



HUISEN GROUP

**Huisen Household International Group Limited**  
**匯森家居國際集團有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 2127

**2022**  
**INTERIM**  
**REPORT**



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## CORPORATE INFORMATION

### Executive Directors

Mr. Zeng Ming (Chairman)  
Ms. Zeng Minglan  
Mr. Wu Runlu

### Independent non-executive Directors

Mr. Suen To Wai  
Ms. Leong Mali  
Ms. Zhang Lingling  
Mr. Feng Zhaowei  
Mr. Zhou Zhongqi

### Audit Committee

Mr. Suen To Wai (Chairman)  
Ms. Leong Mali  
Ms. Zhang Lingling

### Remuneration Committee

Mr. Suen To Wai (Chairman)  
Ms. Zeng Minglan  
Ms. Leong Mali  
Mr. Feng Zhaowei

### Nomination Committee

Mr. Feng Zhaowei (Chairman)  
Mr. Suen To Wai  
Mr. Zeng Ming  
Ms. Leong Mali

### Corporate Governance Committee

Mr. Suen To Wai (Chairman)  
Ms. Zeng Minglan  
Ms. Leong Mali

### Risk Management Committee

Mr. Zeng Ming (Chairman)  
Ms. Zeng Minglan  
Ms. Leong Mali

### Company Secretary

Ms. Chan Sau Ling

### Authorised Representatives

Mr. Zeng Ming  
Ms. Chan Sau Ling  
Ms. Zeng Minglan (alternate to the authorised representatives)

### Registered Office

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Headquarters and Place of Business in the PRC

Huisen Road  
Daluo Industrial Park  
Longnan Economic Technology Development Zone  
Longnan City  
Jiangxi Province  
PRC

### Principal Place of Business in Hong Kong

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### Cayman Islands Principal Share Registrar and Transfer Office

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

## CORPORATE INFORMATION

**Hong Kong Branch Share Registrar and  
Transfer Office**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

**Auditor**

BDO Limited

**Legal Advisers**

As to Hong Kong law:  
Chiu & Partners

As to Cayman Islands law:  
Conyers Dill & Pearman

**Principal Bankers**

Agricultural Bank of China  
Industrial and Commercial Bank of China  
Bank of Ganzhou

**Stock Code**

2127

**Company Website**

[www.jxhmgroupp.com](http://www.jxhmgroupp.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

With the majority of the population from the developed countries in Europe and United States (“**U.S.**”) vaccinated against novel coronavirus, and the continuous roll out of medicines for treating novel coronavirus, developed countries led by U.S. have relaxed the pandemic related public health and social measures since the beginning of 2022, and progressively reduced the subsidies granted to residents during the pandemic.

The real estate market in U.S. was exuberant in 2021, however there have been adjustment since the first half of 2022. The weak real estate market and the interest rate hike caused a contraction in the number of deals made. Inflation caused by the quantitative easing policy started to emerge during 2022, fuelling the uncertainties of economy. Reduction in subsidy, the U.S. housing price remained at a high level, and the rise in interest rate have all contributed to the plunge in the number of property transaction, leading to a relatively weak demand for furniture in the first half of 2022.

### BUSINESS REVIEW

Among the overseas markets to which our furniture products are exported to, the U.S. is the principal market of Huisen Household International Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”). The weakened real estate markets in Europe and U.S. and a relatively faint furniture market have led to the decrease in the number of orders from the major customers of the Group. Notwithstanding the drop in revenue during the six months ended 30 June 2022 (the “**Reporting Period**”), the Group has successfully expanded its business to certain small and medium size enterprises customers and products were sold to more different countries or regions.

During the Reporting Period, we have reached an agreement of cooperation with Home-depot, a well-known chain store of furniture in U.S., orders from Home-depot have been increased progressively.

During the Reporting Period, the Group continued to strengthen its original design capability and launch more original design manufacturing (“**ODM**”) products. Revenue of ODM furniture accounted for 81.1% of the Group’s total sales for the Reporting Period, and the proportion maintained at above 80%.

On 6 January 2022, the Group entered into an agreement with the local government authority to obtain the right to use two parcels of land with a total area of 33,539.30 sq.m. in Nankang District, Ganzhou for the construction of a new plant which will specialise in the manufacturing of particleboard, a major material used in the production of furniture products. The new plant is close to the factory operated by Ganzhou Aigesen Wood Panel Co., Ltd\* (贛州愛格森人造板有限公司).

On 24 January 2022, for improving and optimizing the marketing and advertising campaign of the Group and to better promote the smart furniture products of the Group, the Group has entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with Netjoy Holdings Limited (stock code: 2131) (“**Netjoy**”), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In addition, the Group and Netjoy shall jointly cooperate for the development of a cloud-based virtual reality smart home project based on Metaverse, including but not limited to developing virtual reality exhibition hall for consumers’ interactive experience, live broadcast sales by artificial intelligence (“**AI**”) sales anchor and promotion and sales of the smart home products of the Group through the application of AI technologies. Please refer to the announcement of the Company dated 24 January 2022 for further details.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the Reporting Period, the revenue of the Group amounted to RMB1.96 billion, representing a decrease of 18.3% as compared to the corresponding period for the first half of 2021, while the net profit was RMB0.30 billion, a decrease of 29.2% as compared to the corresponding period of 2021. The decrease in revenue was mainly due to the decrease in the orders received by the Group as a result of the slowdown of the real estate market in Europe and U.S., leading to a decrease in demand for furniture products, combined with the rise in the price of raw materials and reduction in selling price for certain furniture products.

## Revenue and Gross Profit Margin by Product Types

	For the six months ended 30 June 2022			For the six months ended 30 June 2021			Change (%)
	Revenue (RMB'000)	Proportion (%)	Gross Profit Margin (%)	Revenue (RMB'000)	Proportion (%)	Gross Profit Margin (%)	
Panel-type furniture	1,854,640	94.5	20.3	2,257,760	94.0	25.8	(17.9)
Upholstered furniture	53,740	2.7	30.6	74,784	3.1	35.0	(28.1)
Sport-type furniture	53,920	2.7	26.6	69,871	2.9	30.1	(22.8)
Others <i>(Note)</i>	924	0.0	19.5	—	—	—	—
Total:	<u>1,963,224</u>	<u>100.0</u>	<u>20.8</u>	<u>2,402,415</u>	<u>100.0</u>	<u>26.2</u>	<u>(18.3)</u>

*Note:* Others is referring to the trading of furniture products.

