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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 2021**

#### **FINANCIAL HIGHLIGHTS**

- The revenue of the Group for the six months ended 30 June 2021 was approximately RMB2.4 billion, representing an increase of approximately 47.3% as compared to approximately RMB1.6 billion for the six months ended 30 June 2020.
- The profit for the six months ended 30 June 2021 was approximately RMB420.8 million, representing an increase in approximately 75.9% as compared to approximately RMB239.2 million for the six months ended 30 June 2020.
- Basic and diluted earnings per share of the Company (“Share”) was RMB0.14 for the six months ended 30 June 2021 and RMB0.11 for the six months ended 30 June 2020.

## 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 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020. 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	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	5	2,402,415	1,630,742
Cost of sales		(1,771,926)	(1,264,454)
Gross profit		630,489	366,288
Other revenue		20,512	3,030
Other gains and losses		(48,296)	7,887
Distribution and selling expenses		(45,541)	(31,954)
Administrative expenses		(49,399)	(37,046)
Reversal/(provision) of impairment loss recognised on trade receivables, net		195	(2,593)
Finance costs	6	(19,375)	(21,672)
Listing expenses		—	(1,906)
Profit before income tax expense	7	488,585	282,034
Income tax expense	8	(67,813)	(42,839)
Profit and total comprehensive income for the period		420,772	239,195
Total comprehensive income for the period attributable to:			
Owners of the Company		420,772	239,195
Earnings per share — Basic and diluted (RMB)	10	0.14	0.11

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	897,131	916,049
Right-of-use assets	12	48,125	30,044
Prepayments for acquisition of intangible assets and property, plant and equipment	15	6,359	50
Other receivables	15	897	855
<b>Total non-current assets</b>		<b>952,512</b>	<b>946,998</b>
<b>Current assets</b>			
Inventories	13	240,240	150,361
Trade receivables	14	1,166,744	1,186,087
Prepayments, deposits and other receivables	15	45,699	50,570
Deferred tax assets		1,765	1,795
Cash and cash equivalents		3,060,225	2,647,848
<b>Total current assets</b>		<b>4,514,673</b>	<b>4,036,661</b>
<b>Total assets</b>		<b>5,467,185</b>	<b>4,983,659</b>
<b>Current liabilities</b>			
Trade payables	16	352,055	338,531
Other payables and accruals	16	45,157	93,953
Borrowings	17	481,501	323,145
Lease liabilities	12	13,875	3,750
Dividend payable		216,273	—
Income tax payable		34,288	34,847
<b>Total current liabilities</b>		<b>1,143,149</b>	<b>794,226</b>
<b>Net current assets</b>		<b>3,371,524</b>	<b>3,242,435</b>
<b>Total assets less current liabilities</b>		<b>4,324,036</b>	<b>4,189,433</b>

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

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Borrowings	17	75,876	245,032
Lease liabilities	12	2,063	4,052
		<u>77,939</u>	<u>249,084</u>
<b>Total non-current liabilities</b>		<u>77,939</u>	<u>249,084</u>
<b>NET ASSETS</b>		<u><b>4,246,097</b></u>	<u><b>3,940,349</b></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	18	259,018	253,239
Reserves		3,987,079	3,687,110
		<u>4,246,097</u>	<u>3,940,349</u>
<b>TOTAL EQUITY</b>		<u><b>4,246,097</b></u>	<u><b>3,940,349</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Huisen Household International Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 16 March 2018, 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**”) on 29 December 2020.

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, is principally engaged in manufacturing and selling of panel-type furniture, upholstered furniture and outdoor and sport type furniture.

## 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 (the “**Listing Rules**”). These condensed consolidated financial statements were authorised for issue on 31 August 2021.

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 2020 (the “**2020 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 2021. 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.

## 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 2021. 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 (“HKFRS”) and should be read in conjunction with the 2020 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 2020 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 2021.

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 2021.

Amendments to HKAS 39 and  
HKFRS 7, HKFRS 9 and  
HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16

COVID-19-Related Rent Concessions

The new and revised standards, amendments and interpretations that are effective from 1 January 2021 did not have any significant impact on the Group’s accounting policies.

