

**Mao Geping Cosmetics Co., Ltd.**

**Audited Financial Statements**

**For the years ended 31 December 2021, 2022 and 2023 and the six months  
ended 30 June 2024**

**Mao Geping Cosmetics Co., Ltd.**

<b>Contents</b>	<b>Pages</b>
Independent auditor's report	1 - 3
Consolidated statements of profit or loss and other comprehensive income	4
Consolidated statements of financial position	5 - 6
Consolidated statements of changes in equity	7 - 11
Consolidated statements of cash flows	12 - 14
Statements of financial position of the Company	15 - 16
Notes to financial statements	17 - 123

## **Independent auditor's report**

**To the directors of Mao Geping Cosmetics Co., Ltd.**

**(Established in the People's Republic of China with limited liability)**

### **Opinion**

We have audited the consolidated financial statements of Mao Geping Cosmetics Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 4 to 123, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the “Relevant Periods”), and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024, and of the Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods, and of the financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements.

### **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other matter**

Without modifying our opinion, we draw attention to the fact that the financial information for the six months ended 30 June 2023 (the “Interim Comparative Information”) is unaudited.

### **Responsibilities of the directors for the consolidated financial statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

**Independent auditor's report (continued)**  
**To the directors of Mao Geping Cosmetics Co., Ltd.**  
**(Established in the People's Republic of China with limited liability)**

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements for the Relevant Periods 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. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

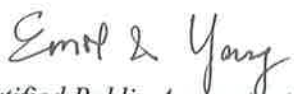
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 board of directors of the Company 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.

**Independent auditor's report (continued)****To the directors of Mao Geping Cosmetics Co., Ltd.****(Established in the People's Republic of China with limited liability)****Restriction on distribution and use**

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.

*Certified Public Accountants*

Hong Kong

2 December 2024

**MAO GEPING COSMETICS CO., LTD.**
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024

	Notes	Year ended 31 December			Six months ended 30 June	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
REVENUE	5	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526
Cost of sales		(261,341)	(295,834)	(437,719)	(216,325)	(297,973)
Gross profit		1,316,006	1,533,278	2,448,245	1,182,206	1,673,553
Other income and gains	5	21,588	33,379	46,633	34,892	56,142
Selling and distribution expenses		(763,428)	(962,443)	(1,412,361)	(657,794)	(937,210)
Administrative expenses		(124,343)	(133,041)	(192,093)	(92,231)	(133,309)
(Impairment losses)/reversal of impairment losses on financial assets, net		(3,070)	(873)	998	405	752
Other expenses		(63)	(198)	(822)	(109)	(293)
Finance costs	7	(2,805)	(3,115)	(2,033)	(1,132)	(2,561)
Share of (loss)/profit of an associate		-	-	(703)	-	535
PROFIT BEFORE TAX	6	443,885	466,987	887,864	466,237	657,609
Income tax expense	10	(112,942)	(114,892)	(224,394)	(116,932)	(165,063)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		330,943	352,095	663,470	349,305	492,546
Attributable to:						
Owners of the parent		331,016	352,082	661,928	348,944	492,074
Non-controlling interests		(73)	13	1,542	361	472
		330,943	352,095	663,470	349,305	492,546
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB yuan)	12	1.66	1.76	3.31	1.74	2.46

**MAO GEPING COSMETICS CO., LTD.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

31 December 2021, 2022 and 2023 and 30 June 2024

	Notes	As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	125,424	117,383	167,971	218,273
Prepayment for leasehold land		-	-	-	296,345
Investment properties	14	-	3,286	3,164	3,104
Right-of-use assets	15(a)	80,265	54,116	52,054	69,092
Other intangible assets	16	513	1,006	2,555	2,531
Investment in an associate	17	-	-	9,297	32,069
Prepayments, other receivables and other assets	20	490	954	118,540	-
Deferred tax assets	27	28,199	44,752	42,970	37,714
Total non-current assets		234,891	221,497	396,551	659,128
<b>CURRENT ASSETS</b>					
Inventories	18	209,741	299,473	342,206	312,571
Trade and bills receivables	19	110,879	113,499	157,677	233,746
Prepayments, other receivables and other assets	20	31,492	32,188	56,990	75,769
Financial assets at fair value through profit or loss	21	51,000	-	-	-
Restricted cash	22	1,366	1,354	3,250	2,187
Cash and cash equivalents	22	491,575	887,899	1,137,894	552,900
Total current assets		896,053	1,334,413	1,698,017	1,177,173
<b>CURRENT LIABILITIES</b>					
Trade payables	23	43,138	112,940	103,589	147,644
Other payables and accruals	24	156,537	193,982	299,367	375,667
Interest-bearing bank and other borrowings	25	-	1,726	-	100,000
Due to related parties	33(b)	-	31	1,135	502
Provision	26	-	-	374	98
Lease liabilities	15(b)	21,511	21,404	21,683	25,797
Tax payable		68,620	59,980	103,157	113,045
Total current liabilities		289,806	390,063	529,305	762,753
NET CURRENT ASSETS		606,247	944,350	1,168,712	414,420
TOTAL ASSETS LESS CURRENT LIABILITIES		841,138	1,165,847	1,565,263	1,073,548

**MAO GEPING COSMETICS CO., LTD.**

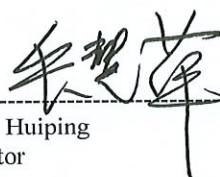
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

	Notes	As at 31 December			As at 30 June
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>841,138</u>	<u>1,165,847</u>	<u>1,565,263</u>	<u>1,073,548</u>
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	15(b)	<u>58,717</u>	<u>31,331</u>	<u>17,277</u>	<u>28,708</u>
Total non-current liabilities		<u>58,717</u>	<u>31,331</u>	<u>17,277</u>	<u>28,708</u>
Net assets		<u>782,421</u>	<u>1,134,516</u>	<u>1,547,986</u>	<u>1,044,840</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	28	60,000	60,000	60,000	200,000
Reserves	30	<u>721,660</u>	<u>1,073,742</u>	<u>1,485,670</u>	<u>842,852</u>
		<u>781,660</u>	<u>1,133,742</u>	<u>1,545,670</u>	<u>1,042,852</u>
Non-controlling interests		<u>761</u>	<u>774</u>	<u>2,316</u>	<u>1,988</u>
Total equity		<u>782,421</u>	<u>1,134,516</u>	<u>1,547,986</u>	<u>1,044,840</u>



MAO Niping  
Director



MAO Huiping  
Director



**MAO GEPING COSMETICS CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Year ended 31 December 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital RMB'000 (note 28)	Share premium* RMB'000 (note 30)	Capital reserves* RMB'000	Statutory surplus reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 January 2021	60,000	49,550	140	51,198	329,756	490,644	479	491,123
Profit and total comprehensive income for the year	-	-	-	-	331,016	331,016	(73)	330,943
Capital injection from non-controlling shareholders	-	-	-	-	-	-	355	355
Dividends declared to shareholders	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Transfer to statutory surplus reserves	-	-	-	28,793	(28,793)	-	-	-
At 31 December 2021	60,000	49,550	140	79,991	591,979	781,660	761	782,421

**MAO GEPING COSMETICS CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Year ended 31 December 2022

	Attributable to owners of the parent							
	Share capital RMB'000 (note 28)	Share premium* RMB'000 (note 30)	Capital reserves* RMB'000	Statutory surplus reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	60,000	49,550	140	79,991	591,979	781,660	761	782,421
Profit and total comprehensive income for the year	-	-	-	-	352,082	352,082	13	352,095
Transfer to statutory surplus reserves	-	-	-	28,228	(28,228)	-	-	-
At 31 December 2022	60,000	49,550	140	108,219	915,833	1,133,742	774	1,134,516

**MAO GEPING COSMETICS CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Year ended 31 December 2023

	Attributable to owners of the parent					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 28)	Share premium* RMB'000 (note 30)	Capital reserves* RMB'000	Statutory surplus reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	
At 1 January 2023	60,000	49,550	140	108,219	915,833	1,133,742	1,134,516
Profit and total comprehensive income for the year	-	-	-	-	661,928	661,928	663,470
Dividends declared to shareholders	-	-	-	-	(250,000)	(250,000)	(250,000)
At 31 December 2023	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>108,219</u>	<u>1,327,761</u>	<u>1,545,670</u>	<u>1,547,986</u>

**MAO GEPING COSMETICS CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Six months ended 30 June 2024

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 28)	Share scheme premium* RMB'000 (note 30)	Share award Capital reserve* RMB'000 (note 29)	surplus reserves* RMB'000	Statutory Retained reserve* RMB'000 (note 30)	profits* RMB'000	Total RMB'000		
At 1 January 2024	60,000	49,550	-	140	108,219	1,327,761	1,545,670	2,316	1,547,986
Profit and total comprehensive income for the period	-	-	-	-	-	492,074	492,074	472	492,546
Share conversion	140,000	(49,550)	-	-	(90,450)	-	-	-	-
Disposal of partial shareholding in a subsidiary	-	-	-	1	-	-	1	(1)	-
Acquisition of non-controlling interests	-	-	-	99	-	-	99	(799)	(700)
Equity-settled share award expense	-	-	5,008	-	-	-	5,008	-	5,008
Transfer to statutory surplus reserves	-	-	-	-	81,918	(81,918)	-	-	-
Dividends declared to shareholders	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
At 30 June 2024	<u>200,000</u>	<u>-</u>	<u>5,008</u>	<u>240</u>	<u>99,687</u>	<u>737,917</u>	<u>1,042,852</u>	<u>1,988</u>	<u>1,044,840</u>

**MAO GEPING COSMETICS CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Six months ended 30 June 2023 (unaudited)

	Attributable to owners of the parent						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2023	60,000	49,550	140	108,219	915,833	1,133,742	774	1,134,516
Profit and total comprehensive income for the period (unaudited)	-	-	-	-	348,944	348,944	361	349,305
Dividends declared to shareholders (unaudited)	-	-	-	-	(250,000)	(250,000)	-	(250,000)
At 30 June 2023 (unaudited)	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>108,219</u>	<u>1,014,777</u>	<u>1,232,686</u>	<u>1,135</u>	<u>1,233,821</u>

\* These reserve accounts comprise the consolidated reserves of RMB721,660,000, RMB1,073,742,000, RMB1,485,670,000 and RMB842,852,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

**MAO GEPING COSMETICS CO., LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024

Notes	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax	443,885	466,987	887,864	466,237	657,609
Adjustments for:					
Interest income	(6,809)	(13,678)	(19,779)	(9,430)	(6,416)
Finance costs	7 2,805	3,115	2,033	1,132	2,561
Depreciation of property, plant and equipment	13 37,607	39,728	40,093	20,280	18,954
Depreciation of investment properties	14 -	71	122	60	60
Amortisation of other intangible assets	16 253	325	717	295	459
Loss/(gain) on disposal of items of property, plant and equipment	(130)	(9)	(23)	10	(242)
Depreciation of right-of-use assets	22,535	26,410	29,229	14,247	17,841
COVID-19-related rent concessions from lessors	15 -	(4,422)	-	-	-
Investment income from financial assets at fair value through profit or loss	(864)	(351)	-	-	-
Gain on termination of leases, net	-	(1,621)	(472)	(115)	(362)
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	3,070	873	(998)	(405)	(752)
Equity-settled share award expense	-	-	-	-	5,008
Write-down/(reversal of write-down) of inventories to net realisable values	2,795	2,167	1,597	863	(615)
Share of loss/(profit) of an associate	17 -	-	703	-	(535)
	505,147	519,595	941,086	493,174	693,570
Decrease/(increase) in inventories	(94,715)	(91,899)	(44,330)	3,647	30,250
Increase in trade and bills receivables	(26,404)	(2,929)	(44,625)	(88,822)	(76,643)
Increase in prepayments, other receivables and other assets	(4,934)	(1,828)	(25,360)	(19,514)	(10,202)
Decrease/(increase) in restricted cash	(1,263)	12	(1,896)	-	1,063
Increase/(decrease) in trade payables	(1,498)	69,802	(9,351)	(32,597)	44,055
Increase in other payables and accruals	14,537	35,440	61,940	74,556	87,756
Increase/(decrease) in provision	-	-	374	-	(276)
Increase/(decrease) in amounts due to related parties	-	31	1,104	(31)	(633)
Cash generated from operations	390,870	528,224	878,942	430,413	768,940

**MAO GEPING COSMETICS CO., LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

Years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024

	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Cash generated from operations	390,870	528,224	878,942	430,413	768,940
Income tax paid	(90,939)	(140,107)	(179,234)	(84,322)	(149,870)
Net cash flows from operating activities	299,931	388,117	699,708	346,091	619,070
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of items of property, plant and equipment	(41,057)	(33,145)	(72,193)	(27,358)	(55,590)
Purchases of other intangible assets	(490)	(1,282)	(1,312)	(1,888)	(435)
Purchase of leasehold land	-	-	(12,654)	-	-
Payment of bidding deposit for land use right	-	(12,100)	(118,540)	-	-
Prepayment for leasehold land	-	-	-	-	(177,805)
Repayment of bidding deposit for land use right	-	12,100	-	-	-
Purchase of a shareholding in an associate	-	-	(10,000)	-	(22,237)
Proceeds from disposal of items of property, plant and equipment	379	115	213	-	363
Purchases of financial assets at fair value through profit or loss	(51,000)	-	-	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	51,000	-	-	-
Investment income from financial assets at fair value through profit or loss	864	533	-	-	-
Loans to related parties	-	-	-	-	(265,000)
Repayment of loans to related parties	-	-	-	-	265,000
Interest received	6,809	13,678	19,779	9,430	6,416
Net cash flows from/(used in) investing activities	(84,495)	30,899	(194,707)	(19,816)	(249,288)