## Panel-type Furniture

The Group's panel-type furniture products include television cabinets, bookshelves, shelves, desks, and coffee tables. Panel-type furniture has always been the core revenue driver of the Group. During the Reporting Period, the decrease in demand from the overseas market such as the U.S. led to a decrease in revenue of panel-type furniture from approximately RMB2.26 billion to approximately RMB1.85 billion for the Reporting Period, representing a decrease of 17.9%. The decrease in gross profit margin was mainly attributable to (i) the reduction in average selling price for some of the panel-type furniture as a result of the depreciation of RMB against U.S. dollar and (ii) the increase in the price of raw materials.

## Upholstered Furniture

The Group's upholstered furniture mainly includes sofas. During the Reporting Period, the revenue from upholstered furniture recorded a decrease of approximately 28.1%. The decrease in revenue was mainly due to the decrease in demand for upholstered furniture as a result of the slowdown of the real estate market in Europe and U.S. During the Reporting Period, the average selling price for some of the upholstered furniture has been reduced as a result of the depreciation of RMB against U.S. dollar, leading to an overall decrease in the gross profit margin of the upholstered furniture.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

## Sport-type Furniture

Sport-type furniture mainly includes table tennis tables and pool tables. During the Reporting Period, the revenue from sport-type furniture amounted to RMB53.9 million, representing a decrease of 22.8% from the corresponding period of 2021, mainly due to the decrease in orders during the Reporting Period. The gross profit margin of sport-type furniture decreased from 30.1% in the corresponding period of 2021 to 26.6% in the Reporting Period, mainly due to the reduction in the selling price of some of the products.

## Sales by Geographical Regions

Regions:	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change (%)
	Revenue (RMB'000)	Proportion (%)	Revenue (RMB'000)	Proportion (%)	
United States	1,271,574	64.8	1,603,946	66.8	(20.7)
PRC	115,597	5.9	126,855	5.3	(8.9)
Singapore	59,083	3.0	97,708	4.1	(39.5)
Malaysia	54,035	2.7	68,788	2.9	(21.4)
Canada	48,379	2.5	55,511	2.3	(12.8)
Vietnam	45,622	2.3	54,926	2.3	(16.9)
Others	368,934	18.8	394,681	16.3	(6.5)
Total	<u>1,963,224</u>	<u>100.0</u>	<u>2,402,415</u>	<u>100.0</u>	<u>(18.3)</u>

During the Reporting Period, the furniture products of the Group were mainly sold to the United States and the sales from the United States accounted for a significant portion of the revenue of the Group. The revenue derived from the sales to the United States decreased by 20.7% in the first half of 2022 compared to the corresponding period of 2021, and the proportion has been decreased from 66.8% in the first half of 2021 to 64.8% in the first half of 2022, representing a decrease of approximately 2%, mainly because of the Group actively expanded the sales to downstream markets such as mainland China and other regions. The Group strived to expand sales outside of the United States to reduce reliance on the U.S. market.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW — CONTINUED

## Sales to Top Five Customers

Customer	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change (%)
	Revenue (RMB'000)	Proportion (%)	Revenue (RMB'000)	Proportion (%)	
Customer A	480,210	24.5	583,834	24.3	(17.7)
Customer C	403,924	20.6	481,670	20.0	(16.1)
Customer E	290,250	14.8	368,179	15.3	(21.2)
Customer D	269,809	13.7	332,632	13.9	(18.9)
Customer B	238,505	12.1	311,398	13.0	(23.4)
Total	<u>1,682,698</u>	<u>85.7</u>	<u>2,077,713</u>	<u>86.5</u>	<u>(19.0)</u>

Maintaining a stable and long-term business relationship with major customers is the foundation for the Group's success. Given the Group's competitive advantages in the furniture manufacturing industry such as strong research and development capabilities which allow the Group to offer products of different types and designs and products that suits the overseas market preference, our customers have developed greater reliance on the Group. During the Reporting Period, the market demand has been weakened and major customers placed less orders, however, the Group successfully expanded its relationship with some medium and small customers, thus the aggregate sales to the top five customers accounted for approximately 85.7% of the total sales of the Group for the Reporting Period, representing a decrease of approximately 0.8% from the six months ended 30 June 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

## Sale of ODM and Original Equipment Manufacturing (“OEM”) Furniture (Exclude Panels Boards)

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change (%)
	RMB'000	Proportion (%)	RMB'000	Proportion (%)	
ODM	1,584,935	81.1	1,974,468	82.5	(19.8)
OEM	369,088	18.9	418,851	17.5	(11.9)
Total	<u>1,954,023</u>	<u>100.0</u>	<u>2,393,319</u>	<u>100.0</u>	<u>(18.4)</u>

The Group always attaches great importance to the improvement of independent R&D capabilities and continues to expand its sales in ODM to increase the customer dependency and our competitiveness. As for the OEM products, we strictly follow the specifications and requirements provided by our customers. Notwithstanding the decrease in market demand during the Reporting Period, the Group still maintains a high level of independent capabilities on design, and the sales of ODM still accounted for more than 80% of the total sales.

## Breakdown of the Cost of Sales

Cost of sales mainly comprises cost of materials consumed, direct labour, and overhead costs (such as fuel and power, consumables, depreciation and other miscellaneous costs and expenses).

	For the six months ended 30 June 2022 (RMB'000)	For the six months ended 30 June 2021 (RMB'000)	Change (%)
Cost of materials consumed	1,279,479	1,471,995	(13.1)
Overhead costs	152,019	174,746	(13.0)
Direct labour	110,162	106,647	3.3
Subcontracting fees	13,893	18,538	(25.1)
Total	<u>1,555,553</u>	<u>1,771,926</u>	<u>(12.2)</u>

The Group's cost of sales during the Reporting Period decreased by 12.2% from approximately RMB1.77 billion in the first half of 2021 to approximately RMB1.56 billion in the first half of 2022. Such decrease was due to the decrease in cost of materials consumed because of the decrease in sales of furniture products. The slight increase in direct labour cost was mainly due to the increase in provision for workers' bonus during the period as compared with the corresponding period of last year after the pandemic. The subcontracting fees decreased by 25.1% mainly due to the decrease in orders placed by customers during the Reporting Period, which reduced the need of subcontracting.