### 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimate <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendment to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments <sup>2</sup>
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in 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 2020 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
United States of America (the "United States" or "U.S.")	1,603,946	1,150,142
PRC	126,855	101,247
Singapore	97,708	73,482
Malaysia	68,788	42,280
Vietnam	54,926	33,370
Canada	55,511	26,563
Thailand	29,527	11,645
United Kingdom	27,604	25,905
France	24,618	11,379
Other locations	312,932	154,729
	<u>2,402,415</u>	<u>1,630,742</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 2021 and 31 December 2020, 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Panel-type furniture	2,257,760	1,499,899
Upholstered furniture	74,784	58,736
Outdoor and sport type furniture	69,871	72,107
	<u>2,402,415</u>	<u>1,630,742</u>
<b>Timing of revenue recognition</b>		
At a point in time	2,402,415	1,630,742
Transferred over time	—	—
	<u>2,402,415</u>	<u>1,630,742</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Interest expenses on bank and other borrowings	19,012	21,613
Interest expenses on lease liabilities	363	59
	<u>19,375</u>	<u>21,672</u>

## 7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Auditors' remuneration	—	—
Cost of inventories recognised as expenses	1,771,926	1,264,454
Depreciation charge:		
— Owned property, plant and equipment	51,910	50,372
— Right-of-use-assets	2,231	1,983
	<u>54,141</u>	<u>52,355</u>
Loss on disposal/written off of property, plant and equipment	12,371	2,988
Listing expenses — Hong Kong Exchanges and Clearing Limited	—	1,906
Research and development costs	7,458	7,117
(Reversal)/provision of impairment loss recognised on trade receivables, net	<u>(195)</u>	<u>2,593</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current tax — PRC Enterprise Income Tax (the “PRC EIT”)		
— for the period	69,069	43,431
— Over provision in prior periods	<u>(1,286)</u>	<u>(202)</u>
	<u>67,783</u>	<u>43,229</u>
Deferred tax		
— for the period	<u>30</u>	<u>(390)</u>
Income tax expenses	<u>67,813</u>	<u>42,839</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

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

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Profit before income tax expense	<u>488,585</u>	<u>282,034</u>
Tax calculated at the PRC EIT statutory tax rate of 25%	122,146	70,508
Expenses not deductible for tax purposes	54	27
Effect of tax exemptions granted to the eligible PRC subsidiaries	(50,495)	(27,636)
Tax losses/temporary difference not recognised	(1,474)	1,841
Utilisation of unrecognised tax losses	(1,132)	(1,699)
Over provision in respect of prior periods	<u>(1,286)</u>	<u>(202)</u>
	<u>67,813</u>	<u>42,839</u>

## 9. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Final dividend, payable in respect of the year ended 31 December 2020 of RMB0.07 per share (six months ended 30 June 2020: Nil)	<u>216,273</u>	<u>—</u>

No interim dividend in respect of the six months ended 30 June 2021 has been proposed by the Board (Six months ended 30 June 2020: Nil).

The final dividend of RMB0.07 in respect of the year ended 31 December 2020 (2019: Nil) per share, amounting to approximately RMB216,273,000 (2019: Nil), had been approved by the shareholders of the Company at the annual general meeting of the Company held on 15 June 2021 and was paid on 15 July 2021.

## 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>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
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><b>420,772</b></u>	<u>239,195</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<u><b>3,063,746,022</b></u>	<u>2,250,000,000</u>
Basic and diluted earnings per share <i>(RMB)</i>	<u><u><b>0.14</b></u></u>	<u><u>0.11</u></u>

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.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2020 was based on 2,250,000,000 ordinary shares, representing the total number of ordinary shares of the Company immediately after the capitalisation issue of 2,249,900,000 new shares (the “**Capitalisation Issue**”) (as defined in Note 18) as disclosed in the prospectus of the Company dated 14 December 2020, as if all these shares had been in issue throughout the six months ended 30 June 2020.