**MAO GEPING COSMETICS CO., LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

Years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Dividends paid		(40,000)	-	(225,000)	(225,000)	(1,025,000)
Repayment of principal portion of lease liabilities		(23,111)	(21,303)	(27,973)	(14,815)	(18,936)
Interest paid		(2,805)	(3,115)	(2,033)	(1,132)	(1,189)
Proceeds from bank borrowings		-	1,726	-	-	98,628
Payment of listing expenses		-	-	-	-	(7,579)
Acquisition of non-controlling interests		-	-	-	-	(700)
Capital injection from non-controlling shareholders of a subsidiary		355	-	-	-	-
Net cash flows used in financing activities		(65,561)	(22,692)	(255,006)	(240,947)	(954,776)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Cash and cash equivalents at beginning of year/period		341,700	491,575	887,899	887,899	1,137,894
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>						
		491,575	887,899	1,137,894	973,227	552,900
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>						
Cash and bank balances	22	492,941	889,253	1,141,144	974,581	555,087
Restricted cash	22	(1,366)	(1,354)	(3,250)	(1,354)	(2,187)
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		491,575	887,899	1,137,894	973,227	552,900



**MAO GEPING COSMETICS CO., LTD.**
**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

31 December 2021, 2022 and 2023 and 30 June 2024

		As at 31 December			As at 30 June
	Notes	2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	89,473	85,980	81,587	78,131
Right-of-use assets	15(a)	8,086	5,034	942	9,821
Other intangible assets		415	573	1,825	1,863
Investments in subsidiaries	37	28,963	28,963	138,963	461,963
Prepayments, other receivables and other assets	20	299	863	118,540	-
Deferred tax assets	27	7,731	8,501	13,181	14,529
Total non-current assets		134,967	129,914	355,038	566,307
<b>CURRENT ASSETS</b>					
Inventories	18	182,384	256,796	356,699	304,344
Trade and bills receivables	19	94,518	90,681	130,392	189,781
Prepayments, other receivables and other assets	20	15,934	15,619	17,653	32,135
Financial assets at fair value through profit or loss	21	51,000	-	-	-
Due from subsidiaries	38	48,505	34,337	34,119	72,909
Restricted cash	22	1,262	1,250	3,146	2,000
Cash and cash equivalents	22	392,766	730,021	845,685	256,629
Total current assets		786,369	1,128,704	1,387,694	857,798
<b>CURRENT LIABILITIES</b>					
Trade payables		57	101	57	57
Other payables and accruals	24	86,126	104,080	151,933	203,102
Interest-bearing bank and other borrowings	25	-	1,726	-	-
Due to subsidiaries	38	67,166	118,558	106,424	275,851
Lease liabilities	15(b)	3,772	3,206	-	1,777
Tax payable		54,240	47,107	82,136	93,201
Total current liabilities		211,361	274,778	340,550	573,988
NET CURRENT ASSETS		575,008	853,926	1,047,144	283,810
TOTAL ASSETS LESS CURRENT LIABILITIES		709,975	983,840	1,402,182	850,117

**MAO GEPING COSMETICS CO., LTD.****STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

	Notes	As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>709,975</b>	<b>983,840</b>	<b>1,402,182</b>	<b>850,117</b>
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	15(b)	5,046	-	-	6,271
Total non-current liabilities		5,046	-	-	6,271
Net assets		704,929	983,840	1,402,182	843,846
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	28	60,000	60,000	60,000	200,000
Reserves	30	644,929	923,840	1,342,182	643,846
Total equity		704,929	983,840	1,402,182	843,846

# MAO GEPING COSMETICS CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

31 December 2021, 2022 and 2023 and 30 June 2024

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the People's Republic of China (the "PRC") on 28 July 2000. The registered office of the Company is located at Room 1001, Wanyin Building, Shangcheng District, Hangzhou, Zhejiang, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were involved in research and development, production and sale of beauty products, and provision of makeup artistry training, experiential and personalised customer service.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the Company's principal subsidiaries of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Mao Geping Technology Co., Ltd.* ("Mao Geping Technology") (杭州毛戈平科技有限公司) (note (a), (b))	PRC/Chinese Mainland 12 November 2009	RMB10,000,000	100	-	Research and development, production and sale of beauty products
Hangzhou Love Keeps Cosmetics Co., Ltd.* ("Hangzhou Love Keeps") (杭州至爱终生化妆品有限公司) (note (a), (b))	PRC/Chinese Mainland 7 November 2013	RMB8,000,000	100	-	Sale of beauty products
Hangzhou Mao Geping Image Design Art Co., Ltd.* ("Mao Geping Image Design") (杭州毛戈平形象设计艺术有限公司) (note (a), (d))	PRC/Chinese Mainland 10 August 2010	RMB10,000,000	100	-	Provision of makeup artistry training
Hangzhou Diyue Cosmetics Co., Ltd.* ("Hangzhou Diyue") (杭州迪悦化妆品有限公司) (note (a), (b))	PRC/Chinese Mainland 2 June 2016	RMB10,000,000	100	-	Sale of beauty products
Beijing Diyue Cosmetics Co., Ltd.* ("Beijing Diyue") (北京迪悦化妆品有限公司) (note (a), (b))	PRC/Chinese Mainland 13 May 2019	RMB5,000,000	95	-	Sale of beauty products
Zhejiang Huidu Cosmetics Co., Ltd.* ("Zhejiang Huidu") (浙江汇都化妆品有限公司) (note (a), (b))	PRC/Chinese Mainland 8 March 2021	RMB10,000,000	100	-	Sale of beauty products
Hangzhou Keyunshi Biotechnology Co., Ltd.* ("Hangzhou Keyunshi") (杭州科韵诗生物科技有限公司) (note (b), (c))	PRC/Chinese Mainland 18 August 2022	RMB 100,000,000	100	-	Research and development, production and sale of beauty products
Hangzhou Xingyi Equity Investment Co., Ltd.* ("Hangzhou Xingyi") (杭州星屹股权投资有限公司) (note (c), (d))	PRC/Chinese Mainland 29 December 2022	RMB 100,000,000	100	-	Investment holding
Hangzhou Shang Du Hui Cosmetics Technology Co., Ltd.* ("Hangzhou Shang Du Hui") (杭州尚都汇化妆品科技有限公司)	PRC/Chinese Mainland 2 January 2024	RMB 500,000,000	77.20	-	Properties holding

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 1. CORPORATE AND GROUP INFORMATION (continued)

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Pan-China Certified Public Accountants LLP (天健会计师事务所(特殊普通合伙)), certified public accountants registered in the PRC.
  - (b) The statutory financial statements of these entities for the year ended 31 December 2023 prepared under PRC GAAP were audited by Zhegjiang Zongzi Certified Public Accountants Co., Ltd. (浙江中孜会计师事务所有限公司), certified public accountants registered in the PRC.
  - (c) No audited financial statements have been prepared for these entities for the year ended 31 December 2022 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of establishment.
  - (d) No audited financial statements have been prepared for these entities for the year ended 31 December 2023 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of establishment.
- \* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

#### 2. ACCOUNTING POLICIES

##### 2.1 BASIS OF PREPARATION

The financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. They have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2024 together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the consolidated financial statements throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The financial statements are the first time the Group has prepared in accordance with HKFRSs. The Group did not present any consolidated financial statements for periods prior to 1 January 2021.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.1 BASIS OF PREPARATION (continued)

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. They are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

##### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be combined until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>3</sup>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>1</sup>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to HKAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards. HKFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. HKFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

There is no impact to the financial position and performance of the group as the result of the adoption of HKFRS 18, except that the presentation of statement of profit or loss will be amended and additional disclosure will be included in the financial statements.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION

##### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Fair value measurement

The Group measures its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.



## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any amortisation/depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Leasehold improvements	3 to 5 years
Motor vehicles	4 to 5 years
Office equipment	3 to 5 years
Buildings	20 to 30 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 30 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Software*

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 4 to 5 years.

*Research and development costs*

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new technology is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Self-operated counters	1 to 4 years
Office premises	1 to 11 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

MAO GEPING COSMETICS CO., LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

*Group as a lessee (continued)*

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets, which are not capitalised, are recognised as an expense on a straight-line basis over the lease term.

*Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

*Initial recognition and measurement* (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets designated at fair value through other comprehensive income (debt investments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Impairment of financial assets (continued)

*General approach (continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings and amounts due to related parties.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Financial liabilities (continued)

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, interest-bearing bank borrowings and amounts due to related parties are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements, discounted to their present values as appropriate. The warranty-related cost is revised annually.

##### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Income tax** (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Revenue recognition

###### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

##### (a) Sale of products

The Group primarily sells its products to customers through offline channels such as direct sales via self-operated counters, retailers and distributors and online channels such as direct online sales and distributors. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer. Specifically, revenue from direct sales and consignment is recognised when the goods are delivered to consumers directly in the counters or when the goods are sent by express delivery to and accepted by consumers. Revenue from retailers and distributors is recognised when the goods are delivered to designated locations or transferred to designated carriers.

Some contracts for the sales of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

##### (i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised if it is material.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Revenue recognition (continued)

*Revenue from contracts with customers* (continued)

(a) Sale of products (continued)

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(iii) Membership loyalty programme

The Group operated a membership loyalty programme, which allowed customers to accumulate loyalty points when they purchase products. The loyalty points could be redeemed for discounts on products in a limited period. Under HKFRS 15, the membership loyalty programme gives rise to a separate performance obligation because it provides a material right to the customer and the Group allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

(b) Makeup artistry training and related sales

Revenue from the provision of makeup artistry training service is recognised over the training period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other related sales mainly include the sale of beauty salon products to program participants who participate in makeup artistry training service and the sale of recorded makeup training courses. Revenue from other related sales is recognised at the point in time when control of the asset is transferred to the customer or the service is rendered.

*Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of the Relevant Periods.

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at the market value of the shares, further details of which are given in note 29 to the financial statements .

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

*Pension schemes*

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in central pension schemes operated by the local municipal government and the central government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.



NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Revenue from contracts with customers*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

*(a) Identification of a customer and gross versus net revenue recognition*

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as a principal or an agent in the transaction. If the Group is acting as a principal in a transaction, the Group reports revenue on a gross basis. If the Group is acting as an agent in a transaction, the Group reports revenue on a net basis. The determination of whether the Group is acting as a principal or an agent in a transaction involves judgement and is based on an evaluation of the terms of the arrangement. The Group is considered a principal if it controls a promised good or service before transferring that good or service to the customer. The Group considers several factors to determine if it controls the good or service and therefore is the principal. These factors include: (a) if the Group is primarily responsible for fulfilling the promise to provide the specified good or service; (b) if the Group has inventory risk before the specified good or service has been transferred to a customer or after the transfer of control to the customer; and (c) if the Group has discretion in establishing price for the specified good or service.

*(b) Identifying performance obligations in membership loyalty programme*

The Group operates a membership loyalty programme that rewards a customer with membership with loyalty points for each purchase. Loyalty points are redeemable for discounts of future purchase. The Group assessed that the points provide a material right to customers that they would not receive without entering into a contract. Consequently, the Group concludes that the promise to provide loyalty points to the customer is a performance obligation. The Group accounts for loyalty points as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e., the goods sold (revenue) and the loyalty points granted (deferred revenue). The allocation is made by reference to the relative standalone values of the components, i.e., the amounts for which each component could be sold separately.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consuming sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements .

*Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses at 31 December 2021, 2022 and 2023 and 30 June 2024 amounted to RMB12,951,000, nil, nil and nil, respectively. Further details are contained in note 27 to the financial statements .

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

Estimation uncertainty (continued)

*Net realisable value of inventories*

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each of the Relevant Periods. The carrying amount of inventories is given in note 18 to the financial statements .

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Deferred revenue - Estimating the fair value of loyalty points in membership loyalty programme*

The fair value of the loyalty points is estimated by reference to the discount that the customer would obtain when redeeming the loyalty points for goods. The nominal value of this discount is reduced to take into account:(i) any discount that would be offered to customers who have not earned loyalty points from an initial sale; and (ii) the proportion of loyalty points that are expected to be forfeited by customers.

The Group recognises revenue in respect of the loyalty points in the periods, and reflecting the pattern, in which loyalty points are redeemed. The amount of revenue recognised is based on the number of loyalty points that have been redeemed relative to the total number expected to be redeemed. The part of the consideration allocated to goods sold is recorded in gross sales of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statement of financial position.

## MAO GEPING COSMETICS CO., LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

##### Geographical information

During the years ended 31 December 2021, 2022 and 2023, the Group's operations were within one geographical segment because all of the Group's revenue was generated from customers located in Chinese Mainland. During the six months ended 30 June 2024, the Group had operations in Chinese Mainland and Hong Kong, with revenue generated from customers located in Chinese Mainland and Hong Kong of RMB1,971,335,000 (30 June 2023: RMB1,398,531,000) and RMB191,000 (30 June 2023: Nil), respectively.

All of the non-current assets of the Group were located in Chinese Mainland.

##### Information about major customers

No revenue from the Group's sales to a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for each of the Relevant Periods and the six months ended 30 June 2023.

#### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<i>Revenue from contracts with customers</i>	<u>1,577,347</u>	<u>1,829,112</u>	<u>2,885,964</u>	<u>1,398,531</u>	<u>1,971,526</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**5. REVENUE, OTHER INCOME AND GAINS (continued)**

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Types of goods or services</b>					
Sale of products	1,495,067	1,774,741	2,781,892	1,359,273	1,900,022
Makeup artistry training and related sales	82,280	54,371	104,072	39,258	71,504
<b>Total</b>	<b>1,577,347</b>	<b>1,829,112</b>	<b>2,885,964</b>	<b>1,398,531</b>	<b>1,971,526</b>

**Geographical markets**

The Group's revenue was generated from customers located in Chinese Mainland during the years ended 31 December 2021, 2022 and 2023. For the six months ended 30 June 2024, the Group's revenue was generated from customers located in Chinese Mainland and Hong Kong with an amount of RMB1,971,335,000 (30 June 2023: 1,398,531,000) and RMB191,000 (30 June 2023: Nil), respectively.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Timing of revenue recognition</b>					
Goods transferred or services provided at a point in time	1,501,939	1,780,135	2,805,230	1,367,273	1,913,628
Services provided over time	75,408	48,977	80,734	31,258	57,898
<b>Total</b>	<b>1,577,347</b>	<b>1,829,112</b>	<b>2,885,964</b>	<b>1,398,531</b>	<b>1,971,526</b>

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sale of products	23,305	31,956	47,287	28,546	30,088
Makeup artistry training and related sales	30,352	23,115	15,634	13,559	20,880
<b>Total</b>	<b>53,657</b>	<b>55,071</b>	<b>62,921</b>	<b>42,105</b>	<b>50,968</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**5. REVENUE, OTHER INCOME AND GAINS (continued)**

Revenue from contracts with customers (continued)

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

**Sale of products**

The Group primarily sells its products to customers through offline channels such as direct sales via counters, offline retailers and distributors and online channels such as direct online sales, online distributors and consignment.

*Offline Channel*

For direct sales via self-operated counters under lease model, the performance obligation is satisfied upon delivery of the goods and payment is mainly on cash or credit card settlement simultaneously. For direct sales via self-operated counters under concession model, the performance obligation is satisfied upon delivery of the goods and payment is collected by shopping malls and is due within 60 days. For retailer and distributor sales, the performance obligation is satisfied upon delivery of the goods and payment in advance before delivery is usually required while some large retailers are granted a credit term of 60 days.

*Online Channel*

For direct sales, the performance obligation is satisfied upon the acceptance of goods by customers and payment is mainly on cash or credit card settlement simultaneously. For distributor sales, the performance obligation is satisfied upon delivery of the goods and payment in advance is usually required. For consignment sales, the performance obligation is satisfied upon the acceptance of goods by consumers and payment is due within 30 days.

**Makeup artistry training and related sales**

For the makeup artistry training service, the performance obligation is satisfied over time as training services are rendered and payment in advance is normally required.

For the other related sales, the performance obligation is satisfied upon the acceptance of goods or online courses by customers and payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021, 2022 and 2023 and 30 June 2024 are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:				
Within one year	23,115	15,634	22,907	39,337

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue related to makeup artistry training services. The amounts disclosed above do not include variable consideration which is constrained.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**5. REVENUE, OTHER INCOME AND GAINS (continued)**

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<u>Other income</u>					
Bank interest income	6,809	13,678	19,779	9,430	6,223
Interest income from loans to a related party	-	-	-	-	193
Government grants*	12,776	16,277	25,103	24,526	47,972
Gross rental income from investment property operating leases	-	89	328	107	107
Others	1,009	1,354	928	714	1,043
Total other income	20,594	31,398	46,138	34,777	55,538
<u>Gains</u>					
Gain on disposal of items of property, plant and equipment	130	9	23	-	242
Gain on termination of leases, net	-	1,621	472	115	362
Investment income from financial assets at fair value through profit or loss	864	351	-	-	-
Total gains	994	1,981	495	115	604
Total other income and gains	21,588	33,379	46,633	34,892	56,142

\* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

**MAO GEPING COSMETICS CO., LTD.**
**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Cost of inventories sold		195,066	230,752	355,109	178,466	243,178
Cost of makeup artistry training services provided and related sales		44,210	35,305	37,434	16,397	19,747
Depreciation of property, plant and equipment	13	37,607	39,728	40,093	20,280	18,954
Depreciation of investment properties	14	-	71	122	60	60
Depreciation of right-of-use assets	15(a)	22,535	26,410	29,462	14,247	18,084
Less: Amount capitalised in construction in progress		-	-	(233)	-	(243)
Net depreciation of right-of-use assets		22,535	26,410	29,229	14,247	17,841
Amortisation of other intangible assets*	16	253	325	717	295	459
Research and development costs**		13,703	14,548	23,975	12,195	15,267
COVID-19-related rent concessions from lessors	15(b)	-	(4,422)	-	-	-
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	15(c)	432	937	6,518	2,786	5,109
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	15(c)	5,269	4,002	5,583	2,162	3,830
Bank interest income		(6,809)	(13,678)	(19,779)	(9,430)	(6,223)
Interest income from loans to a related party		-	-	-	-	(193)
Government grants		(12,776)	(16,277)	(25,103)	(24,526)	(47,972)
Auditor's remuneration		2,910	2,058	3,655	2,900	142
Listing expenses		-	-	950	-	15,559



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**6. PROFIT BEFORE TAX (continued)**

The Group's profit before tax is arrived at after charging/(crediting): (continued)

Notes	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Employee benefit expense(excluding directors' and chief executives' remuneration (note 8)):					
Wages, salaries and bonuses	291,730	347,767	471,869	233,830	284,484
Equity-settled share award expense***	29	-	-	-	5,008
Pension scheme contributions(defined contribution scheme) ****	18,734	24,468	30,305	13,598	18,613
Staff welfare expenses	32,636	41,652	46,252	21,438	25,109
Total	343,100	413,887	548,426	268,866	333,214
Gain on termination of leases, net	-	(1,621)	(472)	(115)	(362)
Loss/(gain) on disposal of items of property, plant and equipment, net	(130)	(9)	(23)	10	(242)
Impairment losses / (reversal of impairment losses) on trade and other receivables, net	3,070	873	(998)	(405)	(752)
Write-down/(reversal of write-down) of inventories to net realisable values*****	2,795	2,167	1,597	863	(615)

\* The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

\*\* Research and development costs include part of employee benefit expense, depreciation of property, plant and equipment and depreciation of right-of-use assets.

\*\*\* The equity-settled share award expense is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

\*\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

\*\*\*\*\* The write-down/(reversal of write-down) of inventories to net realisable value is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**7. FINANCE COSTS**

An analysis of finance costs is as follows:

Note	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Interest on bank and other borrowings	-	-	-	-	1,372
Interest on lease liabilities 15(b)	2,805	3,115	2,033	1,132	1,189
<b>Total</b>	<b>2,805</b>	<b>3,115</b>	<b>2,033</b>	<b>1,132</b>	<b>2,561</b>

**8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION**

The remuneration of each of the Company's directors, chief executive and supervisors is set out below:

	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Fees	320	320	320	160	214
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	14,472	18,618	22,591	10,389	10,387
Pension scheme contributions	220	233	259	125	136
<b>Subtotal</b>	<b>14,692</b>	<b>18,851</b>	<b>22,850</b>	<b>10,514</b>	<b>10,523</b>
<b>Total</b>	<b>15,012</b>	<b>19,171</b>	<b>23,170</b>	<b>10,674</b>	<b>10,737</b>

**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the Relevant Periods and the six months ended 30 June 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Mr. Guo Degui	80	29	-	-	-
Mr. Zhang Zhiyong	80	29	-	-	-
Mr. Lin Xian	80	29	-	-	-
Mr. Shang Yang	80	29	-	-	-
Mr. Dong Liming	-	51	80	40	20
Ms. Chen Weihua	-	51	80	40	20
Ms. Wang Hongwen	-	51	80	40	20
Mr. Li Hailong	-	51	80	40	40
Mr. Gu Jiong	-	-	-	-	57
Mr. Huang hui	-	-	-	-	57
<b>Total</b>	<b>320</b>	<b>320</b>	<b>320</b>	<b>160</b>	<b>214</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**

(a) Independent non-executive directors (continued)

Mr. Guo Degui, Mr. Zhang Zhiyong, Mr. Lin Xian and Mr. Shang Yang resigned as independent non-executive directors on 12 May 2022. Mr. Dong Liming, Ms. Chen Weihua, Ms. Wang Hongwen and Mr. Li Hailong were appointed as independent non-executive directors on 13 May 2022. Mr. Dong Liming, Ms. Chen Weihua and Ms. Wang Hongwen resigned as independent non-executive directors on 1 April 2024. Mr. Gu Jiong and Mr. Huang hui were appointed as independent non-executive directors on 1 April 2024.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the six months ended 30 June 2023.

(b) Executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<u>Year ended 31 December 2021</u>			
Executive directors:			
Mr. Mao Geping*	3,600	33	3,633
Ms. Wang Liquan	1,010	31	1,041
Ms. Mao Niping	2,314	-	2,314
Ms. Mao Huiping	2,314	-	2,314
Mr. Wang Lihua	1,010	31	1,041
Ms. Song Hongquan*	2,611	33	2,644
Mr. Zhang Jianfeng**	952	33	985
Total	<u>13,811</u>	<u>161</u>	<u>13,972</u>
<u>Year ended 31 December 2022</u>			
Executive directors:			
Mr. Mao Geping*	4,839	33	4,872
Ms. Wang Liquan	1,025	35	1,060
Ms. Mao Niping	3,274	-	3,274
Ms. Mao Huiping	3,274	-	3,274
Mr. Wang Lihua	1,025	35	1,060
Ms. Song Hongquan*	3,556	33	3,589
Mr. Zhang Jianfeng**	981	33	1,014
Total	<u>17,974</u>	<u>169</u>	<u>18,143</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**

**(b) Executive directors and the chief executive (continued)**

	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<u>Year ended 31 December 2023</u>			
Executive directors:			
Mr. Mao Geping*	5,898	40	5,938
Ms. Wang Liquan	1,029	37	1,066
Ms. Mao Niping	3,869	-	3,869
Ms. Mao Huiping	3,866	-	3,866
Mr. Wang Lihua	1,029	37	1,066
Ms. Song Hongquan*	4,710	40	4,750
Mr. Zhang Jianfeng**	1,296	40	1,336
Total	21,697	194	21,891
<u>Six months ended 30 June 2024</u>			
Executive directors:			
Mr. Mao Geping*	2,811	21	2,832
Ms. Wang Liquan	516	18	534
Ms. Mao Niping	1,762	-	1,762
Ms. Mao Huiping	1,762	-	1,762
Mr. Wang Lihua	518	21	539
Ms. Song Hongquan*	2,335	21	2,356
Mr. Zhang Jianfeng**	285	10	295
Total	9,989	91	10,080

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**

**(b) Executive directors and the chief executive (continued)**

	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<u>Six months ended 30 June 2023 (unaudited)</u>			
Executive directors:			
Mr. Mao Geping*	2,605	19	2,624
Ms. Wang Liquan	513	19	532
Ms. Mao Niping	1,762	-	1,762
Ms. Mao Huiping	1,762	-	1,762
Mr. Wang Lihua	513	19	532
Ms. Song Hongquan*	2,329	19	2,348
Mr. Zhang Jianfeng**	<u>558</u>	<u>19</u>	<u>577</u>
Total	<u>10,042</u>	<u>95</u>	<u>10,137</u>

\*Mr. Mao Geping resigned as the chief executive and Ms. Song Hongquan was appointed as the chief executive on 24 March 2024.

\*\*Mr. Zhang Jianfeng resigned as an executive director on 1 April 2024.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**

(c) Supervisors

	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<u>Year ended 31 December 2021</u>			
Ms. Gao Yan	207	18	225
Mr. Yang Weiqing	209	12	221
Ms. Wu Meijuan	<u>245</u>	<u>29</u>	<u>274</u>
Total	<u>661</u>	<u>59</u>	<u>720</u>
<u>Year ended 31 December 2022</u>			
Ms. Gao Yan	222	18	240
Mr. Yang Weiqing	228	12	240
Ms. Wu Meijuan	<u>194</u>	<u>34</u>	<u>228</u>
Total	<u>644</u>	<u>64</u>	<u>708</u>
<u>Year ended 31 December 2023</u>			
Ms. Gao Yan	253	22	275
Mr. Yang Weiqing	248	18	266
Ms. Wu Meijuan	<u>393</u>	<u>25</u>	<u>418</u>
Total	<u>894</u>	<u>65</u>	<u>959</u>
<u>Six months ended 30 June 2024</u>			
Ms. Gao Yan	123	12	135
Mr. Yang Weiqing	122	12	134
Ms. Wu Meijuan	<u>153</u>	<u>21</u>	<u>174</u>
Total	<u>398</u>	<u>45</u>	<u>443</u>
<u>Six months ended 30 June 2023 (unaudited)</u>			
Ms. Gao Yan	113	9	122
Mr. Yang Weiqing	114	6	120
Ms. Wu Meijuan	<u>120</u>	<u>15</u>	<u>135</u>
Total	<u>347</u>	<u>30</u>	<u>377</u>

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2023.