## MANAGEMENT DISCUSSION AND ANALYSIS

**FINANCIAL REVIEW — CONTINUED****Breakdown of Other Gains and Losses**

Other gains and losses include the following breakdown:

	<b>For the six months ended 30 June 2022 (RMB'000)</b>	For the six months ended 30 June 2021 (RMB'000)
Exchange gains/(losses), net	<b>60,485</b>	(35,925)
Losses on disposal of property, plant and equipment	<u>—</u>	<u>(12,371)</u>
Total	<b><u>60,485</u></b>	<b><u>(48,296)</u></b>

The other gains and losses mainly consists of exchange gains/(losses) which primarily arises from the difference between the exchange rate at which the trade receivables denominated in U.S. dollars are recorded and settled.

During the Reporting Period, the exchange rate of U.S. dollar against RMB fluctuated significantly with a depreciation trend in general. In the first half of 2022, the exchange rate of U.S. dollar against RMB depreciated in general. As a result, the Group encountered an exchange gain during the Reporting Period.

During the Reporting Period, there were no disposals of property, plant and equipment by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

## Summary of Consolidated Statement of Cash Flow

	<b>For the six months ended 30 June 2022 (RMB'000)</b>	For the six months ended 30 June 2021 (RMB'000)	Change (%)
Operating profits before working capital changes	<b>416,312</b>	570,714	(27.1)
Change in working capital	<b>303,504</b>	(102,982)	194.7
Income tax paid	<b>(62,082)</b>	(68,342)	(9.2)
Net cash generated from operating activities	<b>657,734</b>	399,390	64.7
Net cash used in investing activities	<b>(917,863)</b>	(58,573)	1,467.0
Net cash (used in)/generated from financing activities	<b>(103,455)</b>	71,560	(244.6)

**Liquidity and financial resources**

As of 30 June 2022, the bank balances and cash of the Group were approximately RMB2,773.5 million.

As at 30 June 2022, the short-term borrowings of the Group were approximately RMB293.7 million (31 December 2021: approximately RMB365.5 million), repayable within one year, and the long-term borrowings were approximately RMB114.0 million (31 December 2021: approximately RMB120.6 million). Major bank borrowings of the Group were denominated in Renminbi at fixed and floating interest rates. As at 30 June 2022, borrowing at fixed interest rates ranging from 3.4% to 7.99% per annum (31 December 2021: 3.4% to 7.99% per annum) were approximately RMB170.0 million (31 December 2021: approximately RMB170.0 million).

The Group's main sources of working capital were cash and bank deposits generated from operating activities. As at 30 June 2022, the current ratio of the Group was 8.0 (31 December 2021: approximately 5.5). As at 30 June 2022, the Group's gearing ratio was approximately 8.2% (31 December 2021: approximately 10.5%), which was calculated by dividing total debt by equity attributable to equity owners of the Group.

**Inventory Provision**

As of 30 June 2022, the Group has not made any provisions for impairment of inventories (31 December 2021: Nil). The Group estimates whether to withdraw inventory provision based on the inventory turnover days and sales performance of each product. During the Reporting Period, the Group's inventory sales were smooth with healthy turnover days, and there were no signs which were unsalable or should be impaired.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW — CONTINUED

#### Impairment of Trade and Other Receivables

Trade receivables mainly refer to the outstanding amounts receivable by the Group from customers. After conducting business with customers for a period, the Group would review their creditworthiness and credit period granted to these customers may be adjusted. The Group generally provides a credit period of 90 days at maximum for export sales customers and 30 days at maximum for domestic sales customers. The Group records trade receivables net of any impairment provision made. For methods adopted for determining the provisions for expected losses on trade receivables, please refer to Note 14 to the Condensed Consolidated Financial Statements.

As of 30 June 2022, the trade receivables of the Group (net of impairment provision) amounted to approximately RMB801.2 million. During the Reporting Period, impairment provision for trade receivables was approximately RMB4.3 million.

#### Pledge of Assets

As of 30 June 2022, the Group's immovables, machineries and equipment with a carrying amount of approximately RMB345.9 million (31 December 2021: RMB408.82 million) were pledged to secure borrowings granted to the Group by financial institutions.

#### Capital Commitments and Contingent Liabilities

As at 30 June 2022, the Group had no significant capital commitments or contingent liabilities.

#### Foreign Exchange Exposure

During the Reporting Period, the Group had not adopted any financial instrument to hedge its foreign currency exchange risks. Since most of the revenue is settled in U.S. dollars, short term depreciation of the U.S. dollars may reduce the overseas sales income settled in U.S. dollars, which may also influence the Group's financial conditions and profitability.

#### Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group.

#### Significant Investments

During the Reporting Period, the Group did not hold any significant investments and material investments plan, the fair value of which accounted for more than 5% of the Group's total assets.

#### Future Plans for Material Investments and Capital Assets

During the Reporting Period, save as disclosed under the section headed "Use of Proceeds from Global Offering", the Group had no other plans for other material investment or acquisition of capital assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

#### Human Resources and Training

As of 30 June 2022, the Group had a total of 3,228 employees (30 June 2021: 3,229 employees), and the total staff costs were approximately RMB145.4 million (30 June 2021: approximately RMB131.3 million). The remuneration package of all employees is review based on their work performance, experience and current market level.

The Group organises team-building events for its staff regularly and continue to provide training for new and existing staff to enhance technical and safety knowledge as well as knowledge of industry quality standards. The Group also provides fire safety training to its production staff regularly. The board of directors (the “**Directors**”) of the Company (the “**Board**”) believe such initiatives have contributed to the increase in employee productivity and enhanced cohesiveness of the Group.

#### BUSINESS OUTLOOK

Looking ahead to the second half of 2022, though various countries have already relaxed the social distancing measures and travel restriction, with the energy crisis in Europe and the pressure of high inflation in the U.S., the market sentiment in the private housing market in Europe and U.S. is difficult to rebound swiftly, it is expected that the export of furniture made in China would still experience a period of depression.

The “World Furniture Outlook 2022” issued by Centre for Industrial Studies (CSIL) of Italy predicts that the growth in global furniture consumption could be around 4% in 2022, and the market performance for European and Asian countries are better than that as compared to other countries. While the growth is relatively minimal, we will continue to uphold our business strategy to continuously explore markets outside U.S., establish strong relationship with new customers, and continually strengthens the ODM capabilities, making advancement of invested projects with the raised funds in a down-to-earth manner. We will also solidify our core competitiveness, and continuously increasing our market share, thus to keep on to be the leading force while being the leader of the panel type furniture industry.

#### INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the Reporting Period (Six months ended 30 June 2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENTS AFTER THE REPORTING PERIOD

On 24 August 2022, the Group acquired two parcels of land with a total area of 65,556.80 sq.m. in Nankang, Ganzhou, Jiangxi province of the PRC which is adjacent to the lands previously acquired on 6 January 2022 for a consideration of RMB7,880,000. The four parcels of land with a total area of 99,096.10 sq.m. and a total consideration of RMB11,910,000 will be used for the construction of a new factory located in Nankang for the production of particleboards. The acquisition cost will be funded by the net proceeds from the global offering of the Company. Please refer to the section headed “Use of Proceeds from Global Offering” for details of the proposed use of proceeds.

Save as disclosed above, there are no other important events affecting the Group which have occurred after the Reporting Period and up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

## OTHER INFORMATION

### USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange by way of global offering (the “**Global Offering**”). The net proceeds from the Global Offering, after deducting the underwriting commission and other expenses payable by the Company, amounted to approximately HK\$1,280.69 million. In addition, pursuant to the partial exercise of the over-allotment option on 15 January 2021, the additional net proceeds of approximately HK\$121.06 million was received by the Company from the issue and allotment of over-allotment shares after deducting the underwriting commission and other estimated expenses. The following table sets out the breakdown for the use of net proceeds as detailed and defined in the prospectus of the Company dated 14 December 2020 (the “**Prospectus**”):

	Net proceeds		Amount	Amount	Expected date for fully utilising the unutilised proceeds
	(HK\$ million)	Percentage	utilised as of 30 June 2022 (HK\$ million)	unutilised as at 30 June 2022 (HK\$ million)	
Establishing new factory compartments for the manufacturing of panel furniture and upholstered furniture	636	45.4%	121	515	On or before 30 June 2023
Construction of the second phase of the factory of the Group located in Nankang, Ganzhou, Jiangxi Province of the PRC	463	33.0%	6	457	On or before 30 June 2023 (Note)
Upgrading the production line in the current production facilities by acquiring more advanced and automated machineries and equipment for the furniture factory of the Group	70	5.0%	70	—	Not applicable
Enhancing the product design, research and development capabilities of the Group	93	6.6%	36	57	On or before 31 December 2022
General replenishment of working capital and other general corporate purpose	140	10.0%	140	—	Not applicable
<b>Total</b>	<b>1,402</b>	<b>100.0%</b>	<b>373</b>	<b>1,029</b>	

*Note:* As of the date of this report, the Board is aware that there has been a delay in the expected timeline for the use of proceeds when compared to the implementation plan as disclosed in the Prospectus. The delay in the use of proceeds was mainly due to the slow negotiation and approval process of the land of Nankang Phase II Factory with the PRC government, therefore the construction of the second phase of the new factory has been delayed.

The unutilised net proceeds of the Group are being kept in banks and authorised financial institutions in Hong Kong and the People’s Republic of China (the “**PRC**”).

## OTHER INFORMATION

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES**

As at 30 June 2022, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. Zeng Ming (“ <b>Mr. Zeng</b> ”)	Interest of controlled corporation	2,193,750,000 (L) (Note 2)	71.479%

*Notes:*

1. The letter “L” denotes the Directors’ long position in the Shares or the relevant associated corporation.
2. These 2,193,750,000 Shares are held by Pure Cypress Limited, the issued shares of which are wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2022, the interests of substantial shareholders and other persons (other than the Directors or chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number and class of securities (Note 1)	Percentage of the issued share capital of the Company
Pure Cypress Limited	Beneficial owner	2,193,750,000 (L) (Note 2)	71.479%
Mr. Zeng	Interest of controlled corporation	2,193,750,000 (L) (Note 2)	71.479%
Ms. Zeng Ronghua ("Ms. Zeng RH")	Interest of spouse	2,193,750,000 (L) (Note 3)	71.479%

## Notes:

- The letter "L" denotes the shareholders' long position in the Shares.
- These 2,193,750,000 Shares are held by Pure Cypress Limited, which is wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.
- Ms. Zeng RH is the spouse of Mr. Zeng. Under the SFO, Ms. Zeng RH is taken to be interested in the same number of Shares in which Mr. Zeng is interested.

Save as disclosed above, as at 30 June 2022, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Securities" above, no person had any interests or short positions in any Shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## OTHER INFORMATION

## SHARE OPTION SCHEME

The Company has adopted a share option scheme on 2 December 2020 (“**Share Option Scheme**”).

The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group’s operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group are eligible to participate in the Share Option Scheme.

Details of the Company’s outstanding share options granted under the Share Option Scheme during the Reporting Period were as follows:

Category of participants	Date of grant	Exercise period (Note 1)	Exercise price per Share (HK\$)	Outstanding	During the Reporting Period			Outstanding	
				as at 1 January 2022	Granted	Exercised	Cancelled	Lapsed	as at 30 June 2022
<b>External consultant</b>									
Empire Core Limited	14 January 2022	16 January 2023 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
	14 January 2022	15 January 2024 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
	14 January 2022	15 January 2025 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
東莞市華太投資諮詢服務有限公司 Dongguan	14 January 2022	16 January 2023 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
Huatai Investment Consulting Service Co., Ltd.*	14 January 2022	15 January 2024 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
	14 January 2022	15 January 2025 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300

## OTHER INFORMATION

Category of participants	Date of grant	Exercise period (Note 1)	Exercise price per Share (HK\$)	Outstanding	During the Reporting Period				Outstanding
				as at 1 January 2022	Granted	Exercised	Cancelled	Lapsed	as at 30 June 2022
赣州橙木科技有限公司 Ganzhou Cheng Wood Technology Co., Ltd.*	14 January 2022	16 January 2023 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
	14 January 2022	15 January 2024 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
	14 January 2022	15 January 2025 to 14 January 2026	1.878	—	10,230,300	—	—	—	10,230,300
Cloud Mount Limited 雲登有限公司	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 3)	1.878	—	30,690,900	—	—	—	30,690,900
Dragon Win Corporation 龍盈有限公司	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 3)	1.878	—	30,690,900	—	—	—	30,690,900
Aster Blossom Limited	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 3)	1.878	—	30,690,900	—	—	—	30,690,900
Top Easeway Limited	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 3)	1.878	—	30,690,900	—	—	—	30,690,900
<b>Total</b>				<b>—</b>	<b>214,836,300</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>214,836,300</b>

\* For identification purpose only

## OTHER INFORMATION

### Notes:

- 1) The vesting period of the share options granted under the Share Option Scheme is from the date of grant until the commencement of the exercise period. The vesting of the share options is subject to the fulfilment of certain vesting conditions. Please refer to the announcements of the Company dated 14 January and 12 May 2022 for further details of the vesting conditions.
- 2) The closing price per Share immediately before the date of grant was HK\$1.87.
- 3) Relevant vesting date ("**Relevant Vesting Date**") means the day immediately after the vesting condition as prescribed being fully satisfied (or if such day is not a business day, the business day immediately after such day).