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 and 2020.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB46,458,000 during the six months ended 30 June 2021 (Six months ended 30 June 2020: RMB51,093,000) 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 RMB'000	Showroom and warehouse RMB'000	Total RMB'000
As at 1 January 2020 (audited)	22,880	2,306	25,186
Lease modification	—	8,974	8,974
Depreciation for the year	(508)	(3,608)	(4,116)
As at 31 December 2020 (audited)	22,372	7,672	30,044
Additions	20,312	—	20,312
Depreciation for the period	(303)	(1,928)	(2,231)
As at 30 June 2021 (unaudited)	<u>42,381</u>	<u>5,744</u>	<u>48,125</u>

The interest of land use right in the PRC are prepaid upon acquisition. In April 2021, the Group entered into an agreement with Natural Resources Bureau of Longnan to acquire a piece of land situated at Trading Logistics Park, Longnan, Ganzhou. The Group started to use the land in April 2021 and 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 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within one year	13,875	3,750
More than one year, but not exceeding two years	1,031	2,808
More than two years, but not exceeding five years	<u>1,032</u>	<u>1,244</u>
	<u>15,938</u>	<u>7,802</u>
Analysed as:		
Current portion	13,875	3,750
Non-current portion	<u>2,063</u>	<u>4,052</u>
	<u>15,938</u>	<u>7,802</u>

### 13. INVENTORIES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Raw materials	88,714	78,603
Work-in-progress	11,752	9,608
Finished goods	<u>139,774</u>	<u>62,150</u>
	<u><b>240,240</b></u>	<u><b>150,361</b></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 2021 and 31 December 2020 is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 month	410,980	561,353
1 to 2 months	373,979	326,328
2 to 3 months	391,578	310,191
Over 3 months	<u>1,993</u>	<u>196</u>
	<b>1,178,530</b>	1,198,068
Less: Allowance for doubtful debts	<u>(11,786)</u>	<u>(11,981)</u>
	<u><b>1,166,744</b></u>	<u><b>1,186,087</b></u>

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 30 June 2021 <b>RMB'000</b> (Unaudited)	As at 31 December 2020 <b>RMB'000</b> (Audited)
	<i>Notes</i>		
<b>Current</b>			
Prepayments		10	567
Value added tax recoverable		45,685	47,759
Other receivables	<i>b</i>	<u>4</u>	<u>2,244</u>
		<u>45,699</u>	<u>50,570</u>
<b>Non-current</b>			
Prepayments for acquisition of intangible assets and property, plant and equipment		6,359	50
Other receivables	<i>b</i>	<u>897</u>	<u>855</u>
		<u>7,256</u>	<u>905</u>
	<i>a</i>	<u>52,955</u>	<u>51,475</u>

### *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 2020: 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 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	<u>352,055</u>	<u>338,531</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 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 6 months	<u>352,055</u>	<u>338,531</u>

Other payables and accruals as at 30 June 2021 represented other payables of RMB17,181,000 (31 December 2020: RMB62,199,000) and accruals of RMB27,976,000 (31 December 2020: RMB31,754,000).

## 17. BORROWINGS

	Notes	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
<b>Current</b>			
Bank loans due for repayment within one year	<i>a, b</i>	462,500	299,000
Other loans	<i>c</i>	<u>19,001</u>	<u>24,145</u>
		<u>481,501</u>	<u>323,145</u>
<b>Non-current</b>			
Bank loans	<i>a, b</i>	70,000	235,000
Other loans	<i>c</i>	<u>5,876</u>	<u>10,032</u>
		<u>75,876</u>	<u>245,032</u>
Total borrowings		<u>557,377</u>	<u>568,177</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 RMB345,947,000 (unaudited) (31 December 2020: RMB336,671,000 (audited));
  - (ii) corporate guarantee given by a non-related party, in which machineries included in property, plant and equipment amounted to RMB65,996,000 (unaudited) (31 December 2020: RMB22,419,000 (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 2020: US\$21,000,000 (audited));
  - (iv) land use right under right-of-use assets amounted to RMB11,084,000 (unaudited) (31 December 2020: RMB6,858,000 (audited)); and
  - (v) corporate guarantee given by a non-related party, in which land use right under right-of-use assets amounted to RMB11,035,000 (unaudited) (31 December 2020: RMB11,159,000 (audited)) are pledged to this non-related party.
- (b) Interest are charged at fixed/floating effective interest rates ranging from 3.4% to 7.99% (unaudited) per annum (“**p.a.**”) (31 December 2020: 3.4% to 7.99% p.a. (audited)).
- (c) Other loans of RMB24,877,000 (unaudited) (31 December 2020: RMB34,177,000 (audited)) are secured by the Group's machineries included in property, plant and equipment amounted to RMB47,516,000 (unaudited) (31 December 2020: RMB89,194,000 (audited)). Interests are charged at fixed effective interest rates ranging from 0.79% to 1.20% p.a. (unaudited) (31 December 2020: 0.79% to 4.275% p.a. (audited)).