During the Relevant Periods and the six months ended 30 June 2023, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during each of the Relevant Periods and the six months ended 30 June 2023 included four, four, four, four and four directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining one, one, one, two and one highest paid employee who is neither a director nor chief executive of the Company during each of the Relevant periods and the six months ended 30 June 2023, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	3,573	3,083	3,375	1,952	1,229
Equity-settled share award expense	-	-	-	-	4,058
Pension scheme contributions	33	37	37	-	53
<b>Total</b>	<b>3,606</b>	<b>3,120</b>	<b>3,412</b>	<b>1,952</b>	<b>5,340</b>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023 (unaudited)	2024
HK\$1,500,001 to HK\$2,000,000	-	-	-	-	1
HK\$2,000,001 to HK\$2,500,000	-	-	-	1	-
HK\$3,500,001 to HK\$4,000,000	-	1	1	-	1
HK\$4,000,001 to HK\$4,500,000	1	-	-	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>

During the Relevant Periods and the six months ended 30 June 2023, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

# MAO GEPING COSMETICS CO., LTD.

## NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

### 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for PRC corporate income tax ("CIT") is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

During the year of 2021, Hangzhou Diyue and six subsidiaries of Mao Geping Image Design are qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1,000,000 of assessable profits and 10% for the assessable profits between RMB1,000,000 and RMB3,000,000.

During the year of 2022, Hangzhou Diyue, seven subsidiaries of Mao Geping Image Design and Hangzhou Love Keeps are qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1,000,000 of assessable profits and 5% for the assessable profits between RMB1,000,000 and RMB3,000,000.

During the year of 2023 and during the six months ended 30 June 2024, Shanghai Diyue, Chongqing Diyue Cosmetics Co., Ltd. and eight subsidiaries of Mao Geping Image Design are qualified as small and micro enterprises and were subject to preferential income tax rate of 5% for the first RMB3,000,000 of assessable profits.

The major components of income tax expense of the Group during the Relevant Periods and the six months ended 30 June 2023 are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current - Charge for the year/period	127,327	131,445	222,612	119,318	159,807
Deferred tax (note 27)	(14,385)	(16,553)	1,782	(2,386)	5,256
Total tax charge for the year/period	112,942	114,892	224,394	116,932	165,063



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**10. INCOME TAX (continued)**

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	443,885	466,987	887,864	466,237	657,609
Tax at the statutory tax rate of 25% in Chinese Mainland	110,971	116,747	221,966	116,559	164,402
Effect of preferential lower tax rate entitled	(646)	(249)	(66)	(26)	(1,168)
Expenses not deductible for tax	967	1,632	2,318	399	1,963
Losses/(profits) attributable to an associate	-	-	176	-	(134)
Tax losses utilised from previous periods	-	(344)	-	-	-
Recognition of tax losses brought forward from previous year	-	(2,894)	-	-	-
Tax losses not recognised	1,650	-	-	-	-
Tax charge at the Group's effective tax rate	112,942	114,892	224,394	116,932	165,063

**11. DIVIDENDS**

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends	40,000	-	250,000	250,000	1,000,000

On 7 March 2021, the Company declared dividends of RMB40,000,000 to its shareholders, which were paid in March 2021.

On 12 May 2023, the Company declared dividends of RMB250,000,000 to its shareholders for which RMB225,000,000 and RMB25,000,000 were paid in May 2023 and January 2024, respectively.

On 3 February 2024, the Company declared dividends of RMB500,000,000 to its shareholders, which were fully paid in March 2024.

On 1 April 2024, the Company declared dividends of RMB500,000,000 to its shareholders, which were fully paid in May 2024.

MAO GEPING COSMETICS CO., LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2023, as adjusted to reflect the share conversion on 21 March 2024(note 28). The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2023.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	331,016	352,082	661,928	348,944	492,074
	Number of shares				
	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(unaudited)	
<u>Shares</u>					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	96,004	8,411	11,817	92,314	208,546
Accumulated depreciation	<u>(41,816)</u>	<u>(5,394)</u>	<u>(9,123)</u>	<u>(29,990)</u>	<u>(86,323)</u>
Net carrying amount	<u>54,188</u>	<u>3,017</u>	<u>2,694</u>	<u>62,324</u>	<u>122,223</u>
At 1 January 2021, net of accumulated depreciation	54,188	3,017	2,694	62,324	122,223
Additions	36,307	2,559	2,191	-	41,057
Disposals	(29)	(185)	(35)	-	(249)
Depreciation provided during the year (note 6)	<u>(31,905)</u>	<u>(1,065)</u>	<u>(1,472)</u>	<u>(3,165)</u>	<u>(37,607)</u>
At 31 December 2021, net of accumulated depreciation	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>
At 31 December 2021:					
Cost	129,072	9,903	13,360	92,314	244,649
Accumulated depreciation	<u>(70,511)</u>	<u>(5,577)</u>	<u>(9,982)</u>	<u>(33,155)</u>	<u>(119,225)</u>
Net carrying amount	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Group (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
<b>31 December 2022</b>					
At 1 January 2022:					
Cost	129,072	9,903	13,360	92,314	244,649
Accumulated depreciation	<u>(70,511)</u>	<u>(5,577)</u>	<u>(9,982)</u>	<u>(33,155)</u>	<u>(119,225)</u>
Net carrying amount	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>
At 1 January 2022, net of accumulated depreciation	58,561	4,326	3,378	59,159	125,424
Additions	31,845	131	3,174	-	35,150
Disposals	-	(3)	(103)	-	(106)
Transfer to investment properties	-	-	-	(3,357)	(3,357)
Depreciation provided during the year (note 6)	<u>(33,868)</u>	<u>(1,184)</u>	<u>(1,582)</u>	<u>(3,094)</u>	<u>(39,728)</u>
At 31 December 2022, net of accumulated depreciation	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>117,383</u>
At 31 December 2022:					
Cost	156,450	9,966	15,676	88,423	270,515
Accumulated depreciation	<u>(99,912)</u>	<u>(6,696)</u>	<u>(10,809)</u>	<u>(35,715)</u>	<u>(153,132)</u>
Net carrying amount	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>117,383</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Group (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2023</b>						
At 1 January 2023:						
Costs	156,450	9,966	15,676	88,423	-	270,515
Accumulated depreciation	(99,912)	(6,696)	(10,809)	(35,715)	-	(153,132)
Net carrying amount	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>-</u>	<u>117,383</u>
At 1 January 2023, net of accumulated depreciation	56,538	3,270	4,867	52,708	-	117,383
Additions	27,431	558	2,501	275	60,106	90,871
Disposals	(146)	(17)	(27)	-	-	(190)
Depreciation provided during the year (note 6)	(33,851)	(1,059)	(2,105)	(3,078)	-	(40,093)
At 31 December 2023, net of accumulated depreciation	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>
At 31 December 2023:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	(125,917)	(7,630)	(12,500)	(38,793)	-	(184,840)
Net carrying amount	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Group (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2024</b>						
At 1 January 2024:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	(125,917)	(7,630)	(12,500)	(38,793)	-	(184,840)
Net carrying amount	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>
At 1 January 2024, net of accumulated depreciation	49,972	2,752	5,236	49,905	60,106	167,971
Additions	15,938	1,224	1,933	-	50,282	69,377
Disposals	(1)	(20)	(100)	-	-	(121)
Depreciation provided during the period (note 6)	(15,505)	(626)	(1,275)	(1,548)	-	(18,954)
At 30 June 2024, net of accumulated depreciation	<u>50,404</u>	<u>3,330</u>	<u>5,794</u>	<u>48,357</u>	<u>110,388</u>	<u>218,273</u>
At 30 June 2024:						
Cost	186,045	11,216	18,761	88,698	110,388	415,108
Accumulated Depreciation	(135,641)	(7,886)	(12,967)	(40,341)	-	(196,835)
Net carrying amount	<u>50,404</u>	<u>3,330</u>	<u>5,794</u>	<u>48,357</u>	<u>110,388</u>	<u>218,273</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Company**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	49,245	6,754	1,988	77,748	135,735
Accumulated depreciation	(20,691)	(4,068)	(1,479)	(28,735)	(54,973)
Net carrying amount	<u>28,554</u>	<u>2,686</u>	<u>509</u>	<u>49,013</u>	<u>80,762</u>
At 1 January 2021, net of accumulated depreciation	28,554	2,686	509	49,013	80,762
Additions	28,951	2,511	1,440	-	32,902
Disposals	(145)	(185)	(11)	-	(341)
Depreciation provided during the year	<u>(19,867)</u>	<u>(929)</u>	<u>(344)</u>	<u>(2,710)</u>	<u>(23,850)</u>
At 31 December 2021, net of accumulated depreciation	<u>37,493</u>	<u>4,083</u>	<u>1,594</u>	<u>46,303</u>	<u>89,473</u>
At 31 December 2021:					
Cost	76,213	8,197	3,203	77,748	165,361
Accumulated depreciation	(38,720)	(4,114)	(1,609)	(31,445)	(75,888)
Net carrying amount	<u>37,493</u>	<u>4,083</u>	<u>1,594</u>	<u>46,303</u>	<u>89,473</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Company (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
<b>31 December 2022</b>					
At 1 January 2022:					
Cost	76,213	8,197	3,203	77,748	165,361
Accumulated depreciation	<u>(38,720)</u>	<u>(4,114)</u>	<u>(1,609)</u>	<u>(31,445)</u>	<u>(75,888)</u>
Net carrying amount	<u>37,493</u>	<u>4,083</u>	<u>1,594</u>	<u>46,303</u>	<u>89,473</u>
At 1 January 2022, net of accumulated depreciation	37,493	4,083	1,594	46,303	89,473
Additions	23,637	121	687	-	24,445
Disposals	(1,383)	(3)	(3)	-	(1,389)
Depreciation provided during the year	<u>(22,067)</u>	<u>(1,052)</u>	<u>(720)</u>	<u>(2,710)</u>	<u>(26,549)</u>
At 31 December 2022, net of accumulated depreciation	<u>37,680</u>	<u>3,149</u>	<u>1,558</u>	<u>43,593</u>	<u>85,980</u>
At 31 December 2022:					
Cost	95,438	8,250	3,830	77,748	185,266
Accumulated depreciation	<u>(57,758)</u>	<u>(5,101)</u>	<u>(2,272)</u>	<u>(34,155)</u>	<u>(99,286)</u>
Net carrying amount	<u>37,680</u>	<u>3,149</u>	<u>1,558</u>	<u>43,593</u>	<u>85,980</u>



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Company (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
<b>31 December 2023</b>					
At 1 January 2023:					
Cost	95,438	8,250	3,830	77,748	185,266
Accumulated depreciation	(57,758)	(5,101)	(2,272)	(34,155)	(99,286)
Net carrying amount	<u>37,680</u>	<u>3,149</u>	<u>1,558</u>	<u>43,593</u>	<u>85,980</u>
At 1 January 2023, net of accumulated depreciation	37,680	3,149	1,558	43,593	85,980
Additions	22,522	558	458	-	23,538
Disposals	(85)	-	(14)	-	(99)
Depreciation provided during the year	(23,315)	(997)	(810)	(2,710)	(27,832)
At 31 December 2023, net of accumulated depreciation	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>
At 31 December 2023:					
Cost	117,673	8,808	4,006	77,748	208,235
Accumulated depreciation	(80,871)	(6,098)	(2,814)	(36,865)	(126,648)
Net carrying amount	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Company (continued)**

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Total RMB'000
30 June 2024					
At 1 January 2024:					
Cost	117,673	8,808	4,006	77,748	208,235
Accumulated depreciation	<u>(80,871)</u>	<u>(6,098)</u>	<u>(2,814)</u>	<u>(36,865)</u>	<u>(126,648)</u>
Net carrying amount	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>
At 1 January 2024, net of accumulated depreciation	36,802	2,710	1,192	40,883	81,587
Additions	9,239	-	591	-	9,830
Depreciation provided during the period	<u>(10,967)</u>	<u>(526)</u>	<u>(438)</u>	<u>(1,355)</u>	<u>(13,286)</u>
At 30 June 2024, net of accumulated depreciation	<u>35,074</u>	<u>2,184</u>	<u>1,345</u>	<u>39,528</u>	<u>78,131</u>
At 30 June 2024:					
Cost	121,540	8,808	4,597	77,748	212,693
Accumulated depreciation	<u>(86,466)</u>	<u>(6,624)</u>	<u>(3,252)</u>	<u>(38,220)</u>	<u>(134,562)</u>
Net carrying amount	<u>35,074</u>	<u>2,184</u>	<u>1,345</u>	<u>39,528</u>	<u>78,131</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**14. INVESTMENT PROPERTIES**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period:				
Cost	-	-	3,891	3,891
Accumulated depreciation	-	-	(605)	(727)
Net carrying amount	-	-	3,286	3,164
At beginning of year/period, net of accumulated depreciation	-	-	3,286	3,164
Transfer from property, plant and equipment	-	3,357	-	-
Depreciation provided during the year/period (note 6)	-	(71)	(122)	(60)
At end of year/period, net of accumulated depreciation	-	3,286	3,164	3,104
At end of year/period:				
Cost	-	3,891	3,891	3,891
Accumulated depreciation	-	(605)	(727)	(787)
Net carrying amount	-	3,286	3,164	3,104

During the year ended 31 December 2022, the Group ceased to use certain office premise which is classified as property, plant and equipment with a net carrying amount of RMB3,357,000. The Group rented out this office premise and reclassified this office premise as an investment property accordingly.

