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

HUISEN GROUP

INTERIM REPORT 2021

CONTENTS

HUISEN GROUP

CORPORATE INFORMATION

Executive Directors
Mr. Zeng Ming (Chairman)
Ms. Zeng Minglan
Mr. Wu Runlu
Mr. Su Xinlin

Independent non-executive Directors
Mr. Suen To Wai
Mr. Lau Jing Yeung William
Mr. Gao Jianhua

Audit Committee
Mr. Suen To Wai (Chairman)
Mr. Lau Jing Yeung William
Mr. Gao Jianhua

Remuneration Committee
Mr. Suen To Wai (Chairman)
Mr. Lau Jing Yeung William
Mr. Su Xinlin

Nomination Committee
Mr. Lau Jing Yeung William (Chairman)
Mr. Suen To Wai
Mr. Zeng Ming

Corporate Governance Committee
Mr. Suen To Wai (Chairman)
Mr. Lau Jing Yeung William
Mr. Su Xinlin

Risk Management Committee
Mr. Zeng Ming (Chairman)
Ms. Zeng Minglan
Mr. Gao Jianhua

Company Secretary
Ms. Chan Sau Ling

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

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

Headquarters and Place of Business in the PRC
Huisen Road
Daluo Industrial Park
Longnan Economic Technology Development Zone
Longnan City
Jiangxi Province
PRC

Principal Place of Business in Hong Kong
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor
BDO Limited

Legal Advisers
As to Hong Kong law:
Chiu & Partners
As to Cayman Islands law:
Conyers Dill & Pearman

Principal Bankers
Agricultural Bank of China
Industrial and Commercial Bank of China

Compliance Adviser
Elstone Capital Limited

Stock Code
2127

Company Website
www.jxhmgroup.com

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 People's Republic of China (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, Huisen Household International Group Limited (the "**Company**") and its subsidiaries (collectively, 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 six months ended 30 June 2021 (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 of America (the "**United States**" or "**U.S.**"). 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.

BUSINESS REVIEW — CONTINUED

During the Reporting Period, the Group's principal businesses are manufacturing of panel-type furniture, upholstered furniture and sports and recreational equipment, while the manufacturing of outdoor furniture has been 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.

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 City* (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 City, 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.

* *For identification purpose only*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW — CONTINUED

Revenue and Gross Profit Margin by Product Types

	For the six months ended 30 June 2021			For the six months ended 30 June 2020			
	Revenue RMB'000	Proportion (%)	Gross Profit Margin (%)	Revenue RMB'000	Proportion (%)	Gross Profit Margin (%)	Change (%)
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	**2,402,415**	**100.0**	**26.2**	1,630,742	100.0	22.5	47.3

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 mainly 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		
	Revenue RMB'000	**Proportion (%)**	Revenue RMB'000	Proportion (%)	Change (%)
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**	25,905	0.7	6.6
France	**24,618**	**1.0**	11,379	1.6	116.3
Other locations	**312,932**	**13.0**	154,729	9.5	102.2
Total	**2,402,415**	**100.0**	1,630,742	100.0	47.3

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 the Philippines, Germany and other regions. The Group and our customers strived to expand sales outside of the United States to reduce reliance on the U.S. market.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW — CONTINUED

Sales of Top Five Customers

Name of Customer	For the six months ended 30 June 2021		For the six months ended 30 June 2020		
	Revenue	Proportion	Revenue	Proportion	Change
	RMB'000	(%)	RMB'000	(%)	(%)
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	**2,077,713**	**86.5**	1,379,370	84.6	50.6

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		
		Proportion		Proportion	Change
	RMB'000	(%)	RMB'000	(%)	(%)
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	**2,393,319**	**100.0**	1,624,376	100.0	47.3

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 RMB'000	For the six months ended 30 June 2020 RMB'000	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	**1,771,926**	1,264,454	40.1

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021, the cash and bank balances 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.

As at 30 June 2021, the Group had short-term borrowings of approximately RMB481.5 million (31 December 2020: approximately RMB323.1 million) shall be repayable within one year and long-term borrowings of approximately RMB75.9 million. The Group's major bank borrowings are denominated in RMB and bear interest at fixed and floating rates. As at 30 June 2021, the borrowings with the fixed interest rates amounted to approximately RMB317.4 million (31 December 2020: approximately RMB391.2 million) and range from 3.4% to 7.99% per annum (31 December 2020: 3.4% to 7.99% per annum).

The Group's main sources of working capital are cash generated from operating activities and bank deposits. As at 30 June 2021, the Group's current ratio was approximately 4.0 (31 December 2020: approximately 5.1). As at 30 June 2021, the Group's gearing ratio was approximately 13.5% (31 December 2020: approximately 14.6%), which is calculated by dividing the total debt by the equity attributable to the equity owners of the Group.