For the fair value of the options granted under the Share Option Scheme during the Reporting Period, please refer to note 20 (share-based payment transactions) to the Condensed Consolidated Financial Statements.

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Reporting Period.

### CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing the directors' securities transactions throughout the Reporting Period.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Company's Code throughout the Reporting Period.

### SUFFICIENT OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

## OTHER INFORMATION

### AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Suen To Wai, Ms. Leong Mali and Ms. Zhang Lingling. Mr. Suen To Wai is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment and renewal of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

### REVIEW OF FINANCIAL STATEMENTS

The Company’s auditor, BDO Limited, has assisted the Audit Committee in reviewing the condensed consolidated financial statements of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. After the review and careful consideration of the condensed consolidated financial statements of the Group for the Reporting Period and discussion with the management of the Group, the Audit Committee is of the opinion that the financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

### CHANGES IN BOARD COMPOSITION

During the Reporting Period, the following changes in the composition of the Board took place:

On 26 January 2022, Ms. Leong Mali was appointed as an independent non-executive Director and a member of each of the Audit Committee, the nomination committee, the remuneration committee, the corporate governance committee and the risk management committee of the Company.

On 1 April 2022, Mr. Gao Jianhua resigned as an independent non-executive Director and accordingly ceased as a member of each of the Audit Committee and the risk management committee of the Company. Ms. Zhang Lingling was appointed as an independent non-executive Director and a member of the Audit Committee.

On 7 April 2022, Mr. Lau Jing Yeung William resigned as an independent non-executive Director and accordingly ceased as a member of each of the Audit Committee, the remuneration committee and the corporate governance committee and the chairman of the nomination committee of the Company. Mr. Zhou Zhongqi was appointed as an independent non-executive Director. Mr. Feng Zhaowei was appointed as an independent non-executive Director and a member of the remuneration committee and the chairman of the nomination committee of the Company.

On behalf of the Board

**Zeng Ming**  
*Chairman*

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF HUISEN HOUSEHOLD INTERNATIONAL GROUP LIMITED

(匯森家居國際集團有限公司)

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

#### INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 23 to 48 which comprise the condensed consolidated statement of financial position of Huisen Household International Group Limited and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “**interim condensed consolidated financial statements**”).

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This 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.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

**BDO Limited**

*Certified Public Accountants*

**Chow Tak Sing, Peter**

Practising Certificate Number P04659

Hong Kong, 30 August 2022

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	1,963,224	2,402,415
Cost of sales		(1,555,553)	(1,771,926)
Gross profit		407,671	630,489
Other revenue		16,470	20,512
Other gains and losses		60,485	(48,296)
Distribution and selling expenses		(40,519)	(45,541)
Administrative expenses		(75,140)	(49,399)
Equity settled share-based payment expenses	20	(9,104)	—
Reversal of impairment loss recognised on trade receivables, net		2,598	195
Finance costs	6	(13,340)	(19,375)
Profit before income tax expense	7	349,121	488,585
Income tax expense	8	(51,113)	(67,813)
Profit and total comprehensive income for the period		298,008	420,772
Total comprehensive income for the period attributable to: Owner of the Company		298,008	420,772
Earnings per share — Basic and diluted (RMB cents)	10	9.7	13.7



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

	<i>Notes</i>	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	994,771	933,949
Right-of-use assets	12	48,239	46,480
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment	15	9,400	6,946
Deferred tax assets		642	1,029
Other receivables	15	—	940
Total non-current assets		<u>1,053,052</u>	<u>989,344</u>
<b>Current assets</b>			
Inventories	13	241,431	215,455
Trade receivables	14	801,173	1,291,167
Prepayments, deposits and other receivables	15	52,367	53,206
Time deposits		800,000	—
Cash and cash equivalents		<u>2,773,487</u>	<u>3,137,071</u>
Total current assets		<u>4,668,458</u>	<u>4,696,899</u>
<b>Total assets</b>		<u>5,721,510</u>	<u>5,686,243</u>
<b>Current liabilities</b>			
Trade payables	16	221,614	358,167
Other payables and accruals	16	48,370	86,734
Borrowings	17	293,676	365,513
Lease liabilities	12	1,031	8,035
Income tax payable		<u>21,283</u>	<u>32,639</u>
Total current liabilities		<u>585,974</u>	<u>851,088</u>
<b>Net current assets</b>		<u>4,082,484</u>	<u>3,845,811</u>
<b>Total assets less current liabilities</b>		<u>5,135,536</u>	<u>4,835,155</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

	<i>Notes</i>	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Borrowings	17	114,000	120,519
Lease liabilities	12	<u>1,032</u>	<u>1,244</u>
<b>Total non-current liabilities</b>		<u><b>115,032</b></u>	<u>121,763</u>
<b>NET ASSETS</b>		<u><b>5,020,504</b></u>	<u>4,713,392</u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	18	259,018	259,018
Reserves		<u>4,761,486</u>	<u>4,454,374</u>
<b>TOTAL EQUITY</b>		<u><b>5,020,504</b></u>	<u>4,713,392</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	
<b>Balance as at 1 January 2021 (audited)</b>	253,239	92,425	777,539	—	296,106	27,594	2,493,446	3,940,349
Profit for the period	—	—	—	—	—	—	420,772	420,772
Transfer from retained earnings to statutory reserve	—	—	—	—	42,974	—	(42,974)	—
Dividend declared by the Company	—	—	(216,273)	—	—	—	—	(216,273)
Exercise of the over-allotment option in relation to initial public offer (Note 18)	5,779	—	95,470	—	—	—	—	101,249
<b>As at 30 June 2021 (unaudited)</b>	259,018	92,425	656,736	—	339,080	27,594	2,871,244	4,246,097
<b>Balance as at 1 January 2022 (audited)</b>	259,018	92,425	656,736	—	381,574	27,594	3,296,045	4,713,392
Profit for the period	—	—	—	—	—	—	298,008	298,008
Transfer from retained earnings to statutory reserve	—	—	—	—	18,052	—	(18,052)	—
Equity settled share-based transactions	—	—	—	9,104	—	—	—	9,104
<b>As at 30 June 2022 (unaudited)</b>	259,018	92,425	656,736	9,104	399,626	27,594	3,576,001	5,020,504