## 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 2020 (audited)	3,800,000	380,000	337,539
Increase in authorised share capital ( <i>Note (i)</i> )	<u>6,200,000</u>	<u>620,000</u>	<u>506,591</u>
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>10,000,000</u>	<u>1,000,000</u>	<u>844,130</u>
<b>Issued and fully paid</b>			
As at 1 January 2020 (audited)	100	10	9
Issuance of shares for Capitalisation Issue ( <i>Note (ii)</i> )	750,000	75,000	63,309
Issuance of new shares upon listing ( <i>Note (ii)</i> )	<u>2,249,900</u>	<u>224,990</u>	<u>189,921</u>
As at 31 December 2020 (audited)	3,000,000	300,000	253,239
Exercise of the over-allotment option ( <i>Note (iii)</i> )	<u>69,090</u>	<u>6,909</u>	<u>5,779</u>
As at 30 June 2021 (unaudited)	<u>3,069,090</u>	<u>306,909</u>	<u>259,018</u>

### Notes:

- (i) On 2 December 2020, the authorised share capital of the Company was increased from HK\$380,000,000 divided into 3,800,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of additional 6,200,000,000 Shares which rank pari passu in all respects with the Shares issued before 2 December 2020.
- (ii) In connection with the Company's issuance of new shares upon listing, the Company allotted and issued 300,000,000 shares and 450,000,000 shares of HK\$0.1 each at a price of HK\$1.77 per Share on 28 December 2020 and 29 December 2020 respectively as a result of the completion of listing. The gross proceeds from issuance of new shares of approximately RMB1,125,110,000 (equivalent to approximately HK\$1,332,865,000) of which approximately RMB63,310,000 (equivalent to approximately HK\$75,000,000) was credited to the Company's share capital, and the remaining balance of approximately RMB1,061,801,000 (equivalent to approximately HK\$1,257,865,000) before deduction of share issuance expenses, was credited to share premium account. The share premium account can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the issuance of new shares upon listing, RMB189,921,000 (equivalent to approximately HK\$224,990,000) was capitalised from the share premium account and applied in paying up in full at par 2,249,900,000 new Shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 29 December 2020 in proportion to their respective shareholdings (the "Capitalisation Issue").
- (iii) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

The first half of 2021 was a period of accelerated reform for the furniture industry. Despite the unstable development of the coronavirus disease 2019 (“COVID-19”) pandemic in overseas countries, the pandemic came under control gradually after the launch of vaccination programme around the globe, in particular in China and other European and American countries. Encouraged by the recovery of economy in various industries and the improvement of the consumption sentiment, many countries and regions recorded satisfactory economic growth in the first half of 2021, boosting the demand for products from Mainland China. According to the statistics from General Administration of Customs of the PRC, in the first half of 2021, the total trading import and export value of goods in China amounted to approximately RMB18.1 trillion, representing a year-on-year increase of approximately 27.1%, while the export value of furniture and parts amounted to approximately RMB226.4 billion in the first half of the year, representing a year-on-year increase of approximately 44.5%. The overall profits for furniture enterprises in China had increased during the first half of 2021.

Meanwhile, in order to expedite the pace of recovery from the pandemic, different countries have made vigorous moves to launch large-scale economic relief measures. Although the market is facing the uncertainties caused by the new Delta Variant, the global economy continued the momentum of recovery from the end of 2020 amid fluctuations. In terms of the domestic manufacturing industries, the production capacity for most of the furniture manufacturers gradually resumed to a level close to that in 2019 before the pandemic. The arrival of the post-pandemic era has stimulated the purchasing demand of consumers, among which the robust development of “Stay-at-Home Economy” globally and the rapid recovery of the real estate market in European and American countries in particular have contributed to the explosive growth of demand for furniture products.