FINANCIAL REVIEW — CONTINUED

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.

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. The Board will closely monitor the changes of the rate of exchange and government policies from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW — CONTINUED

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there was no acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

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 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 review based on their work performance, experience and current market level. During the Reporting Period, the Group has made contribution to the social insurance and housing provident fund for its PRC employees in accordance with the applicable laws in the PRC.

The Group organises team-building events for its staff regularly and continue to provide training for new and existing staff to enhance technical and safety knowledge as well as knowledge of industry quality standards. The Group also provides fire safety training to its production staff regularly. The board of directors (the "**Directors**") of the Company (the "**Board**") 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.

BUSINESS OUTLOOK — CONTINUED

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.

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 more 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 report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

OTHER INFORMATION

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the "**Shares**") were listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 December 2020 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 and the expected timeline for the use of net proceeds as detailed and defined in the prospectus from the Global Offering (the "**Prospectus**"):

Use of net proceeds	**Net proceeds** (HK$ million) (approximately)	**Percentage of net proceeds** (%) (approximately)	**Actual amount utilised during the six months ended 30 June 2021** (HK$ million) (approximately)	**Actual amount unutilised as at 30 June 2021** (HK$ million) (approximately)	**Expected date for fully utilising the unutilised proceeds**
Establishing new factory compartments for the manufacturing of panel furniture and upholstered furniture	636	45.4%	17 *(Note 1)*	619	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%	– *(Note 2)*	463	On or before 31 December 2022
Upgrading the production line in the current production facilities by acquiring more advanced and automated machineries and equipment for the factory of the Group located in Longnan City, Ganzhou, Jiangxi Province of the PRC	70	5.0%	27	43	On or before 31 December 2022
Enhancing the product design, research and development capabilities	93	6.6%	7	86	On or before 31 December 2022
General replenishment of working capital and other general corporate purpose	140	10.0%	140	–	N/A
	1,402	100%	191	1,211	

Notes:

1. As of the date of this interim report, the Board is aware that there has been a delay in the expected timeline for the use of proceeds when compared to the implementation plan as disclosed in the Prospectus. The delay in use of proceeds is mainly because of the delay in the construction of the new factory due to the land leveling work, complication during the planning process planning and construction procedures and the time-consuming process for making application to and obtaining approval from the local government, which resulted in the delay in the construction of new factory compartments.

2. As of the date of this interim report, the Board is aware that there has been a delay in the expected timeline for the use of proceeds when compared to the implementation plan as disclosed in the Prospectus. The delay in use of proceeds is mainly due to the land for the second phase of the factory in Nankang is still pending for the PRC government's approval, therefore the construction of the second phase of the new factory has been delayed.

The unutilised net proceeds of the Company are being kept in banks and authorised financial institutions in Hong Kong and the PRC.

OTHER INFORMATION

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

As at 30 June 2021, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	**Capacity**	**Number and class of securities** *(Note 1)*	**Percentage of the issued share capital of the Company**
Mr. Zeng Ming ("**Mr. Zeng**")	Interest of controlled corporation	2,193,750,000 (L) *(Note 2)*	71.479%
Mr. Su Xinlin	Interest of controlled corporation	56,250,000 (L) *(Note 3)*	1.833%

Notes:

1. The letter "L" denotes the Directors' long position in the Shares of the Company or the relevant associated corporation.

2. These 2,193,750,000 Shares are held by Pure Cypress Limited, the issued shares of which are wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.

3. These 56,250,000 Shares are held by Vantage Link Investments Limited, the issued shares of which are wholly owned by Mr. Su Xinlin. Under the SFO, Mr. Su Xinlin will be taken to be interested in the Shares held by Vantage Link Investments Limited.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, the interests of substantial shareholders and other persons (other than the Directors or chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

1. The letter "L" denotes the shareholders' long position in the Shares.

2. These 2,193,750,000 Shares are held by Pure Cypress Limited, which is wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.

3. Ms. Zeng RH is the spouse of Mr. Zeng. Under the SFO, Ms. Zeng RH is taken to be interested in the same number of Shares in which Mr. Zeng is interested.

Save as disclosed above, as at 30 June 2021, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Securities" above, no person had any interests or short positions in any Shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

OTHER INFORMATION

SUFFICIENT OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has established the Audit Committee (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 Hong Kong Institute of Certified Public Accountants. 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.