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax expense	<b>349,121</b>	488,585
Adjustments for:		
Depreciation of property, plant and equipment	<b>54,600</b>	51,910
Depreciation of right-of-use assets	<b>2,429</b>	2,231
Finance costs	<b>13,340</b>	19,375
Interest income	<b>(9,684)</b>	(3,563)
Reversal of impairment loss recognised on trade receivables, net	<b>(2,598)</b>	(195)
Loss on disposal/written off of property, plant and equipment	<b>—</b>	12,371
Equity settled share-based payment expenses	<b>9,104</b>	—
	<b>416,312</b>	570,714
<b>Operating profits before working capital changes</b>		
Increase in inventories	<b>(25,976)</b>	(89,879)
Decrease in trade receivables	<b>492,592</b>	19,538
Decrease in prepayments, deposits and other receivables	<b>11,805</b>	2,631
(Decrease)/increase in trade payables	<b>(136,553)</b>	13,524
Decrease in other payables and accruals	<b>(38,364)</b>	(48,796)
	<b>719,816</b>	467,732
<b>Cash generated from operations</b>	<b>719,816</b>	467,732
Income tax paid	<b>(62,082)</b>	(68,342)
	<b>657,734</b>	399,390
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(115,422)</b>	(46,458)
Prepayments paid for acquisition of intangible assets and property, plant and equipment	<b>(2,454)</b>	(6,309)
Proceeds from disposal of property, plant and equipment	<b>—</b>	1,095
Acquisition of land use right	<b>(4,188)</b>	(10,464)
Increase in time deposits	<b>(800,000)</b>	—
Interest received	<b>4,201</b>	3,563
	<b>(917,863)</b>	(58,573)
<b>Net cash used in investing activities</b>		

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>		
Repayment of principal portion of the lease liabilities	<b>(7,496)</b>	(1,837)
Proceeds from borrowings	<b>72,800</b>	97,000
Repayment of borrowings	<b>(151,156)</b>	(107,800)
Security deposits received/(paid) for borrowings	—	2,198
Interest paid	<b>(13,060)</b>	(19,250)
Security deposits paid for borrowings	<b>(4,543)</b>	—
Proceeds from exercising of the over-allotment option in relation to initial public offer	—	101,249
	<u>—</u>	<u>101,249</u>
<b>Net cash (used in)/generated from financing activities</b>	<b>(103,455)</b>	71,560
	<u>(103,455)</u>	<u>71,560</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(363,584)</b>	412,377
	<u>(363,584)</u>	<u>412,377</u>
<b>Cash and cash equivalents at the beginning of period</b>	<b>3,137,071</b>	2,647,848
	<u>3,137,071</u>	<u>2,647,848</u>
<b>Cash and cash equivalents at the end of period</b>	<b>2,773,487</b>	3,060,225
	<u><u>2,773,487</u></u>	<u><u>3,060,225</u></u>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>2,773,487</b>	3,060,225
	<u><u>2,773,487</u></u>	<u><u>3,060,225</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. GENERAL INFORMATION

Huisen Household International Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is Huisen Road, Daluo Industrial Park, Longnan Economic Technology Development Zone, Longnan County, Jiangxi Province, the People’s Republic of China (the “**PRC**”). The Company’s ultimate holding company is Pure Cypress Limited (incorporated in the British Virgin Islands (the “**BVI**”) and the ultimate controlling party is Mr. Zeng Ming (“**Mr. Zeng**”).

The Company is an investment holding company and the Group, comprising the Company and its subsidiaries, are principally engaged in manufacturing and selling of panel-type furniture, hardware furniture and furniture ornaments.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated financial statements were authorised for issue on 30 August 2022.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2021 (the “**2021 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. The details are disclosed in Note 4.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 2. BASIS OF PREPARATION (CONTINUED)

These condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group for the six months ended 30 June 2022. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”) and should be read in conjunction with the 2021 Annual Financial Statements.

These condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2022.

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract

The new and revised standards, amendments and interpretations that are effective from 1 January 2022 did not have any significant impact on the Group’s accounting policies.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The following amendments to HKAS and HKFRS, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

#### **HKFRS 17 – Insurance Contracts**

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated financial statements.

#### **Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the condensed consolidated financial statements in future periods should such transaction arise.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)**

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the condensed consolidated financial statements.

**Amendments to HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies**

The key amendments to HKAS 1 include:

- i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two addition examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Amendments to HKAS 8 – Definition of Accounting Estimates**

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also, clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the condensed consolidated financial statements.

#### **Amendments to HKAS 12 – Deferred Tax related to assets and liabilities arising from a single transaction**

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the condensed consolidated financial statements.

### 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 Annual Financial Statements.

### 5. REVENUE AND SEGMENT INFORMATION

#### **Operating segments**

The Group was principally engaged in manufacturing and selling of panel furniture, hardware furniture and furniture ornaments. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

## Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenues from external customers are divided into the following geographical areas:

	Revenue from external customers	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
United States of America (the "United States" or "U.S.")	1,271,574	1,603,946
PRC	115,597	126,855
Singapore	59,083	97,708
Malaysia	54,035	68,788
Canada	48,379	55,511
Vietnam	45,622	54,926
France	20,342	24,618
United Kingdom	20,292	27,604
Philippines	19,573	21,303
Thailand	17,321	29,527
Japan	16,087	11,958
Korea	15,710	15,384
Germany	15,224	23,594
Netherlands	13,562	19,235
Other locations	230,823	221,458
	<u>1,963,224</u>	<u>2,402,415</u>

The Group's revenue information above is based on the delivery destinations of the Group's products requested by the customers. The geographical location of non-current assets is based on the physical location of the assets. As at 30 June 2022 and 31 December 2021, all of the Group's non-current assets are located in the PRC.

Shipping terms of the export sales are free-on-board (at PRC ports). Therefore the customers are generally responsible for insuring the shipment and handling the importation process, including paying import duties, if any. The Group did not have any overseas tax exposure regarding sales for locations outside of the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**5. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

Revenue represents the net invoiced value of goods sold and earned by the Group.