## Business Review

In the first half of 2021, the COVID-19 pandemic in Mainland China was generally under control and various industries including the furniture manufacturing industry have fully recovered. However, the uncertainty of the pandemic development and some countries and regions are still facing a severe situation, resulting in twists and turns in the recovery of the global economy. As of 30 June 2021, the Group continued to follow its business strategies in 2020, which strategically focused on maintaining sizable customers such as overseas retail chain and furniture traders, cautiously expanding to small-to-medium size enterprises, and maintaining a high-quality customer base. During the Reporting Period, the number of customers remained unchanged as compared to the first half of 2020. Moreover, the Group has been actively negotiating with large-scale home furniture chain store companies in the world and succeeded in securing partnership with a renowned home furniture chain store company in the United States. During the Reporting Period, the Group has already passed the factory inspection audit and is now developing products that fit that company's future sales direction, those products are expected to be sold on a small scale in the second half of 2021 and on a larger scale in the future.

During the Reporting Period, the Group's principal businesses are manufacturing of panel-type furniture, upholstered furniture, sports and recreational equipment, while the manufacturing of outdoor furniture has suspended. It was mainly because: (i) the decrease in outdoor activities due to the pandemic in various overseas countries, resulting in a significant decrease in orders for outdoor recreational equipment; and (ii) the production site of outdoor recreational equipment took up a large space as compared to the production of other furniture products, in order to enhance the utilisation of the production facilities, the Group has made an adjustment to its product mix and took the initiative to suspend the production of outdoor recreational equipment, so as to make room for the production of panel-type furniture and upholstered furniture.

During the Reporting Period, the Group continued to strengthen its capabilities as an original design manufacturer and launched more products of original design manufacturing (“ODM”). Therefore, the revenue from the furniture products generated from the ODM accounted for approximately 82.5% of total sales of the Group during the Reporting Period, representing an increase of approximately 3.5% from approximately 79.0% in the corresponding period of 2020.

## Business Review — Continued

On 23 April 2021, Huisen Smart Home Technology (Longnan) Co., Limited\* (匯森智能家居科技(龍南)有限公司), a subsidiary of the Group, has entered into a contract for the grant of the land use rights of state-owned construction land\* (國有建設用地使用權出讓合同) as a buyer, with Natural Resources Bureau of Longnan\* (龍南市自然資源局) as the seller, for the acquisition of the state-owned land use rights for a parcel of land with a total site area of approximately 233,736 square metres located in Trading Logistics Park, Longnan, Ganzhou, Jiangxi Province, the PRC for a consideration of RMB20,802,600. The land parcel is designated for the construction of new manufacturing factories specialised in the production of panel-type furniture and upholstered furniture. Please refer to the announcement of the Company dated 26 April 2021 for further details.

On 16 June 2021, the Company has entered into a strategic cooperation agreement with Jiangxi University of Science and Technology (江西理工大學) to further enhance the cooperation in relation to the research and development (“R&D”) on smart furniture. Please refer to the announcement of the Company dated 16 June 2021 for further details.

## Financial Review

During the Reporting Period, the Group’s revenue amounted to approximately RMB2.4 billion, representing an increase of approximately 47.3% as compared to the first half of 2020, while the net profit was approximately RMB420.8 million, representing an increase of approximately 75.9% as compared to the corresponding period of 2020. It was mainly due to the recovery of the global economy, the rising demand for furniture products and the increase in selling price for some of the Group’s furniture products during the Reporting Period, which has driven the increase in gross profit margin for the overall products of the Group.

### Revenue and Gross Profit Margin by Product Types

	For the six months ended 30 June 2021			For the six months ended 30 June 2020			Change (%)
	Revenue RMB’000	Proportion (%)	Gross Profit Margin (%)	Revenue RMB’000	Proportion (%)	Gross Profit Margin (%)	
Panel-type Furniture	2,257,760	94.0	25.8	1,499,899	92.0	21.8	50.5
Upholstered Furniture	74,784	3.1	35.0	58,736	3.6	32.7	27.3
Others	69,871	2.9	30.1	72,107	4.4	28.2	–3.1
Total	<u>2,402,415</u>	<u>100.0</u>	<u>26.2</u>	<u>1,630,742</u>	<u>100.0</u>	<u>22.5</u>	<u>47.3</u>

## **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, vigorous demand sustained in overseas markets. Leveraging on our expertise and experience in product design and development as well as our business relationship with major overseas retail chains and furniture traders, our revenue from panel-type furniture increased from approximately RMB1.5 billion to approximately RMB2.3 billion for the Reporting Period, representing an increase of approximately 50.5%.