CHANGES IN DIRECTORS' INFORMATION

During the Reporting Period, an independent non-executive Director, Mr. Suen To Wai has resigned as the company secretary of Asia Energy Logistics Group Limited (Hong Kong stock code 351) with effect from 28 April 2021. Save as disclosed, the Board has not been informed of any change in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 2 December 2020 ("**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group's operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme. The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date.

OTHER INFORMATION

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "**General Scheme Limit**"). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 300,000,000 Shares, representing 9.77% of the issued share capital of the Company.

The Company may renew the General Scheme Limit with its shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time. Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant.

No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme during the Reporting Period. No share option was outstanding under the Share Option Scheme as at 30 June 2021.

On behalf of the Board
Zeng Ming
Chairman

Hong Kong, 31 August 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF HUISEN HOUSEHOLD INTERNATIONAL GROUP LIMITED
(匯森家居國際集團有限公司)
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 21 to 46 which comprise the condensed consolidated statement of financial position of Huisen Household International Group Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "**interim condensed consolidated financial statements**").

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (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:			
Owner 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

	Notes	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current assets			
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
Total non-current assets		952,512	946,998
Current assets			
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
Total current assets		4,514,673	4,036,661
Total assets		5,467,185	4,983,659
Current liabilities			
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
Total current liabilities		1,143,149	794,226
Net current assets		3,371,524	3,242,435
Total assets less current liabilities		4,324,036	4,189,433

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						
	Share Capital	Capital reserve	Share Premium	Statutory reserve	Merger reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2020 (audited)	9	92,425	—	241,189	27,594	2,007,680	2,368,897
Profit for the period	—	—	—	—	—	239,195	239,195
Transfer from retained earnings to statutory reserve	—	—	—	23,352	—	(23,352)	—
As at 30 June 2020 (audited)	9	92,425	—	264,541	27,594	2,223,523	2,608,092
Balance as at 1 January 2021 (audited)	**253,239**	**92,425**	**777,539**	**296,106**	**27,594**	**2,493,446**	**3,940,349**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**420,772**	**420,772**
Transfer from retained earnings to statutory reserve	**—**	**—**	**—**	**42,974**	**—**	**(42,974)**	**—**
Dividend declared by the Company	**—**	**—**	**(216,273)**	**—**	**—**	**—**	**(216,273)**
Exercise of the over-allotment option in relation to initial public offer	**5,779**	**—**	**95,470**	**—**	**—**	**—**	**101,249**
As at 30 June 2021 (unaudited)	**259,018**	**92,425**	**656,736**	**339,080**	**27,594**	**2,871,244**	**4,246,097**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Profit before income tax expense	**488,585**	282,034
Adjustments for:		
Depreciation of property, plant and equipment	**51,910**	50,372
Depreciation of right-of-use assets	**2,231**	1,983
Finance costs	**19,375**	21,672
Interest income	**(3,563)**	(2,018)
(Reversal)/provision of impairment loss recognised on trade receivables, net	**(195)**	2,593
Loss on disposal/written off of property, plant and equipment	**12,371**	2,988
Operating profits before working capital changes	**570,714**	359,624
(Increase)/decrease in inventories	**(89,879)**	29,363
Decrease in trade receivables	**19,538**	268,308
Decrease in prepayments, deposits and other receivables	**2,631**	15,922
Increase/(decrease) in trade payables	**13,524**	(86,330)
Decrease in other payables and accruals	**(48,796)**	(19,782)
Cash generated from operations	**467,732**	567,105
Income tax paid	**(68,342)**	(42,409)
Net cash generated from operating activities	**399,390**	524,696
Cash flows from investing activities		
Purchases of property, plant and equipment	**(46,458)**	(51,093)
Prepayments (paid for)/utilised in acquisition of intangible assets and property, plant and equipment	**(6,309)**	30,734
Proceeds from disposal of property, plant and equipment	**1,095**	—
Acquisition of land use right	**(10,464)**	—
Advance to a shareholder	**—**	(4)
Decrease in restricted bank deposits	**—**	740
Interest received	**3,563**	2,018
Net cash used in investing activities	**(58,573)**	(17,605)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from financing activities		
Repayment of principal portion of the lease liabilities	**(1,837)**	(1,805)
Proceeds from borrowings	**97,000**	37,000
Repayment of borrowings	**(107,800)**	(77,275)
Security deposits received/(paid) for borrowings	**2,198**	(237)
Interest paid	**(19,250)**	(21,672)
Advance from an ultimate holding company	**—**	11
Advance from a shareholder	**—**	356
Proceeds from exercising of the over-allotment option in relation to initial public offer	**101,249**	—
Net cash generated from/(used in) financing activities	**71,560**	(63,622)
Net increase in cash and cash equivalents	**412,377**	443,469
Cash and cash equivalents at the beginning of period	**2,647,848**	1,084,636
Cash and cash equivalents at the end of period	**3,060,225**	1,528,105
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**3,060,225**	1,528,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

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 City, Jiangxi Province, the People's Republic of China (the "**PRC**"). The Company's ultimate holding company is Pure Cypress Limited (incorporated in the British Virgin Islands (the "**BVI**") and the ultimate controlling party is Mr. Zeng Ming ("**Mr. Zeng**").