The investment property is measured at cost. The fair values of the investment property were nil, RMB4,791,000, RMB5,090,000 and RMB5,087,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, based on valuation performed by an independent professionally qualified valuer.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**14. INVESTMENT PROPERTIES (continued)**

**Fair value and fair value hierarchy**

The following table illustrates the fair value and fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Office premise	-	-	4,791	4,791

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Office premise	-	-	5,090	5,090

As at 30 June 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Office premise	-	-	5,087	5,087

The fair value of investment properties disclosed in the financial statements was classified under Level 3 in the fair value hierarchy.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

Type	Valuation technique	Significant unobservable inputs
Office premise	Market comparison method	Price per square meter

The valuations take into account the characteristics of the properties which included the location, size, floor level, year of completion and other factors collectively.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**15. LEASES**

**The Group as a lessee**

The Group has lease contracts for self-operated counters, office premises and leasehold land used in its operations. Leases of self-operated counters generally have lease terms between 1 and 4 years. Leases of office premises generally have lease terms between 1 and 11 years. Leases of leasehold land generally have lease terms within 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

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

	Self-operated counters RMB'000	Office premises RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2021	7,380	61,181	-	68,561
Additions	2,837	32,275	-	35,112
Termination	-	(873)	-	(873)
Depreciation provided during the year (note 6)	(4,060)	(18,475)	-	(22,535)
As at 31 December 2021 and 1 January 2022	6,157	74,108	-	80,265
Additions	12,740	3,736	-	16,476
Termination	(694)	(15,713)	-	(16,407)
Increase/(decrease) as a result of lease modifications	278	(86)	-	192
Depreciation provided during the year (note 6)	(7,003)	(19,407)	-	(26,410)
As at 31 December 2022 and 1 January 2023	11,478	42,638	-	54,116
Additions	12,007	3,672	12,654	28,333
Termination	(198)	(6,932)	-	(7,130)
Increase as a result of lease modifications	1,357	4,840	-	6,197
Depreciation provided during the year (note 6)	(10,970)	(18,259)	(233)	(29,462)
As at 31 December 2023 and 1 January 2024	13,674	25,959	12,421	52,054
Additions	8,520	12,266	-	20,786
Termination	-	(4,261)	-	(4,261)
Increase as a result of lease modifications	3,682	14,915	-	18,597
Depreciation provided during the period (note 6)	(7,535)	(10,306)	(243)	(18,084)
As at 30 June 2024	18,341	38,573	12,178	69,092

## NOTES TO FINANCIAL STATEMENTS (continued)

15. LEASES (continued)

(b) Lease liabilities

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	69,433	80,228	52,735	38,960
New leases	34,779	16,342	15,679	20,786
Accretion of interest recognised during the year/period	2,805	3,115	2,033	1,189
Termination	(873)	(18,028)	(7,602)	(4,623)
Lease modifications	-	(82)	6,121	18,318
COVID-19-related rent concessions from lessors	-	(4,422)	-	-
Payments	(25,916)	(24,418)	(30,006)	(20,125)
Carrying amount at end of year/period	80,228	52,735	38,960	54,505
Analysed into:				
Current portion	21,511	21,404	21,683	25,797
Non-current portion	58,717	31,331	17,277	28,708

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Lease liabilities repayable:				
Within 1 year	21,511	21,404	21,683	25,797
1 to 2 years	30,862	21,948	9,740	16,561
2 to 5 years	27,855	9,383	7,537	12,147
Total	80,228	52,735	38,960	54,505

The Group applied the practical expedient to all eligible COVID-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**15. LEASES (continued)**

**The Group as a lessee (continued)**

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	2,805	3,115	2,033	1,132	1,189
Depreciation charge of right-of-use assets	22,535	26,410	29,229	14,247	17,841
Gain on termination of leases, net	-	(1,621)	(472)	(115)	(362)
COVID-19-related rent concessions from lessors	-	(4,422)	-	-	-
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	432	937	6,518	2,786	5,109
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	5,269	4,002	5,583	2,162	3,830
Total amount recognised in profit or loss	31,041	28,421	42,891	20,212	27,607

**(d) Variable lease payments**

The Group leased a number of retail stores and units in shopping malls that contain variable lease payment terms based on the Group's turnover generated from retail stores and units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The following summary provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

Year ended 31 December 2021

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	25,916	-	25,916
Variable rent with minimum payment	-	432	432
Total	25,916	432	26,348

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

15. LEASES (continued)

**The Group as a lessee (continued)**

(d) Variable lease payments (continued)

The Group leased a number of retail stores and units in shopping malls that contain variable lease payment terms based on the Group's turnover generated from retail stores and units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The following summary provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments: (continued)

Year ended 31 December 2022

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	24,418	-	24,418
Variable rent with minimum payment	-	937	937
Total	24,418	937	25,355

Year ended 31 December 2023

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	30,006	-	30,006
Variable rent with minimum payment	-	6,518	6,518
Total	30,006	6,518	36,524

Six months ended 30 June 2024

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	20,125	-	20,125
Variable rent with minimum payment	-	5,109	5,109
Total	20,125	5,109	25,234

Six months ended 30 June 2023 (unaudited)

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	15,947	-	15,947
Variable rent with minimum payment	-	2,786	2,786
Total	15,947	2,786	18,733

(e) The total cash outflow for leases is disclosed in note 31(c) to the financial statements .



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

15. LEASES (continued)

**The Group as a lessor**

The Group leases its investment properties (note 14) consisting of certain office premise in Chinese Mainland under operating lease arrangements. The terms of this lease generally requires the tenant to pay security deposits.

Rental income recognised by the Group during the Relevant Periods and the six months ended 30 June 2023 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income from operating leases (note 5)	-	89	328	107	107

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating lease with its tenant are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	-	213	109	218
After one year but within two years	-	213	213	224
After two years but within three years	-	218	218	112
After three years but within four years	-	224	131	19
After four years but within five years	-	130	-	-
Total	-	998	671	573

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

15. LEASES (continued)

**The Company as a lessee**

(a) Right-of-use assets

	Office premises RMB'000
As at 1 January 2021	2,947
Additions	8,812
Depreciation provided during the year	<u>(3,673)</u>
As at 31 December 2021 and 1 January 2022	8,086
Additions	2,074
Termination	(1,231)
Depreciation provided during the year	<u>(3,895)</u>
As at 31 December 2022 and 1 January 2023	5,034
Decrease as a result of lease modifications	(446)
Depreciation provided during the year	<u>(3,646)</u>
As at 31 December 2023 and 1 January 2024	942
Additions	1,783
Increase as a result of lease modifications	9,278
Depreciation provided during the period	<u>(2,182)</u>
As at 30 June 2024	<u>9,821</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	4,447	8,818	3,206	-
New leases	8,530	2,074	-	1,783
Accretion of interest recognised during the year/period	344	244	77	164
Termination	-	(1,503)	-	-
Lease modifications	-	-	(364)	9,229
COVID-19-related rent concessions from lessors	-	(3,186)	-	-
Payments	<u>(4,503)</u>	<u>(3,241)</u>	<u>(2,919)</u>	<u>(3,128)</u>
Carrying amount at end of year/period	<u>8,818</u>	<u>3,206</u>	<u>-</u>	<u>8,048</u>
Analysed into:				
Current portion	3,772	3,206	-	1,777
Non-current portion	<u>5,046</u>	<u>-</u>	<u>-</u>	<u>6,271</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

15. LEASES (continued)

**The Company as a lessee (continued)**

(b) Lease liabilities (continued)

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Lease liabilities repayable:				
Within 1 year	3,772	3,206	-	1,777
1 to 2 years	5,046	-	-	3,814
2 to 3 years	-	-	-	2,457
Total	8,818	3,206	-	8,048

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements .

16. OTHER INTANGIBLE ASSETS

**The Group**

Software  
RMB'000

**31 December 2021**

At 1 January 2021:

Cost	2,854
Accumulated amortisation	(2,088)

Net carrying amount	766
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Cost at 1 January 2021, net of accumulated amortisation	766
Amortisation provided during the year (note 6)	(253)

At 31 December 2021, net of accumulated amortisation	513
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At 31 December 2021:

Cost	2,854
Accumulated amortisation	(2,341)

Net carrying amount	513
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**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

## 16. OTHER INTANGIBLE ASSETS (continued)

<b>The Group</b>	<b>Software RMB'000</b>
<b>31 December 2022</b>	
Cost at 1 January 2022, net of accumulated amortisation	513
Additions	818
Amortisation provided during the year (note 6)	(325)
	<u>1,006</u>
At 31 December 2022, net of accumulated amortisation	
At 31 December 2022:	
Cost	3,672
Accumulated amortisation	(2,666)
	<u>1,006</u>
Net carrying amount	
<b>31 December 2023</b>	
Cost at 1 January 2023, net of accumulated amortisation	1,006
Additions	2,266
Amortisation provided during the year (note 6)	(717)
	<u>2,555</u>
At 31 December 2023, net of accumulated amortisation	
At 31 December 2023:	
Cost	5,938
Accumulated amortisation	(3,383)
	<u>2,555</u>
Net carrying amount	
<b>30 June 2024</b>	
Cost at 1 January 2024, net of accumulated amortisation	2,555
Additions	435
Amortisation provided during the period (note 6)	(459)
	<u>2,531</u>
At 30 June 2024, net of accumulated amortisation	
At 30 June 2024:	
Cost	6,373
Accumulated amortisation	(3,842)
	<u>2,531</u>
Net carrying amount	

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**17. INVESTMENT IN AN ASSOCIATE**

	As at 31 December 2023 RMB'000	As at 30 June 2024 RMB'000
Share of net assets	3,092	11,730
Goodwill on acquisition	<u>6,205</u>	<u>20,339</u>
Total	<u>9,297</u>	<u>32,069</u>

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	As at 31 December 2023 RMB'000	As at 30 June 2024 RMB'000
Share of the associate's (loss)/profit for the year/period	(703)	535
Aggregate carrying amount of the Group's investment in the associate	<u>9,297</u>	<u>32,069</u>

**18. INVENTORIES**

**The Group**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	27,893	37,908	19,624	15,666
Work in progress	27,567	42,374	32,315	47,443
Finished goods	<u>154,281</u>	<u>219,191</u>	<u>290,267</u>	<u>249,462</u>
Total	<u>209,741</u>	<u>299,473</u>	<u>342,206</u>	<u>312,571</u>

**The Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	<u>182,384</u>	<u>256,796</u>	<u>356,699</u>	<u>304,344</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES**

**The Group**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	115,554	114,898	159,523	236,166
Bills receivable	-	1,726	-	-
	115,554	116,624	159,523	236,166
Impairment	(4,675)	(3,125)	(1,846)	(2,420)
Net carrying amount	110,879	113,499	157,677	233,746

The Group's trade receivables usually generate from sales through stores and online platform which helps to collect sales proceeds. The Group usually grants a credit period of within 60 days to the relevant shopping malls, large retailers and online platform. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	112,251	112,142	157,778	234,306
3 to 6 months	398	790	585	767
6 to 12 months	-	337	246	1
1 to 2 years	944	722	7	185
over 2 years	1,961	907	907	907
Total	115,554	114,898	159,523	236,166

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	2,364	4,675	3,125	1,846
Impairment losses/(reversal of impairment losses), net	2,311	127	(1,279)	574
Amount written off as uncollectible	-	(1,677)	-	-
At end of year/period	4,675	3,125	1,846	2,420

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES (continued)**

**The Group (continued)**

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by ageing and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021			
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	3,067	100.00%	3,067
Other trade receivables aged:			
Within 3 months	112,092	1.43%	1,602
3 to 6 months	395	1.52%	6
Total	115,554	4.05%	4,675

As at 31 December 2022			
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	112,142	1.65%	1,853
3 to 6 months	790	1.39%	11
6 to 12 months	337	1.78%	6
1 to 2 years	722	48.20%	348
Total	114,898	2.72%	3,125

As at 31 December 2023			
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	157,778	0.59%	932
3 to 6 months	585	0.51%	3
6 to 12 months	246	0.41%	1
1 to 2 years	7	42.86%	3
Total	159,523	1.16%	1,846

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES (continued)****The Group (continued)**

	As at 30 June 2024		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	234,306	0.61%	1,421
3 to 6 months	767	0.65%	5
6 to 12 months	1	0.00%	-
1 to 2 years	185	47.03%	87
Total	236,166	1.02%	2,420

The Group's bills receivable were all aged within one year and were neither past due nor impaired.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, bills receivable of nil, RMB1,726,000, nil and nil, respectively, whose fair values approximate to their carrying values were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the Relevant Periods.

At 31 December 2021, 2022 and 2023 and 30 June 2024, certain bills receivable accepted by banks in Chinese Mainland (the "Discounted Bills") were discounted to the banks in Chinese Mainland with a carrying amount in aggregate of nil, RMB1,726,000, nil and nil, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has not transferred substantially all risks and rewards relating to the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Bills are not significant.

The proceeds received from the discount of the Discounted Bills with amounts of nil, RMB1,726,000, nil and nil was recorded as short-term loans as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively (note 25), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills.