### ***Upholstered Furniture***

The Group's upholstered furniture mainly includes sofas. During the Reporting Period, the demand for upholstered furniture has increased. The revenue from upholstered furniture recorded an increase of approximately 27.3% as compared to the corresponding period of 2020. During the Reporting Period, some of the upholstered furniture had a relatively higher gross profit margin, resulting in an overall increase in the gross profit margin of the sales of upholstered furniture.

### ***Others***

Others include sports and recreational equipment. Sports and recreational equipment mainly includes table tennis tables and pool tables. During the Reporting Period, the revenue from others amounted to approximately RMB69.9 million, representing a decrease of approximately 3.1% from the corresponding period of 2020, mainly due to the suspension of the production of outdoor furniture during the Reporting Period. The gross profit margin of others increased from approximately 28.2% in the corresponding period of 2020 to approximately 30.1% in the Reporting Period, mainly due to the increase in the average product selling prices for sports and recreational equipment.

## Financial Review — Continued

### *Sales by Geographical Regions*

Regions	For the six months ended 30 June 2021		For the six months ended 30 June 2020		Change (%)
	Revenue <i>RMB'000</i>	Proportion (%)	Revenue <i>RMB'000</i>	Proportion (%)	
United States	1,603,946	66.8	1,150,142	70.5	39.5
PRC	126,855	5.3	101,247	6.2	25.3
Singapore	97,708	4.1	73,482	4.5	33.0
Malaysia	68,788	2.9	42,280	2.6	62.7
Vietnam	54,926	2.3	33,370	2.1	64.6
Canada	55,511	2.3	26,563	1.6	109.0
Thailand	29,527	1.2	11,645	0.7	153.6
United Kingdom	27,604	1.1	11,379	0.7	142.6
France	24,618	1.0	25,905	1.6	(5.0)
Other locations	312,932	13.0	154,729	9.5	102.2
Total	<u>2,402,415</u>	<u>100.0</u>	<u>1,630,742</u>	<u>100.0</u>	<u>47.3</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 increased by approximately 39.5% in the first half of 2021 compared to the corresponding period of 2020 but the proportion to the total sales of the Group decreased from approximately 70.5% in the first half of 2020 to approximately 66.8% in the first half of 2021, representing a decrease of approximately 3.7%, mainly because of our customers actively expanded the sales to downstream markets such as Malaysia, Vietnam, Canada and other regions. The revenue derived from the sales in other regions increased by approximately 102.2% as compared to the corresponding period in 2020, which was mainly due to the significant growth of sales to Thailand, the Philippines, France and Germany. The Group and our customers strived to expand sales outside of the United States to reduce reliance on the U.S. market.



## Financial Review — Continued

### *Sales of Top Five Customers*

Name of Customer	For the six months ended 30 June 2021		For the six months ended 30 June 2020		Change (%)
	Revenue <i>RMB'000</i>	Proportion (%)	Revenue <i>RMB'000</i>	Proportion (%)	
Customer A	583,834	24.3	393,581	24.1	48.3
Customer C	481,670	20.0	312,861	19.2	54.0
Customer E	368,179	15.3	242,449	14.9	51.9
Customer D	332,632	13.9	229,423	14.1	45.0
Customer B	311,398	13.0	201,056	12.3	54.9
Total	<u>2,077,713</u>	<u>86.5</u>	<u>1,379,370</u>	<u>84.6</u>	<u>50.6</u>

Maintaining a stable and long-term business relationship with customers is the foundation for the Group's success. Given the Group's leading advantages in the furniture manufacturing industry such as the competitive strength in R&D, our customers have developed greater reliance on the Group. During the Reporting Period, the situation of the pandemic remained unstable in some areas, and the Group has continued to pursue the business strategy adopted in 2020 which focuses on maintaining relationship with sizable retailers and furniture traders. The sales to the top five customers increased significantly during the Reporting Period as compared with the corresponding period of 2020 and the aggregate sales to the top five customers accounted for approximately 86.5% of the total sales of the Group.

