822)</u>	<u>(463,297)</u>	<u>(107,779)</u>	<u>(17,617)</u>	<u>—</u>	<u>(799,498)</u>
Net book amount	<u>963,595</u>	<u>20,585</u>	<u>297,602</u>	<u>94,846</u>	<u>17,748</u>	<u>50,207</u>	<u>1,444,583</u>

12 Trade and bills receivables

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

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

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

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

13 Share capital

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

13 Share capital (continued)

Notes:

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

14 Trade and bills payables

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Up to 3 months	293,919	480,655
3 to 6 months	5,108	—
6 months to 1 year	4,622	506
Over 1 year	1,191	—
	<hr/>	<hr/>
Trade and bills payables	304,840	481,161
	<hr/> <hr/>	<hr/> <hr/>

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

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

Business Overview

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

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

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

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

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

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

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

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

Sources:

- (1) The Group ranked No. 1 in terms of sales of full-cycle fabric cleaning category on JD.com.
- (2) The Group ranked No. 1 in the fabric cleaning category of the Douyin 618 best-selling brand list on that day.
- (3) Chnbrand (Beijing) Brand Consulting Co., Ltd. (中企品研 (北京) 品牌顧問股份有限公司)
- (4) China General Chamber of Commerce and China National Commercial Information Center (中國商業聯合會及中華全國商業信息中心)

Business Outlook

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

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

FINANCIAL REVIEW

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

Revenue

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

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

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

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

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

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

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

Cost of Sales

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

Gross Profit

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

Other Income and Other Gains/(Losses), Net

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

Selling and Distribution Expenses

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

General and Administrative Expenses

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

Provision for Impairment Losses of Financial Assets

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

Operating Loss

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

Finance Income and Costs

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

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

Loss before Income Tax

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

Income Tax Credit

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

Loss attributable to Equity Holders of the Company

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

Basic and Diluted Loss Per Share

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

Liquidity and Financial Resources

As at 30 June 2023, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents, remained stable at approximately HK\$7,686.9 million (31 December 2022: approximately HK\$7,702.4 million).

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

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

Capital Expenditure and Capital Commitment

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

As at 30 June 2023, the capital commitment of the Group amounted to approximately HK\$39.3 million, which was primarily related to acquisition of property, plant and equipment for production facilities under construction and expansion of production capacity at certain existing production facilities.

Pledge of Assets of the Group

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

Exposure to Foreign Exchange

The majority of the Group's subsidiaries are operating in the PRC with most of the transactions and assets (other than the unutilised proceeds raised from the Global Offering (as defined in the prospectus of the Company dated 4 December 2020 (the "**Prospectus**")) denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government. Due to the simplicity of the Group's financial structure and current operations, save as aforementioned, no hedging activities are undertaken by management of the Group.

Contingent Liabilities

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

Significant Investments, Acquisitions and Disposals

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

HUMAN RESOURCES

The Group had approximately 8,758 employees as at 30 June 2023. Salaries of employees are maintained at competitive levels.

2021 Share Award Plan

On 3 June 2021, the Board approved the adoption of the share award plan (the "**2021 Share Award Plan**") to recognise and reward the contribution of certain eligible participants to the growth and development of the Group.

Pursuant to the rules relating to the 2021 Share Award Plan, the Board may, acting through the awards committee, during the continuation of the 2021 Share Award Plan, at its absolute discretion select any eligible participant (other than an excluded participant) to participate in the 2021 Share Award Plan as a selected participant and determine the awards to be granted, subject to such terms and conditions as it may in its absolute discretion determine (including but not limited to, where applicable, the vesting schedule of the awarded shares to the selected participant).

As at 30 June 2023, 12,022,999 share awards have been granted pursuant to the 2021 Share Award Plan to 347 employees, all of which shall be satisfied by existing Shares. Further details in relation to the 2021 Share Award Plan and the share purchase in respect of the 2021 Share Award Plan by the trustee are set out in the announcements of the Company dated 3 June 2021 and 27 July 2021, respectively. No share award has been granted to any connected person (as defined under the Listing Rules) of the Company. As at 30 June 2023, 3,649,766 share awards granted have been vested.

2022 Share Award Plan

On 29 March 2022, the Board approved the adoption of the 2022 share award plan (the “**2022 Share Award Plan**”) to recognise and reward the contribution of certain eligible participants who are executive Directors of the Company or directors of the subsidiaries of the Group to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group.

Pursuant to the rules relating to the 2022 Share Award Plan, the Board may, make an award out of the share pool to any of the eligible participants such number of issued Shares of the Company as it shall determine. The eligibility of any of the eligible participants under the 2022 Share Award Plan to an award shall be determined by the Board from time to time on the basis of the Board’s opinion as to his or her contribution and/or anticipated future contribution to the development and growth of the Group and the grant of an award to eligible participants who are executive Directors of the Company shall be approved by members of the remuneration committee of the Company (other than by himself or herself).

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company’s corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (the “**CG Code**”), and the Company has adopted the CG Code as its own corporate governance code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct for Directors’ securities transactions. Each Director had been given a copy of the code of conduct regarding security transactions upon his/her appointment, and the Company issues two reminders each year thereafter, being 30 days prior to the Board meeting approving the interim results of the Company and 60 days prior to the Board meeting approving the annual results of the Company, reminding the Directors that they (including their respective spouse, minor child and others whose dealings are treated as dealings by them under the Model Code) are not allowed to deal in the securities of the Company prior to and on the day of publication of the announcement of the results (the periods during which the Directors are prohibited from dealing in Shares), and that all transactions must be conducted according to the Model Code.

After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code during the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

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

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds⁽¹⁾ approximately HK\$ million	As at 31 December 2022 Unutilised amount approximately HK\$ million	For the six months ended 30 June 2023 Utilised amount approximately HK\$ million	As at 30 June 2023 Unutilised amount approximately HK\$ million
Financing business expansion including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of the Group's laundry services	3,918	3,475	60	3,415⁽²⁾
Raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration	5,766	3,588	473	3,115⁽³⁾
Working capital and for other general corporate purposes	1,100	—	—	—
Enhancing research and development capabilities	220	141	26	115⁽⁴⁾
Total	<u>11,004</u>	<u>7,204</u>	<u>559</u>	<u>6,645</u>

Notes:

- (1) The net proceeds amount of approximately HK\$11,004 million include approximately HK\$3,800 million net proceeds utilised in the financial years ended 31 December 2021 and 2022 and approximately HK\$7,204 million net proceeds brought forward from the financial year ended 31 December 2022 which were utilised in the manner set out in the table above.
- (2) The balance of unutilised amount on financing business expansion including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of the Group's laundry services is expected to be fully utilised by the end of 2025.
- (3) The balance of unutilised amount on raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration is expected to be fully utilised by the end of 2025.
- (4) The balance of unutilised amount on enhancing research and development capabilities is expected to be fully utilised by the end of 2025.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 24 August 2023

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