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES (continued)**

**The Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	98,232	91,318	131,704	191,639
Bills receivable	-	1,726	-	-
	98,232	93,044	131,704	191,639
Impairment	(3,714)	(2,363)	(1,312)	(1,858)
Net carrying amount	94,518	90,681	130,392	189,781

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	95,173	90,387	130,448	190,134
3 to 6 months	398	240	408	659
6 to 12 months	-	29	186	-
1 to 2 years	700	-	-	184
over 2 years	1,961	662	662	662
Total	98,232	91,318	131,704	191,639

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	2,457	3,714	2,363	1,312
Impairment losses/(reversal of impairment losses), net	1,257	326	(1,051)	546
Amount written off as uncollectible	-	(1,677)	-	-
At end of year/period	3,714	2,363	1,312	1,858

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by ageing and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES (continued)**

**The Company (continued)**

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	As at 31 December 2021		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	2,823	100.00%	2,823
Other trade receivables aged:			
Within 3 months	95,014	0.93%	885
3 to 6 months	395	1.52%	6
<b>Total</b>	<b>98,232</b>	<b>3.78%</b>	<b>3,714</b>

	As at 31 December 2022		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	90,387	1.88%	1,699
3 to 6 months	240	0.83%	2
6 to 12 months	29	0.00%	-
<b>Total</b>	<b>91,318</b>	<b>2.59%</b>	<b>2,363</b>

	As at 31 December 2023		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	130,448	0.50%	647
3 to 6 months	408	0.49%	2
6 to 12 months	186	0.54%	1
<b>Total</b>	<b>131,704</b>	<b>1.00%</b>	<b>1,312</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**19. TRADE AND BILLS RECEIVABLES (continued)**

**The Company (continued)**

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix: (continued)

	As at 30 June 2024		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	190,134	0.58%	1,105
3 to 6 months	659	0.61%	4
6 to 12 months	-	0.00%	-
1 to 2 years	184	47.28%	87
Total	191,639	0.97%	1,858

**20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

**The Group**

	As at 31 December			As at 30 June
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Prepayments	17,164	19,926	37,539	39,744
Deferred listing expense	-	-	-	8,591
Deposits and other receivables(note)	14,246	12,041	137,841	21,864
Deductible input value-added tax	2,343	3,670	3,127	7,270
Tax recoverable	271	293	92	43
	34,024	35,930	178,599	77,512
Impairment allowance	(2,042)	(2,788)	(3,069)	(1,743)
Total	31,982	33,142	175,530	75,769
Analysed into:				
Current portion	31,492	32,188	56,990	75,769
Non-current portion	490	954	118,540	-

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)**

**The Group (continued)**

Note:

Deposits and other receivables mainly represent counter deposits pledged in department stores or shopping malls and rental deposits. As at 31 December 2023, the Company paid a bidding deposit for a parcel of leasehold land in Chinese Mainland amounted to RMB118,540,000, which was transferred to prepayment for leasehold land in January 2024.

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,288	2,042	2,788	3,069
Impairment/(reversal of impairment), net	759	746	281	(1,326)
Amount written off as uncollectible	(5)	-	-	-
At end of year/period	2,042	2,788	3,069	1,743

**The Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	11,632	14,211	13,873	15,487
Deferred listing expense	-	-	-	8,591
Deposits and other receivables	6,318	4,513	124,562	8,381
	17,950	18,724	138,435	32,459
Impairment allowance	(1,717)	(2,242)	(2,242)	(324)
Total	16,233	16,482	136,193	32,135
Analysed into:				
Current portion	15,934	15,619	17,653	32,135
Non-current portion	299	863	118,540	-

An impairment analysis was performed at the end of each of the Relevant Periods. The Company has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Company considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)**

**The Company (continued)**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,520	1,717	2,242	2,242
Impairment/(reversal of impairment), net	197	525	-	(1,918)
At end of year/period	1,717	2,242	2,242	324

**21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

**The Group and the Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	51,000	-	-	-

The above other unlisted investments were wealth management products issued by banks in Chinese Mainland with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

**22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**The Group**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	492,941	889,253	1,141,144	555,087
Less: restricted cash	1,366	1,354	3,250	2,187
Cash and cash equivalents	491,575	887,899	1,137,894	552,900
Denominated in:				
RMB	491,575	887,899	1,137,894	552,900

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (continued)****The Group(continued)**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Restricted cash represents performance security and third-party payment platform deposits.

**The Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	394,028	731,271	848,831	258,629
Less: restricted cash	1,262	1,250	3,146	2,000
Cash and cash equivalents	392,766	730,021	845,685	256,629
Denominated in: RMB	392,766	730,021	845,685	256,629

**23. TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	42,504	112,211	103,193	141,605
3 to 6 months	71	660	116	4,661
6 to 12 months	41	5	180	1,175
Over 1 year	522	64	100	203
Total	43,138	112,940	103,589	147,644

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**24. OTHER PAYABLES AND ACCRUALS**

**The Group**

	Notes	As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	55,071	62,921	86,100	108,041
Other payables	(b)	15,583	16,230	40,943	67,100
Refund liabilities	(c)	-	-	766	1,276
Taxes payable other than corporate income tax		18,935	21,447	30,491	54,321
Accruals		9,984	34,125	33,334	58,127
Payroll payable		56,964	59,241	82,389	86,591
Advances from customers		-	18	344	211
Dividends payable		-	-	25,000	-
<b>Total</b>		<b>156,537</b>	<b>193,982</b>	<b>299,367</b>	<b>375,667</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**24. OTHER PAYABLES AND ACCRUALS (continued)**

**The Group (continued)**

Notes:

(a) Details of contract liabilities are as follows:

	As at 1 January		As at 31 December		As at 30 June
	2021	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>					
Sales of products	4,173	196	10,320	3,614	674
Makeup artistry training services and related sales	30,352	23,115	15,634	22,907	39,337
Loyalty points programme	17,678	29,240	34,991	54,514	63,765
Subtotal	52,203	52,551	60,945	81,035	103,776
<i>Liabilities arising from sales rebate</i>					
Sales of products	1,454	2,520	1,976	5,065	4,265
Total	53,657	55,071	62,921	86,100	108,041

Contract liabilities mainly include sales of products, sales rebate, makeup artistry training services and related sales and loyalty points programme.

The increase in contract liabilities as of 31 December 2021, 2022 and 2023 were mainly due to the growth of offline sales, which led to more loyalty points generated. The increase in contract liabilities as of 30 June 2024 was mainly due to advances received from customers in relation to makeup artistry training services and related sales and the growth of offline sales revenue, which led to more loyalty points generated.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

(c) Refund liabilities represented the obligation arising from right of return to refund some or all of the consideration received (or receivable) from a customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of Relevant Periods.



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**24. OTHER PAYABLES AND ACCRUALS (continued)**

**The Company**

	Notes	As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	22,817	27,784	36,610	44,518
Other payables	(b)	5,976	7,945	6,558	18,406
Taxes payable other than corporate income tax		16,772	19,609	24,008	45,332
Accruals		4,166	12,257	15,426	44,841
Payroll payable		36,395	36,485	44,331	50,005
Dividends payable		-	-	25,000	-
<b>Total</b>		<b>86,126</b>	<b>104,080</b>	<b>151,933</b>	<b>203,102</b>

Notes:

(a) Details of contract liabilities are as follows:

	As at 1 January		As at 31 December			As at 30 June
	2021	2021	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>						
Sales of products	4,921	100	944	42		37
Loyalty points programme	15,734	22,717	26,840	36,568		44,481
	<b>20,655</b>	<b>22,817</b>	<b>27,784</b>	<b>36,610</b>		<b>44,518</b>

Contract liabilities mainly include sales of products and loyalty points programme.

The increase in contract liabilities as of 31 December 2021, 2022 and 2023 and 30 June 2024 were mainly due to the growth of offline sales, which led to more loyalty points generated.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**25. INTEREST-BEARING BANK AND OTHER BORROWINGS**

**The Group**

	Effective interest rate <u>(%)</u>	<u>Maturity</u>	31 December 2022 <u>RMB'000</u>
<b>Current</b>			
Discounted bills - secured (note a)	2-2.15	2022	<u>1,726</u>
	Effective interest rate <u>(%)</u>	<u>Maturity</u>	30 June 2024 <u>RMB'000</u>
<b>Current</b>			
Interest-bearing bank loans - unsecured (note b)	2.7	2024	<u>100,000</u>
	As at 31 December		
	<u>2021</u> RMB'000	<u>2022</u> RMB'000	<u>2023</u> RMB'000
			<u>As at 30 June</u> <u>2024</u> RMB'000
Analysed into:			
Discounted bills repayable:			
Within one year	-	1,726	-
Interest-bearing bank loans:			
Within one year	-	-	100,000
Total	-	1,726	100,000

**Notes:**

- (a) As at 31 December 2022, the Group's notes receivable, which had an aggregate net carrying value of approximately RMB1,726,000 were pledged to secure the bank loans granted to the Group (note 19).
- (b) As at 30 June 2024, the Group's banking facilities amounting to RMB300,000,000, of which RMB100,000,000 had been utilised.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**25. INTEREST-BEARING BANK AND OTHER BORROWINGS**

**The Company**

	Effective interest rate (%)	Maturity	31 December 2022 RMB'000
<b>Current</b>			
Discounted bills - secured (note)	2-2.15	2022	1,726
		As at 31 December	As at 30 June
		2021	2022
		RMB'000	RMB'000
Analysed into:			
Discounted bills repayable:			
Within one year		1,726	-

Note:

As at 31 December 2022, the Company's notes receivable, which had an aggregate net carrying value of approximately RMB1,726,000 were pledged to secure the bank loans granted to the Group (note 19).

**26. PROVISION**

	Warranties RMB'000
At 1 January 2023	-
Additional provision	374
At 31 December 2023 and 1 January 2024	374
Additional provision	98
Amounts utilised during the period	(374)
At 30 June 2024	98

The Group provides 7-day to three-year warranties to its customers on certain of its products sold. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of replacements. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

MAO GEPING COSMETICS CO., LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

27. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Unredeemed member loyalty points RMB'000	Unrealised profits from inter-company transactions RMB'000	Lease liabilities RMB'000	Accrued expense RMB'000	Refund liabilities and provision RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	905	333	4,384	6,147	-	2,045	-	-	13,814
Deferred tax credited/(charged) to profit or loss during the year (note 10)	741	699	2,856	10,153	19,413	(98)	-	-	33,764
At 31 December 2021 and 1 January 2022	1,646	1,032	7,240	16,300	19,413	1,947	-	-	47,578
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(259)	542	1,385	7,366	(7,806)	186	-	7,682	9,096
At 31 December 2022 and 1 January 2023	1,387	1,574	8,625	23,666	11,607	2,133	-	7,682	56,674
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(245)	399	4,650	(4,683)	(3,000)	2,003	285	(4,378)	(4,969)
At 31 December 2023 and 1 January 2024	1,142	1,973	13,275	18,983	8,607	4,136	285	3,304	51,705
Deferred tax credited/(charged) to profit or loss during the period (note 10)	(101)	(154)	1,530	(3,122)	5,019	(191)	8	(2,751)	238
At 30 June 2024	1,041	1,819	14,805	15,861	13,626	3,945	293	553	51,943

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**27. DEFERRED TAX (continued)**

**The Group (continued)**

Deferred tax liabilities

	Right-of-use assets RMB'000	Right-of-return assets RMB'000	Total RMB'000
At 1 January 2021	-	-	-
Deferred tax charged to profit or loss during the year (note 10)	19,379	-	19,379
At 31 December 2021 and 1 January 2022	19,379	-	19,379
Deferred tax credited to profit or loss during the year (note 10)	(7,457)	-	(7,457)
At 31 December 2022 and 1 January 2023	11,922	-	11,922
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(3,216)	29	(3,187)
At 31 December 2023 and 1 January 2024	8,706	29	8,735
Deferred tax charged/(credited) to profit or loss during the period (note 10)	5,523	(29)	5,494
At 30 June 2024	14,229	-	14,229

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	28,199	44,752	42,970	37,714

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	12,951	-	-	-

The Group has tax losses arising in Chinese Mainland of RMB12,951,000, nil, nil and nil as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**27. DEFERRED TAX (continued)**

**The Company**

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Unredeemed member loyalty points RMB'000	Lease liabilities RMB'000	Accrued expense RMB'000	Total RMB'000
At 1 January 2021	994	-	3,934	-	-	4,928
Deferred tax credited to profit or loss during the year	<u>364</u>	<u>511</u>	<u>1,745</u>	<u>2,205</u>	<u>-</u>	<u>4,825</u>
At 31 December 2021 and 1 January 2022	1,358	511	5,679	2,205	-	9,753
Deferred tax credited / (charged) to profit or loss during the year	<u>(207)</u>	<u>586</u>	<u>1,031</u>	<u>(1,403)</u>	<u>-</u>	<u>7</u>
At 31 December 2022 and 1 January 2023	1,151	1,097	6,710	802	-	9,760
Deferred tax credited / (charged) to profit or loss during the year	<u>(262)</u>	<u>402</u>	<u>2,432</u>	<u>(802)</u>	<u>1,887</u>	<u>3,657</u>
At 31 December 2023 and 1 January 2024	889	1,499	9,142	-	1,887	13,417
Deferred tax credited / (charged) to profit or loss during the period	<u>(343)</u>	<u>(80)</u>	<u>1,978</u>	<u>2,012</u>	<u>-</u>	<u>3,567</u>
At 30 June 2024	<u>546</u>	<u>1,419</u>	<u>11,120</u>	<u>2,012</u>	<u>1,887</u>	<u>16,984</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**27. DEFERRED TAX (continued)**

**The Company (continued)**

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2021	-
Deferred tax charged to profit or loss during the year	<u>2,022</u>
At 31 December 2021 and 1 January 2022	2,022
Deferred tax credited to profit or loss during the year	<u>(763)</u>
At 31 December 2022 and 1 January 2023	1,259
Deferred tax credited to profit or loss during the year	<u>(1,023)</u>
At 31 December 2023 and 1 January 2024	236
Deferred tax charged to profit or loss during the period	<u>2,219</u>
At 30 June 2024	<u>2,455</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	<u>7,731</u>	<u>8,501</u>	<u>13,181</u>	<u>14,529</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**28. SHARE CAPITAL**

**The Group and the Company**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised:				
Ordinary shares with par value of RMB1.00 each	60,000	60,000	60,000	200,000
Issued and fully paid:				
Ordinary shares with par value of RMB1.00 each	60,000	60,000	60,000	200,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	60,000,000	60,000
Share conversion (note (a))	140,000,000	140,000
At 30 June 2024	200,000,000	200,000

Note:

- (a) On 21 March 2024, the share capital of the Company increased from RMB60,000,000 to RMB200,000,000 through conversion of share premium and statutory surplus reserve with amount of RMB49,550,000 and RMB90,450,000, respectively, which was divided into 200,000,000 shares with a par value of RMB1.00 each.