### *Sales of ODM and Original Equipment Manufacturing ("OEM") Furniture (Exclude Panels Boards)*

	For the six months ended 30 June 2021		For the six months ended 30 June 2020		Change (%)
	Revenue <i>RMB'000</i>	Proportion (%)	Revenue <i>RMB'000</i>	Proportion (%)	
ODM	1,974,468	82.5	1,283,779	79.0	53.8
OEM	418,851	17.5	340,597	21.0	23.0
Total	<u>2,393,319</u>	<u>100.0</u>	<u>1,624,376</u>	<u>100.0</u>	<u>47.3</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. During the Reporting Period, the revenue from furniture products which was derived from the sales of ODM increased from approximately 79.0% to approximately 82.5%.



## Financial Review — Continued

### *Breakdown of the Cost of Sales*

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

	For the six months ended 30 June 2021 <i>RMB'000</i>	For the six months ended 30 June 2020 <i>RMB'000</i>	Change (%)
Cost of materials consumed	1,471,995	1,029,187	43.0
Overhead costs	174,746	137,909	26.7
Direct labour	106,647	91,702	16.3
Subcontracting fees	18,538	5,656	227.8
Total	<u>1,771,926</u>	<u>1,264,454</u>	<u>40.1</u>

The Group's cost of sales during the Reporting Period increased by approximately 40.1% from approximately RMB1.3 billion in the first half of 2020 to approximately RMB1.8 billion, which was generally in line with the increasing trend in the revenue. The subcontracting fees increased by approximately 227.8% mainly due to the significant increase in urgent bulk orders from customers during the Reporting Period, which increased the need of subcontracting of manufacturing works to external furniture manufacturers to ensure timely delivery of the products.

### *Other Gains and Losses*

Other gains and losses include the followings:

	For the six months ended 30 June 2021 <i>RMB'000</i>	For the six months ended 30 June 2020 <i>RMB'000</i>
Exchange (losses)/gains, net	(35,925)	10,875
Losses on disposal/written off of property, plant and equipment	<u>(12,371)</u>	<u>(2,988)</u>
Total	<u>(48,296)</u>	<u>7,887</u>

## Financial Review — Continued

### *Other Gains and Losses — Continued*

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 2020, the exchange rate of U.S. dollar against RMB was relatively stable with gradual appreciation in general. As a result, the Group encountered an exchange loss during the Reporting Period. During the Reporting Period, the disposal of certain equipment due to the aging of these equipment has resulted in losses on disposal of approximately RMB12.4 million.

### *Summary of Consolidated Statement of Cash Flow*

	For the six months ended 30 June 2021 RMB'000	For the six months ended 30 June 2020 RMB'000	Change (%)
Operating profits before working capital changes	570,714	359,624	58.7
Change in working capital	(102,982)	207,481	(149.6)
Income tax paid	(68,342)	(42,409)	61.1
Net cash generated from operating activities	399,390	524,696	(23.9)
Net cash used in investing activities	(58,573)	(17,605)	232.7
Net cash generated from/(used in) financing activities	71,560	(63,622)	212.5

As of 30 June 2021, the bank balances and cash of the Group were approximately RMB3,060,225,000.

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.

### *Inventory Provision*

As of 30 June 2021, the Group has not made any provision for impairment of inventories (31 December 2020: 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.

## **Financial Review — Continued**

### ***Impairment of Trade and Other Receivables***

Trade receivables mainly refer to the outstanding amounts receivable by the Group from customers. The Group reviewed the creditworthiness of our customers after conducting business with them for a period of time, and credit period may be granted to these customers. 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.

As of 30 June 2021, our trade receivables (net of impairment provision) amounted to approximately RMB1.2 billion. During the Reporting Period, impairment provision for trade receivables was approximately RMB11.8 million.

