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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2022 was approximately RMB1.96 billion, representing a decrease of approximately 18.3% from approximately RMB2.40 billion for the six months ended 30 June 2021.
- Profit for the six months ended 30 June 2022 was approximately RMB298.0 million, representing a decrease of approximately 29.2% from approximately RMB420.8 million for the six months ended 30 June 2021.
- The basic and diluted earnings per share of the Company (the "Share") for the six months ended 30 June 2022 was RMB0.10 as compared to RMB0.14 for the six months ended 30 June 2021.

INTERIM RESULTS

The board of directors (the “**Board**”) of Huisen Household International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021. Such results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	1,963,224	2,402,415
Cost of sales		<u>(1,555,553)</u>	<u>(1,771,926)</u>
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	19	(9,104)	—
Reversal of impairment loss recognised on trade receivables, net		2,598	195
Finance costs	6	<u>(13,340)</u>	<u>(19,375)</u>
Profit before income tax expense	7	349,121	488,585
Income tax expense	8	<u>(51,113)</u>	<u>(67,813)</u>
Profit and total comprehensive income for the period		<u>298,008</u>	<u>420,772</u>
Total comprehensive income for the period attributable to:			
Owner of the Company		<u>298,008</u>	<u>420,772</u>
Earnings per share — Basic and diluted (RMB cents)	10	<u>9.7</u>	<u>13.7</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION —
Continued**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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 Reporting Period. 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.

2. BASIS OF PREPARATION — Continued

These condensed consolidated interim 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.

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

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

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.

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
	<i>RMB'000</i>	<i>RMB'000</i>
	(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.

5. REVENUE AND SEGMENT INFORMATION — Continued

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

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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>

7. PROFIT BEFORE INCOME TAX EXPENSE

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

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

8. INCOME TAX EXPENSE

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

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

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.

8. INCOME TAX EXPENSE — Continued

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.

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:

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

9. DIVIDENDS

No interim dividend in respect of the Reporting Period has been proposed by the Board (Six months ended 30 June 2021: Nil).

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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share (<i>RMB'000</i>)	<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 (<i>RMB cents</i>)	<u><u>9.7</u></u>	<u><u>13.7</u></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 Reporting Period.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the Reporting Period 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 Reporting Period.

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 months ended 30 June 2021.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

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

Lease Liabilities

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

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:

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Current			
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
Non-current			
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.

16. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

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

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

17. BORROWINGS

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

17. BORROWINGS — Continued

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)).

18. SHARE CAPITAL

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

18. SHARE CAPITAL — Continued

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. SHARE-BASED PAYMENT TRANSACTIONS

On 14 January 2022, the Company granted 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	—	—
		<hr/>
Outstanding at 30 June	1.878	<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 for the Reporting Period 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%

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 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 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).

* For identification purpose only

Business Review — Continued

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.

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 (Note)	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.

Financial Review — Continued

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.

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 order 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.

Financial Review — Continued

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.

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>

Financial Review — Continued

Sales to Top Five Customers — Continued

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.

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.

Financial Review — Continued

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.

Breakdown of Other Gains and Losses

Other gains and losses include the following breakdown:

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

Financial Review — Continued

Breakdown of Other Gains and Losses — Continued

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.

Summary of Consolidated Statement of Cash Flow

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

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

The Group's business requires a large amount of capital investment and a relatively high level of working capital to maintain operations and business growth. The Group relies on cash from operations and external financing to operate and expand the business.

Financial Review — Continued

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.

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, our trade receivables (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.

Financial Review — Continued

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.

Human Resources and Training

As of 30 June 2022, the Group had a total of 3,228 employees (31 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 Directors believe such initiatives have contributed to the increase in employee productivity and enhanced cohesiveness of the Group.

The Company has also adopted a share option scheme on 2 December 2020 ("**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 14 January 2022, the Company has granted a total of 214,836,300 share options to the Grantees, being the external consultants of the Group, under the Share Option Scheme for the purpose of expanding the smart furniture business segment of the Group. Please refer to the announcements of the Company dated 14 January 2022 and 12 May 2022 for further details.

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).

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 announcement.

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.

USE OF PROCEEDS FROM GLOBAL OFFERING

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 (HK\$ million)	Percentage	Amount utilised as of 30 June 2022 (HK\$ million)	Amount unutilised as at 30 June 2022 (HK\$ million)	Expected date for fully utilising the unutilised proceeds
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
Total	<u>1,402</u>	<u>100.0%</u>	<u>373</u>	<u>1,029</u>	

Note: As of the date of this announcement, 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 PRC.

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 for Securities Transactions by Directors of Listed Issuers (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 announcement, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

AUDIT COMMITTEE

The Company has established 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report for the Reporting Period will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

On behalf of the Board
Huisen Household International Group Limited
Zeng Ming
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Mr. Zeng Ming, Ms. Zeng Minglan and Mr. Wu Runlu; and the independent non-executive Directors are Mr. Suen To Wai, Ms. Leong Mali, Ms. Zhang Lingling, Mr. Feng Zhaowei and Mr. Zhou Zhongqi.