**29. SHARE AWARDS**

On 1 April 2024, the Company adopted an employee incentive scheme ("Employee Incentive Scheme"), which was valid and effective commencing from its adoption date and subject to termination by the Company in accordance with the terms and conditions of the Employee Incentive Scheme. The shares underlying the awards granted under the Employee Incentive Scheme are held by Hangzhou Dijing Investment Management Partnership ("Dijing Investment"), a shareholder of the Company.

On 2 April 2024, total 600,000 shares of the Company with par value of RMB1.00 each were granted to certain of senior management and employees of the Company in respect of their services to the Group in the past and forthcoming year for a consideration of RMB1,800,000. The shares shall be repurchased at the original cost if the Group is not listed on any stock exchange in 24 months from the date of the listing application submission. 250,000 shares were granted to a senior management and he should be remained at the Group at least during the period which is the earlier of the Company's shares being listed on any stock exchange or 12 months from the date of the listing application submission. The remaining 350,000 shares were granted to a senior management and two employees, each one-third of the shares shall be vested on each anniversary of the date of the financial year end of the year in which the Company's shares are listed on any of the stock exchange.



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**29. SHARE AWARDS (continued)**

The following share awards were outstanding under the Employee Incentive Scheme during the Relevant Periods:

	Weighted average subscription price RMB per share	Number of shares
At 1 January 2024	-	-
Granted during the period	3.00	600,000
At 30 June 2024	3.00	600,000

The weighted average subscription price for share awards during the Relevant Periods was RMB3.00 per share. No share awards were exercised during the Relevant Periods.

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by employees. The fair value of the shares granted is measured at the market value of the shares. The fair value of the Employee Incentive Scheme granted was approximately RMB20,100,000, of which the Group recognised a share-based compensation expense of RMB5,008,000 for the six months ended 30 June 2024.

**30. RESERVES**

**The Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Share premium

Share premium of the Company represent the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2015.

On 21 March 2024, share premium of RMB49,550,000 was converted into share capital (note 28).

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

On 21 March 2024, statutory surplus reserve of RMB90,450,000 was converted into share capital (note 28).

**MAO GEPING COSMETICS CO., LTD.**
**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**30. RESERVES (continued)**
**The Company**

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as below:

	Share premium RMB'000	Share award scheme reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	49,550	-	51,511	291,276	392,337
Profit and total comprehensive income for the year	-	-	-	292,592	292,592
Dividends declared to shareholders	-	-	-	(40,000)	(40,000)
Transfer to statutory surplus reserves	-	-	28,793	(28,793)	-
At 31 December 2021 and 1 January 2022	49,550	-	80,304	515,075	644,929
Profit and total comprehensive income for the year	-	-	-	278,911	278,911
Transfer to statutory surplus reserves	-	-	28,228	(28,228)	-
At 31 December 2022 and 1 January 2023	49,550	-	108,532	765,758	923,840
Profit and total comprehensive income for the year	-	-	-	668,342	668,342
Dividends declared to shareholders	-	-	-	(250,000)	(250,000)
At 31 December 2023 and 1 January 2024	49,550	-	108,532	1,184,100	1,342,182
Equity-settled share award expense	-	5,008	-	-	5,008
Profit and total comprehensive income for the period	-	-	-	436,656	436,656
Share conversion	(49,550)	-	(90,450)	-	(140,000)
Dividends declared to shareholders	-	-	-	(1,000,000)	(1,000,000)
Transfer to statutory surplus reserves	-	-	81,918	(81,918)	-
At 30 June 2024	-	5,008	100,000	538,838	643,846

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(a) Major non-cash transactions**

During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB34,779,000, RMB16,342,000, RMB15,679,000 and RMB20,786,000, respectively, in respect of lease arrangements for self-operated counters and office premises.

During the year ended 31 December 2023, bills receivable of RMB1,726,000 was derecognised upon maturity and offset against interest-bearing bank and other borrowings.

During the six months ended 30 June 2024, prepayment for leasehold land amounted to RMB118,540,000 was transferred from a bidding deposit paid in 2023.

During the six months ended 30 June 2024, the Group obtained interest-bearing bank loans amounting to RMB100,000,000 and the Group received cash amounting to RMB98,628,000, while RMB1,372,000 was deducted by the bank as interest simultaneously.

**(b) Changes in liabilities arising from financing activities**

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2021	-	69,433	-
Dividends declared	-	-	40,000
Changes from financing cash flows	-	(25,916)	(40,000)
Reduction as a result of lease termination	-	(873)	-
New leases	-	34,779	-
Interest expense accrued	-	2,805	-
At 31 December 2021 and 1 January 2022	-	80,228	-
Changes from financing cash flows	1,726	(24,418)	-
Reduction as a result of lease termination	-	(18,028)	-
Lease modifications	-	(82)	-
COVID-19-related rent concessions from lessors	-	(4,422)	-
New leases	-	16,342	-
Interest expense accrued	-	3,115	-
At 31 December 2022 and 1 January 2023	1,726	52,735	-
Dividends declared	-	-	250,000
Changes from financing cash flows	-	(30,006)	(225,000)
Changes from non-cash activities	(1,726)	-	-
Reduction as a result of lease termination	-	(7,602)	-
Lease modifications	-	6,121	-
New leases	-	15,679	-
Interest expense accrued	-	2,033	-
At 31 December 2023	-	38,960	25,000

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

**(b) Changes in liabilities arising from financing activities (continued)**

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 31 December 2023 and 1 January 2024	-	38,960	25,000
Dividends declared	-	-	1,000,000
Changes from financing cash flows	98,628	(20,125)	(1,025,000)
Reduction as a result of lease termination	-	(4,623)	-
Lease modifications	-	18,318	-
New leases	-	20,786	-
Interest expense accrued	1,372	1,189	-
At 30 June 2024	100,000	54,505	-
At 1 January 2023	1,726	52,735	-
Dividends declared (unaudited)	-	-	250,000
Changes from financing cash flows (unaudited)	-	(15,947)	(225,000)
Changes from non-cash activities (unaudited)	(1,726)	-	-
Reduction as a result of lease termination (unaudited)	-	(4,002)	-
Lease modifications (unaudited)	-	892	-
New leases (unaudited)	-	9,942	-
Interest expense accrued (unaudited)	-	1,132	-
At 30 June 2023 (unaudited)	-	44,752	25,000

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Within operating activities	5,701	4,939	12,101	4,948	8,939
Within investing activities	-	-	12,654	-	-
Within financing activities	25,916	24,418	30,006	15,947	20,125
Total	31,617	29,357	54,761	20,895	29,064

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**32. COMMITMENTS**

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Leasehold land	-	-	-	296,345
Construction in progress	-	-	137,260	112,647
Total	-	-	137,260	408,992

Contractual commitments of construction in progress were mainly related to the ongoing construction of the Group's production facility in Hangzhou and Hangzhou R&D Center. Contractual commitment of leasehold land was related to the acquisition of a land use right in January 2024 where a prepayment amounting to RMB296,345,000 was made by the Group as at 30 June 2024 with the remaining consideration of RMB296,345,000 to be paid in January 2025. Besides the above contractual commitments, the Group entered into an investment and development agreement with the local governmental authority for a parcel of land in January 2024, pursuant to which the Group agreed to use the parcel of land for the construction of its headquarters to be completed within an agreed-upon timeframe and with total construction and installment costs of no less than RMB400,000,000.

**33. RELATED PARTY TRANSACTIONS**

<u>Name</u>	<u>Relationship</u>
Hangzhou Shangdu Technology Co., Ltd. ("Shangdu Technology")	An entity controlled by a shareholder
Hangzhou Kuangyan Trading Co., Ltd. ("Hangzhou Kuangyan")	An entity controlled by a shareholder
Huamei Kangyan (Suzhou) Biotechnology Co., Ltd. ("Huamei Kangyan")	An associate
Shanghai Mao Geping Image Design Art Vocational Training Institution ("Shanghai Institution")	Non-profit organisation established by Mao Geping Image Design
Beijing Chaoyang Mao Geping Image Design Skills Vocational Training Institution ("Beijing Institution")	Non-profit organisation established by Mao Geping Image Design
Dijing Investment	An entity controlled by shareholders
Hangzhou Jiachi Investment Management Partnership (Limited Partnership) ("Jiachi Investment")	An entity controlled by shareholders

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**33. RELATED PARTY TRANSACTIONS (continued)**

(a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2023:

	Notes	Year ended 31 December			Six months ended 30 June	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
<b>Sales of products to:</b>						
Shangdu Technology	(i)	16	-	-	-	-
Hangzhou Kuangyan	(i)	-	135	-	-	-
		<u>16</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Purchases of products from:</b>						
Huamei Kangyan	(ii)	-	-	15,286	-	8,594
		<u>-</u>	<u>-</u>	<u>15,286</u>	<u>-</u>	<u>8,594</u>
<b>Purchases of property, plant and equipment from:</b>						
Beijing Institution	(ii)	17	-	-	-	-
		<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Rental and property management fees payment to:</b>						
Shangdu Technology	(iii)	3,577	3,718	4,420	2,210	2,521
		<u>3,577</u>	<u>3,718</u>	<u>4,420</u>	<u>2,210</u>	<u>2,521</u>
<b>Payments on behalf by:</b>						
Shanghai Institution	(v)	-	31	-	-	-
		<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loans to:</b>						
Dijing Investment	(iv)	-	-	-	-	165,000
Jiachi Investment	(iv)	-	-	-	-	100,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,000</u>
<b>Interest income from:</b>						
Dijing Investment	(iv)	-	-	-	-	193
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193</u>
<b>Payable on behalf of:</b>						
Mr. Mao Geping	(vi)	-	-	-	-	11,936
Ms. Wang Liquan	(vi)	-	-	-	-	3,104
Ms. Mao Niping	(vi)	-	-	-	-	3,104
Ms. Mao Huiping	(vi)	-	-	-	-	2,626
Mr. Wang Lihua	(vi)	-	-	-	-	1,671
Ms. Song Hongquan	(vi)	-	-	-	-	1,432
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,873</u>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**33. RELATED PARTY TRANSACTIONS (continued)**

- (a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2023: (continued)

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) The rental and property management fees were charged with reference to prices mutually agreed between the parties.
- (iv) According to the loan agreement signed by the Group, Dijing Investment and Jiachi Investment on 16 January 2024, the Group agreed to provide loans up to RMB300,000,000 to Dijing Investment and Jiachi Investment in aggregate. Each loan is unsecured and repayable in three months with interest at 2.4% per annum.  
  
For the six months ended 30 June 2024, the Group provided loans amounted to RMB165,000,000 and RMB100,000,000 to Dijing Investment and Jiachi Investment, respectively, which were all repaid at 30 June 2024.
- (v) The amounts paid on behalf by Shanghai Institution are for daily operating fees.
- (vi) The amounts of payable on behalf of the directors are withholding individual income tax payable to the relevant tax authorities arising from conversion of share premium and statutory surplus reserve into share capital.
- (vii) On 1 April 2024, the Company, Mr. Mao Geping, Ms. Wang Liquan, Ms. Mao Niping, Ms. Mao Huiping, Mr. Wang Lihua and Ms. Song Hongquan entered into a share transfer agreement, pursuant to which the Company agreed to transfer 22.80% equity interest of Hangzhou Shang Du Hui to them at nil consideration. Since the share capital pertaining to 22.80% equity interest of Hangzhou Shang Du Hui has not yet been paid, the related capital contribution obligations were transferred to transferees simultaneously.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**33. RELATED PARTY TRANSACTIONS (continued)**

(b) Outstanding balances with related parties:

**The Group**

Notes	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Due to related parties(trade)</b>				
Shanghai Institution	(i) -	31	-	-
Huamei Kangyan	(i) -	-	1,135	502
	-	31	1,135	502
<b>Lease liabilities(trade)</b>				
Shangdu Technology	(ii) 10,664	7,914	3,741	2,244

Notes:

- (i) As at 31 December 2022 and 2023 and 30 June 2024, the Group's outstanding balances with related parties are unsecured, interest-free and repayable on demand.
- (ii) The Group has entered into several lease agreements in respect of office premises with Shangdu Technology. The transactions were made according to the price and terms agreed with Shangdu Technology.
- (c) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	17,699	22,502	27,187	12,342	12,558
Equity-settled share award expense	-	-	-	-	4,375
Pension scheme contributions	376	405	461	213	250
Total compensation paid to key management personnel	18,075	22,907	27,648	12,555	17,183

Further details of directors' and the supervisors' emoluments are included in note 8 to the financial statements .