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 RMB'000 (Unaudited)
Panel-type furniture	1,854,640	2,257,760
Upholstered furniture	53,740	74,784
Sport type furniture	53,920	69,871
Others	924	—
	<u>1,963,224</u>	<u>2,402,415</u>
<b>Timing of revenue recognition</b>		
At a point in time	1,963,224	2,402,415
Transferred over time	—	—
	<u>1,963,224</u>	<u>2,402,415</u>

**6. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 RMB'000 (Unaudited)
Interest expenses on bank and other borrowings	13,060	19,012
Interest expenses on lease liabilities	280	363
	<u>13,340</u>	<u>19,375</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**7. PROFIT BEFORE INCOME TAX EXPENSE**

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories recognised as expenses	<b>1,555,553</b>	1,771,926
Depreciation charge:		
– Owned property, plant and equipment	<b>54,600</b>	51,910
– Right-of-use-assets	<b>2,429</b>	2,231
	<b>57,029</b>	54,141
Loss on disposal/written off of property, plant and equipment	–	12,371
Research and development costs	<b>20,934</b>	7,458
Reversal of impairment loss recognised on trade receivables, net	<b>(2,598)</b>	(195)

**8. INCOME TAX EXPENSE**

The amount of income tax expense in the condensed consolidated statements of profit or loss and other comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax – PRC Enterprise Income Tax (the “ <b>PRC EIT</b> ”)		
– for the period	<b>50,631</b>	69,069
– Under/(over) provision in prior periods	<b>95</b>	(1,286)
	<b>50,726</b>	67,783
Deferred tax		
– for the period	<b>387</b>	30
Income tax expenses	<b>51,113</b>	67,813

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### **8. INCOME TAX EXPENSE (CONTINUED)**

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company (incorporated in the Cayman Islands) and the Company's subsidiary (incorporated in the BVI) are not subject to any income tax.

Hong Kong Profits Tax for the Company's subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the Announcement of No.13 (2019) issued by the Ministry of Finance and the State Taxation Administration of the PRC, "Implementing the inclusive tax deduction and exemption policies for micro and small enterprises", for one of the subsidiaries of the Group located in the PRC, if its annual taxable profits do not exceed RMB1 million, only 25% of such amount is taxable with a tax rate of 20%; while if its annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at a tax rate of 25%.

And supplemented with the Announcement of No.12 (2021) issued the Ministry of Finance and the State Taxation Administration of the PRC, "Implementing the preferential income tax policies for micro and small enterprises and individual industrial and commercial households", for the period from 1 January 2021 to 31 December 2022, if its annual taxable profits do not exceed RMB1 million, only 12.5% of such amount is taxable at 20%; while if its annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at the tax rate of 25%.

Pursuant to the income tax rules and regulations of the PRC, the provision for the PRC EIT of the PRC subsidiaries of the Group located in the West Regions is calculated basing on the preferential tax rate of 15% as they are recognised as the enterprises of Development of the West Regions according to the tax regulations of the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**8. INCOME TAX EXPENSE (CONTINUED)**

The amount of taxation can be reconciled to the profit before income tax expense per the condensed consolidated statements of profit or loss and the comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax expense	<b>349,121</b>	488,585
Tax calculated at the PRC EIT statutory tax rate of 25%	<b>87,280</b>	122,146
Revenue not taxable for tax purposes	<b>(486)</b>	—
Expenses not deductible for tax purposes	<b>1,935</b>	54
Effect of tax preferential rates granted to the eligible PRC subsidiaries	<b>(33,785)</b>	(50,495)
Different tax rates applied to relevant tax laws	<b>(6,834)</b>	—
Utilisation of unrecognised temporary difference	<b>(3)</b>	—
Tax losses/temporary difference not recognised	<b>3,329</b>	(1,474)
Utilisation of unrecognised tax losses	<b>(418)</b>	(1,132)
Under/(over) provision in respect of prior periods	<b>95</b>	(1,286)
	<b>51,113</b>	67,813

**9. DIVIDENDS**

No interim dividend in respect of the six months ended 30 June 2022 has been proposed by the Directors (Six months ended 30 June 2021: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**10. EARNINGS PER SHARE**

The calculation of the basic diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share (RMB'000)	<u>298,008</u>	<u>420,772</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<u>3,069,090,000</u>	<u>3,063,746,022</u>
Basic and diluted earnings per share (RMB cents)	<u>9.7</u>	<u>13.7</u>

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the six months ended 30 June 2022.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2021 included the weighted average number of shares pursuant to exercise of the over-allotment option of 69,090,000 shares (Note 18) and 3,000,000,000 shares issued throughout the year ended 31 December 2020.

Diluted earnings per share amount was the same as basic earnings per share amount as the impact of share options had an anti-dilutive effect for the six months ended 30 June 2022.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six-month period ended 30 June 2021.

**11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

The Group incurred expenditure of RMB115,422,000 during the six months ended 30 June 2022 (Six months ended 30 June 2021: RMB46,458,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****Right-of-use assets**

	<b>Land use right</b>	<b>Showroom and warehouse</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (audited)	22,372	7,672	30,044
Additions	20,946	—	20,946
Depreciation for the year	<u>(655)</u>	<u>(3,855)</u>	<u>(4,510)</u>
As at 31 December 2021 (audited)	42,663	3,817	46,480
Additions	4,188	—	4,188
Depreciation for the period	<u>(501)</u>	<u>(1,928)</u>	<u>(2,429)</u>
As at 30 June 2022 (unaudited)	<u>46,350</u>	<u>1,889</u>	<u>48,239</u>

The interest of land use right in the PRC are prepaid upon acquisition. The Group amortise the cost of the land use right based on an estimated lease period of 50 years.

The Group had also leased properties in the United States. The rental agreement is made for a fixed period of 2 years for the warehouse and 5 years for the showroom. Both rental agreements do not impose any restriction or covenant.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

## Lease Liabilities

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within one year	1,031	8,035
More than one year, but not exceeding two years	456	436
More than two years, but not exceeding five years	576	808
	<u>2,063</u>	<u>9,279</u>
Analysed as:		
Current portion	1,031	8,035
Non-current portion	1,032	1,244
	<u>2,063</u>	<u>9,279</u>

## 13. INVENTORIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Raw materials	77,132	69,864
Work-in-progress	5,701	12,673
Finished goods	158,598	132,918
	<u>241,431</u>	<u>215,455</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**14. TRADE RECEIVABLES**

The Group's trading term with customers are mainly on credit. The credit terms are generally 0 to 90 days.