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

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 (the "**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[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimate[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendment to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases[2]

[1] Effective for annual periods beginning on or after 1 April 2021.

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] 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.

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

[5] The amendments shall applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

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

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

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

The key amendments to HKAS 1 include:

i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 8 — Definition of Accounting Estimates

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

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

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

Amendments to HKAS 12 — Deferred Tax related to assets and liabilities arising from a single transaction

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

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

Amendments to HKAS 16 — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced white bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact of application of the amendments and anticipate it will not have material impact on the condensed consolidated financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the condensed consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK (IFRIC) — Interpretation 21 Levies, the acquirer applies HK(IFRIC) — Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendment to HKFRS 16 — Covid-19-Related Rent Concessions beyond 30 June 2021

In April 2021, the HKICPA amended HKFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in condensed consolidated financial statements not authorised for issue at 9 April 2021.

Annual Improvements to HKFRSs 2018–2020 — Amendment to HKFRS 9, Financial Instruments

The annual improvements amends a number of standards, including HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

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

Annual Improvements to HKFRSs 2018–2020 — Amendment to HKFRS 16, Leases

The annual improvements amends a number of standards, including HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 Annual Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

5. REVENUE AND SEGMENT INFORMATION

Operating segments

The Group was principally engaged in manufacturing and selling of panel-type furniture, upholstered furniture and outdoor and sport type furniture. 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
	RMB'000	RMB'000
	(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
	2,402,415	1,630,742

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.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

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.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(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
	2,402,415	1,630,742
Timing of revenue recognition		
At a point in time	**2,402,415**	1,630,742
Transferred over time	**—**	—
	2,402,415	1,630,742

6. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(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
	54,141	52,355
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	**(195)**	2,593

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
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax — PRC Enterprise Income Tax (the "**PRC EIT**")		
— for the period	**69,069**	43,431
— Over provision in prior periods	**(1,286)**	(202)
	67,783	43,229
Deferred tax		
— for the period	**30**	(390)
Income tax expenses	**67,813**	42,839

8. INCOME TAX EXPENSE (CONTINUED)

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company (incorporated in the Cayman Islands) and the Company's subsidiary (incorporated in 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.

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	**488,585**	282,034
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	**(1,286)**	(202)
	67,813	42,839

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)	**216,273**	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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9. DIVIDENDS (CONTINUED)

No interim dividend in respect of the six months ended 30 June 2021 has been proposed by the directors of the Company (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:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Audited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share (RMB'000)	**420,772**	239,195
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**3,063,746,022**	2,250,000,000
Basic and diluted earnings per share (RMB)	**0.14**	0.11

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	Showroom and warehouse	Total
	RMB'000	RMB'000	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)	42,381	5,744	48,125

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 City to acquire a piece of land situated at Trading Logistics Park, Longnan City, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Lease Liabilities

	At 30 June 2021 RMB'000 (Unaudited)	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	**1,032**	1,244
	15,938	7,802
Analysed as:		
Current portion	**13,875**	3,750
Non-current portion	**2,063**	4,052
	15,938	7,802

13. INVENTORIES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Raw materials	**88,714**	78,603
Work-in-progress	**11,752**	9,608
Finished goods	**139,774**	62,150
	240,240	150,361

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:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (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	**1,993**	196
	1,178,530	1,198,068
Less: Allowance for doubtful debts	**(11,786)**	(11,981)
	1,166,744	1,186,087

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade payables	352,055	338,531

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 6 months	352,055	338,531

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. BORROWINGS

	Notes	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Current			
Bank loans due for repayment within one year	*a, b*	**462,500**	299,000
Other loans	*c*	**19,001**	24,145
		481,501	323,145
Non-current			
Bank loans	*a, b*	**70,000**	235,000
Other loans	*c*	**5,876**	10,032
		75,876	245,032
Total borrowings		**557,377**	568,177

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

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.

19. FINANCIAL INSTRUMENTS

Fair value

Financial instruments not measured at fair value

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020.

20. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	Six months ended 30 June	
	2021 **RMB'000** **(Unaudited)**	2020 RMB'000 (Audited)
Fees	**945**	—
Salaries and other benefits	**1,070**	1,153
Contributions to retirement benefits scheme	**26**	18
	2,041	1,171