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**The Group**

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	RMB'000	RMB'000
Trade receivables	-	110,879	110,879
Financial assets included in prepayments, other receivables and other assets	-	12,204	12,204
Financial assets at fair value through profit or loss	51,000	-	51,000
Restricted cash	-	1,366	1,366
Cash and cash equivalents	-	491,575	491,575
<b>Total</b>	<b>51,000</b>	<b>616,024</b>	<b>667,024</b>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	43,138
Financial liabilities included in other payables and accruals	25,567
Lease liabilities	80,228
<b>Total</b>	<b>148,933</b>

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Group (continued)**

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments RMB'000	RMB'000	RMB'000
Trade and bills receivables	1,726	111,773	113,499
Financial assets included in prepayments, other receivables and other assets	-	9,253	9,253
Restricted cash	-	1,354	1,354
Cash and cash equivalents	-	887,899	887,899
Total	1,726	1,010,279	1,012,005

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	112,940
Financial liabilities included in other payables and accruals	50,355
Interest-bearing bank and other borrowings	1,726
Due to related parties	31
Lease liabilities	52,735
Total	217,787

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Group (continued)**

31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	157,677
Financial assets included in prepayments, other receivables and other assets	134,772
Restricted cash	3,250
Cash and cash equivalents	<u>1,137,894</u>
Total	<u>1,433,593</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	103,589
Financial liabilities included in other payables and accruals	99,277
Due to related parties	1,135
Lease liabilities	<u>38,960</u>
Total	<u>242,961</u>

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Group (continued)**

30 June 2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	233,746
Financial assets included in prepayments, other receivables and other assets	20,121
Restricted cash	2,187
Cash and cash equivalents	552,900
Total	808,954

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	147,644
Financial liabilities included in other payables and accruals	125,227
Interest-bearing bank and other borrowings	100,000
Due to related parties	502
Lease liabilities	54,505
Total	427,878

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Company**

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	RMB'000	RMB'000
Trade receivables	-	94,518	94,518
Financial assets included in prepayments, other receivables and other assets	-	4,601	4,601
Financial assets at fair value through profit or loss	51,000	-	51,000
Due from subsidiaries	-	48,505	48,505
Restricted cash	-	1,262	1,262
Cash and cash equivalents	-	392,766	392,766
<b>Total</b>	<b>51,000</b>	<b>541,652</b>	<b>592,652</b>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	57
Financial liabilities included in other payables and accruals	10,142
Due to subsidiaries	67,166
Lease liabilities	8,818
<b>Total</b>	<b>86,183</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Company (continued)**

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments RMB'000	RMB'000	RMB'000
Trade and bills receivables	1,726	88,955	90,681
Financial assets included in prepayments, other receivables and other assets	-	2,271	2,271
Due from subsidiaries	-	34,337	34,337
Restricted cash	-	1,250	1,250
Cash and cash equivalents	-	730,021	730,021
<b>Total</b>	<b>1,726</b>	<b>856,834</b>	<b>858,560</b>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	101
Financial liabilities included in other payables and accruals	20,202
Interest-bearing bank and other borrowings	1,726
Due to subsidiaries	118,558
Lease liabilities	3,206
<b>Total</b>	<b>143,793</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Company (continued)**

31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	130,392
Financial assets included in prepayments, other receivables and other assets	122,320
Due from subsidiaries	34,119
Restricted cash	3,146
Cash and cash equivalents	845,685
Total	1,135,662

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	57
Financial liabilities included in other payables and accruals	46,984
Due to subsidiaries	106,424
Total	153,465

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**The Company (continued)**

30 June 2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	189,781
Financial assets included in prepayments, other receivables and other assets	8,057
Due from subsidiaries	72,909
Restricted cash	2,000
Cash and cash equivalents	256,629
Total	529,376

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	57
Financial liabilities included in other payables and accruals	63,247
Due to subsidiaries	275,851
Lease liabilities	8,048
Total	347,203



**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from related parties, amounts due to related parties and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the bills receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the bills receivable. In addition, the bills receivable will mature within one year, and thus their fair values approximate to their carrying values.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's financial instruments:

*Assets measured at fair value:*

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	51,000	-	51,000

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	-	1,726	-	1,726

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's financial instruments: (continued)

*Assets measured at fair value (continued)*

The Group and the Company did not have any financial assets measured at fair value as at 31 December 2023 and 30 June 2024.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2021, 2022 and 2023 and 30 June 2024.

During the years ended 31 December 2021 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, other payables and accruals and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

*Maximum exposure and year/period-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2021, 2022 and 2023 and 30 June 2024. The amounts presented are gross carrying amounts for financial assets.

**The Group**

31 December 2021

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	-	-	-	115,554	115,554
Financial assets included in prepayments, other receivables and other assets					
- Normal**	12,204	-	-	-	12,204
- Doubtful**	-	-	2,042	-	2,042
Restricted cash					
- Normal	1,366	-	-	-	1,366
Cash and cash equivalents					
- Not yet past due	491,575	-	-	-	491,575
<b>Total</b>	<b>505,145</b>	<b>-</b>	<b>2,042</b>	<b>115,554</b>	<b>622,741</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Credit risk (continued)

*Maximum exposure and year/period-end staging (continued)*

**The Group (continued)**

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	114,898	114,898
Bills receivable- Normal**	1,726	-	-	-	1,726
Financial assets included in prepayments, other receivables and other assets					
- Normal**	9,253	-	-	-	9,253
- Doubtful**	-	-	2,788	-	2,788
Restricted cash - Normal	1,354	-	-	-	1,354
Cash and cash equivalents					
- Not yet past due	887,899	-	-	-	887,899
<b>Total</b>	<b>900,232</b>	<b>-</b>	<b>2,788</b>	<b>114,898</b>	<b>1,017,918</b>

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	159,523	159,523
Financial assets included in prepayments, other receivables and other assets					
- Normal**	134,772	-	-	-	134,772
- Doubtful**	-	-	3,069	-	3,069
Restricted cash - Normal	3,250	-	-	-	3,250
Cash and cash equivalents					
- Not yet past due	1,137,894	-	-	-	1,137,894
<b>Total</b>	<b>1,275,916</b>	<b>-</b>	<b>3,069</b>	<b>159,523</b>	<b>1,438,508</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Credit risk (continued)**

*Maximum exposure and year/period-end staging (continued)*

**The Group (continued)**

30 June 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	236,166	236,166
Financial assets included in prepayments, other receivables and other assets					
- Normal**	20,121	-	-	-	20,121
- Doubtful**	-	-	1,743	-	1,743
Restricted cash - Normal	2,187	-	-	-	2,187
Cash and cash equivalents					
- Not yet past due	552,900	-	-	-	552,900
Total	575,208	-	1,743	236,166	813,117

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements .

\*\*The credit quality of bills receivable and financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements .

**MAO GEPING COSMETICS CO., LTD.**
**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
Credit risk (continued)

*Maximum exposure and year/period-end staging (continued)*
**The Company**

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	98,232	98,232
Due from subsidiaries	48,505	-	-	-	48,505
Financial assets included in prepayments, other receivables and other assets					
- Normal**	4,601	-	-	-	4,601
- Doubtful**	-	-	1,717	-	1,717
Restricted cash					
- Normal	1,262	-	-	-	1,262
Cash and cash equivalents					
- Not yet past due	392,766	-	-	-	392,766
<b>Total</b>	<b>447,134</b>	<b>-</b>	<b>1,717</b>	<b>98,232</b>	<b>547,083</b>

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	91,318	91,318
Bills receivable- Normal**	1,726	-	-	-	1,726
Due from subsidiaries	34,337	-	-	-	34,337
Financial assets included in prepayments, other receivables and other assets					
- Normal**	2,271	-	-	-	2,271
- Doubtful**	-	-	2,242	-	2,242
Restricted cash					
- Normal	1,250	-	-	-	1,250
Cash and cash equivalents					
- Not yet past due	730,021	-	-	-	730,021
<b>Total</b>	<b>769,605</b>	<b>-</b>	<b>2,242</b>	<b>91,318</b>	<b>863,165</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Credit risk (continued)

*Maximum exposure and year/period-end staging (continued)*

**The Company (continued)**

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	131,704	131,704
Due from subsidiaries	34,119	-	-	-	34,119
Financial assets included in prepayments, other receivables and other assets					
- Normal**	122,320	-	-	-	122,320
- Doubtful**	-	-	2,242	-	2,242
Restricted cash					
- Normal	3,146	-	-	-	3,146
Cash and cash equivalents					
- Not yet past due	845,685	-	-	-	845,685
<b>Total</b>	<b>1,005,270</b>	<b>-</b>	<b>2,242</b>	<b>131,704</b>	<b>1,139,216</b>

30 June 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	191,639	191,639
Due from subsidiaries	72,909	-	-	-	72,909
Financial assets included in prepayments, other receivables and other assets					
- Normal**	8,057	-	-	-	8,057
- Doubtful**	-	-	324	-	324
Restricted cash					
- Normal	2,000	-	-	-	2,000
Cash and cash equivalents					
- Not yet past due	256,629	-	-	-	256,629
<b>Total</b>	<b>339,595</b>	<b>-</b>	<b>324</b>	<b>191,639</b>	<b>531,558</b>

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)***Maximum exposure and year/period-end staging (continued)***The Company (continued)**

\* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements .

\*\*The credit quality of bills receivable and financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Company’s exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements .

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

The maturity profile of the Group’s and the Company’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

**The Group**

	31 December 2021				
	On demand RMB’000	Less than 3 months RMB’000	3 to 12 months RMB’000	1 to 5 years RMB’000	Total RMB’000
Trade payables	634	42,504	-	-	43,138
Financial liabilities included in other payables and accruals	623	17,288	7,656	-	25,567
Lease liabilities	-	7,298	18,513	64,583	90,394
<b>Total</b>	<b>1,257</b>	<b>67,090</b>	<b>26,169</b>	<b>64,583</b>	<b>159,099</b>



**MAO GEPING COSMETICS CO., LTD.**
**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
**Liquidity risk (continued)**

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

**The Group (continued)**

	31 December 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	729	112,211	-	-	112,940
Interest-bearing bank and other borrowings	-	-	1,726	-	1,726
Due to related parties	-	31	-	-	31
Financial liabilities included in other payables and accruals	1,926	40,919	7,510	-	50,355
Lease liabilities	-	6,995	16,441	33,456	56,892
<b>Total</b>	<b>2,655</b>	<b>160,156</b>	<b>25,677</b>	<b>33,456</b>	<b>221,944</b>
	31 December 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	396	103,193	-	-	103,589
Due to related parties	-	1,135	-	-	1,135
Financial liabilities included in other payables and accruals	28,382	59,225	11,670	-	99,277
Lease liabilities	-	8,375	15,347	17,540	41,262
<b>Total</b>	<b>28,778</b>	<b>171,928</b>	<b>27,017</b>	<b>17,540</b>	<b>245,263</b>
	30 June 2024				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	6,039	141,605	-	-	147,644
Interest-bearing bank and other borrowings	-	-	100,000	-	100,000
Due to related parties	-	502	-	-	502
Financial liabilities included in other payables and accruals	10,955	105,416	8,856	-	125,227
Lease liabilities	-	6,661	23,076	30,158	59,895
<b>Total</b>	<b>16,994</b>	<b>254,184</b>	<b>131,932</b>	<b>30,158</b>	<b>433,268</b>

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

**The Company**

	31 December 2021				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	57	-	-	57
Financial liabilities included in other payables and accruals	520	8,853	769	-	10,142
Due to subsidiaries	67,166	-	-	-	67,166
Lease liabilities	-	373	4,154	5,551	10,078
<b>Total</b>	<b>67,686</b>	<b>9,283</b>	<b>4,923</b>	<b>5,551</b>	<b>87,443</b>
	31 December 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	101	-	-	101
Financial liabilities included in other payables and accruals	1,793	18,070	339	-	20,202
Due to subsidiaries	118,558	-	-	-	118,558
Lease liabilities	-	-	3,510	-	3,510
<b>Total</b>	<b>120,351</b>	<b>18,171</b>	<b>3,849</b>	<b>-</b>	<b>142,371</b>
	31 December 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	-	57	-	-	57
Financial liabilities included in other payables and accruals	27,780	18,765	439	-	46,984
Due to subsidiaries	106,424	-	-	-	106,424
<b>Total</b>	<b>134,204</b>	<b>18,822</b>	<b>439</b>	<b>-</b>	<b>153,465</b>

**MAO GEPING COSMETICS CO., LTD.****NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

**The Company (continued)**

	30 June 2024				Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	
Trade payables	57	-	-	-	57
Financial liabilities included in other payables and accruals	10,188	52,780	279	-	63,247
Due to subsidiaries	175,851	-	100,000	-	275,851
Lease liabilities	-	1,859	3,751	6,568	12,178
Total	186,096	54,639	104,030	6,568	351,333

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

# MAO GEPING COSMETICS CO., LTD.

## NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021, 2022 and 2023 and 30 June 2024

### Capital management(continued)

The Group monitors capital using a gearing ratio, which is debt divided by total assets. Debt includes lease liabilities, trade payables, other payables and accruals and interest-bearing bank and other borrowings. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	-	1,726	-	100,000
Lease liabilities	80,228	52,735	38,960	54,505
Trade payables	43,138	112,940	103,589	147,644
Other payables and accruals	156,537	193,982	299,367	375,667
Debt	279,903	361,383	441,916	677,816
Total assets	1,130,944	1,555,910	2,094,568	1,836,301
Gearing ratio	24.75%	23.23%	21.10%	36.91%

### 37. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Investments, at cost	28,963	28,963	138,963	461,963

### 38. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As at 31 December 2021, 2022 and 2023 and 30 June 2024, amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances with subsidiaries approximate to their fair values.

### 39. EVENTS AFTER THE RELEVANT PERIODS

To facilitate the development of the property held by Hangzhou Shang Du Hui and speed up the relevant administrative procedures, on 23 October 2024, the Company acquired the remaining 22.8% of Hangzhou Shang Du Hui's equity interest at a consideration of RMB96,000,000, which was equal to the total contribution made by Mr. Mao Geping, Ms. Wang Liqun, Ms. Mao Niping, Ms. Mao Huiping, Mr. Wang Lihua and Ms. Song Hongquan. Upon the transfer, Hangzhou Shang Du Hui became a direct wholly-owned subsidiary of the Company.

### 40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2024.

**MAO GEPING COSMETICS CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

31 December 2021, 2022 and 2023 and 30 June 2024

**41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 2 December 2024.