An ageing analysis, based on the invoice dates, as of 30 June 2022 and 31 December 2021 is as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Within 1 month	<b>365,665</b>	955,443
1 to 2 months	<b>181,524</b>	330,831
2 to 3 months	<b>195,175</b>	11,773
Over 3 months	<b>63,091</b>	—
	<b>805,455</b>	1,298,047
Less: Allowance for doubtful debts	<b>(4,282)</b>	(6,880)
	<b>801,173</b>	1,291,167

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Current</b>			
Prepayments		190	20
Value added tax recoverable		40,515	52,999
Interest receivables		5,483	—
Other receivables	(b)	6,179	187
		52,367	53,206
<b>Non-current</b>			
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment		9,400	6,946
Other receivables	(b)	—	940
		9,400	7,886
	(a)	61,767	61,092

## Notes:

- (a) The carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date. There was no provision for impairment on prepayments, deposits and other receivables (31 December 2021: Nil).
- (b) Other receivables were neither past due nor impaired for whom there is no recent history of default. These balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**16. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS**

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Trade payables	<u><b>221,614</b></u>	<u>358,167</u>

An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Within 6 months	<u><b>221,614</b></u>	<u>358,167</u>

Other payables and accruals as at 30 June 2022 represented other payables of RMB11,212,000 (31 December 2021: RMB25,212,000) and accruals of RMB37,158,000 (31 December 2021: RMB61,522,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 17. BORROWINGS

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Current</b>			
Bank loans due for repayment within one year	(a), (b)	287,800	365,513
Other loans	(c)	5,876	—
		<u>293,676</u>	<u>365,513</u>
<b>Non-current</b>			
Bank loans	(a), (b)	114,000	110,487
Other loans	(c)	—	10,032
		<u>114,000</u>	<u>120,519</u>
Total borrowings		<u>407,676</u>	<u>486,032</u>

## Notes:

- (a) The bank loans are secured by:
- (i) the Group's certain buildings and machineries included in property, plant and equipment amounted to RMB317,020,000 (unaudited) (31 December 2021: RMB347,242,000 (audited));
  - (ii) corporate guarantee given by a non-related party, in which machineries included in property, plant and equipment amounted to RMB52,590,000 (unaudited) (31 December 2021: RMB56,574,000 (audited)) are pledged to this non-related party;
  - (iii) registered capital of Huisen Holding Investment (Ganzhou) Co., Limited amounted to US\$21,000,000 (unaudited) (31 December 2021: US\$21,000,000 (audited));
  - (iv) land use right under right-of-use assets amounted to RMB10,824,000 (unaudited) (31 December 2021: RMB10,954,000 (audited)); and
  - (v) corporate guarantee given by a non-related party, in which land use right under right-of-use assets amounted to RMB10,788,000 (unaudited) (31 December 2021: RMB10,912,000 (audited)) are pledged to this non-related party.
- (b) Interest are charged at fixed/floating effective interest rates ranging from 3.40% to 7.99% (unaudited) per annum ("p.a.") (31 December 2021: 3.40% to 7.99% p.a. (audited)).
- (c) Other loans of RMB5,876,000 (unaudited) (31 December 2021: RMB10,032,000 (audited)) are secured by the Group's machineries included in property, plant and equipment amounted to RMB18,052,000 (unaudited) (31 December 2021: RMB43,805,000 (audited)). Interests are charged at fixed effective interest rates around 0.79% p.a. (unaudited) (31 December 2021: 0.79% to 1.199% p.a. (audited)).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**18. SHARE CAPITAL**

	Number '000	Amount HK\$'000	Amount RMB'000
Ordinary shares of par value of HK\$0.1 each			
<b>Authorised</b>			
As at 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	10,000,000	1,000,000	844,130
<b>Issued and fully paid</b>			
As at 1 January 2021 (audited)	3,000,000	300,000	253,239
Exercise of the over-allotment option ( <i>Note (i)</i> )	69,090	6,909	5,779
As at 31 December 2021 (audited) and 30 June 2022 (unaudited)	3,069,090	306,909	259,018

Notes:

- (i) On 20 January 2021, over-allotment option in relation to initial public offering in the Stock Exchange of the Group was partially exercised and an aggregate of 69,090,000 Shares were issued at a price of HK\$1.77 per Share accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately RMB101,249,000 (equivalent to HK\$122,289,000), of which RMB5,779,000 were credited to the Company's share capital account. The remaining proceeds of RMB95,470,000 were credited to the Company's share premium account.

**19. FINANCIAL INSTRUMENTS****Fair value****Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, other receivables, trade payables, lease liabilities, other payables and accruals and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**20. SHARE-BASED PAYMENT TRANSACTIONS**

On 14 January 2022, the Company granted share options (the “**2022 Share Options**”) to seven eligible participants (the “**Grantees**”), being external consultants of the Group, an aggregate of 214,836,300 share options (each share option shall entitle the holder of the share option to subscribe for one Share), as to 30,690,900 share options to each Grantee and the exercise price of share options granted was HK\$1.878 to subscribe for one ordinary share of HK\$0.10 each in the share capital of the Company.

	2022	
	Weighted average exercise price HK\$	Number
Outstanding at 1 January	—	—
Granted during the period	1.878	214,836,300
Forfeited during the period	—	—
Exercised during the period	—	—
Lapsed during the period	—	—
	<u>1.878</u>	<u>214,836,300</u>
Outstanding at 30 June	<u>1.878</u>	<u>214,836,300</u>

Of the total number of options outstanding at 30 June 2022, Nil had vested and were exercisable.

The fair values of the share options granted for the six month ended 30 June 2022 were calculated using the Binomial model.

The inputs into the model were as follows:

**Equity-settled**

Option pricing model used	Binomial lattice
Share price at measurement dates (in HK\$)	0.530–1.860
Exercise price (in HK\$)	1.878
Weighted average contractual life (in days)	1,440
Expected volatility	65.38%–68.98%
Expected dividend growth rate	0%
Risk-free interest rate	1.42%–3.07%



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

**21. RELATED PARTY DISCLOSURES****Compensation of key management personnel**

The remuneration of the Directors and other members of key management during the periods was as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Fees	<b>328</b>	945
Salaries and other benefits	<b>1,390</b>	1,070
Contributions to retirement benefits scheme	<b>28</b>	26
	<b>1,746</b>	2,041

**22. EVENTS AFTER REPORTING PERIOD**

On 24 August 2022, the Group acquired two parcels of land with a total area of 65,556.80 square meter (“sq.m.”) in Nankang, Ganzhou, Jiangxi province of the PRC which is adjacent to the land previously acquired on 6 January 2022, at a consideration of RMB7,880,000. The four parcels of land with a total area of 99,096.10 sq.m. with total consideration of RMB11,910,000 will be used for the construction of a new factory located in Nankang for the production of particleboards.