### ***Pledge of Assets***

As of 30 June 2021, the Group's certain land use right included in right-of-use assets, buildings and machineries included in property, plant and equipment with an aggregate carrying amount of approximately RMB405 million (31 December 2020: approximately RMB433 million) were pledged to secure borrowings granted to the Group.

As of 30 June 2021, the Group's land use right included in right-of-use assets and machineries included in property, plant and equipment with an aggregate carrying amount of approximately RMB77 million (31 December 2020: approximately RMB34 million) were pledged to non-related parties for corporate guarantee provided by non related parties on banking facilities granted to the Group.

### ***Capital Commitments and Contingent Liabilities***

As at 30 June 2021, 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.

### ***Significant Investment, Material Acquisitions and Disposals***

During the Reporting Period, the Group did not have any significant investment, material acquisitions and disposals.

## **Financial Review — Continued**

### ***Human Resources and Training***

As of 30 June 2021, the Group had a total of 3,229 employees (31 December 2020: 3,161 employees), and the total staff costs were approximately RMB131.3 million (30 June 2020: approximately RMB115.6 million). The remuneration package of the all employees is reviewed 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 believes such initiatives have contributed to the increase in employee productivity and enhanced cohesiveness of the Group.

## **BUSINESS OUTLOOK**

In the first half of 2021, the real estate market remained hot, which benefited the furniture exporters in the PRC significantly. Looking into the second half of 2021, it is expected that furniture exports in the PRC will continue to boom with the normalisation of pandemic prevention and control as well as the enhanced demand for home life driven by the policy of staying home during the pandemic. Furthermore, under the backdrop of accelerated vaccinations around the globe, the economy in Europe and America have been recovering gradually, which will generate robust overseas demand to support the exports of the PRC. Nevertheless, facing the possible tightening of the quantitative easing policy by the US Federal Reserve and the potential risk of the possible cooling down of the real estate market, we will stay highly alert, continue to expand into markets outside the United States and strengthen our ODM capability, so as to stay clam and composed during market fluctuations.

The development of the COVID-19 pandemic is still unstable in some countries, including Mainland China. With the normalised COVID-19 prevention and control measures in place and always being cautious, the Group has been upholding the strategic bottom line of safeguarding the life safety of our employees in mobilizing the progress of invested projects with the raised funds.

God does not play dice. We firmly believe that this is especially the case in the furniture industry. We respect the development of the furniture industry as well as the market dynamic in different countries, avoid blind optimism, strive to gain insight from market trends and make timely adjustments to the business strategy.

Leveraging on the vertically integrated business model of the Group, we will continue to provide comprehensive manufacturing solutions to our customers with effective control of the Group's product quality and enhanced flexibility resilience in terms of delivery time and quantity to achieve cost efficiency in the long run.

## **BUSINESS OUTLOOK — Continued**

Being a leader in the panel furniture export market in the PRC, the Group will continue to safeguard its competitive position in the market. Taking an “outside-in” approach to re-examine and rectify the growth path, as well as breaking through the comfort zone mindset, the Group strives to clearly recognise the profitability bottom line to expand its business coverage including research and development investments in smart home products to realise positive growth.

## **INTERIM DIVIDEND**

No interim dividend was proposed by the Board for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

There are no significant events affecting the Group which have occurred after the six months ended 30 June 2021 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.

## **CORPORATE GOVERNANCE**

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 of the Company 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.

## AUDIT COMMITTEE

The Company has established the Audit Committee comprising three independent non-executive Directors, namely Mr. Suen To Wai, Mr. Lau Jing Yeung William and Mr. Gao Jianhua. 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 six months ended 30 June 2021 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. After the review and careful consideration of the condensed consolidated financial statements of the Group for the six months ended 30 June 2021, the Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. The interim report for the Reporting Period will be despatched to the shareholders of the Company and will be published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company in due course in accordance with the Listing Rules.

By order of the Board  
**Huisen Household International Group Limited**  
**Zeng Ming**  
*Chairman*

Hong Kong, 31 August 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Zeng Ming, Ms. Zeng Minglan, Mr. Wu Runlu and Mr. Su Xinlin; and the independent non-executive directors of the Company are Mr. Suen To Wai, Mr. Lau Jing Yeung William and Mr. Gao Jianhua.*

\* For identification purpose only