



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 Report **2024**

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## CORPORATE INFORMATION

### Executive Directors

Mr. Wu Runlu (Chairman)  
Ms. Zeng Minglan

### Independent non-executive Directors

Ms. Yan Liqiong  
Ms. Zhang Lingling  
Mr. Feng Zhaowei

### Audit Committee

Ms. Yan Liqiong (Chairman)  
Ms. Zhang Lingling  
Mr. Feng Zhaowei

### Remuneration Committee

Ms. Yan Liqiong (Chairman)  
Ms. Zeng Minglan  
Mr. Feng Zhaowei

### Nomination Committee

Mr. Feng Zhaowei (Chairman)  
Ms. Yan Liqiong  
Ms. Wu Runlu

### Corporate Governance Committee

Ms. Yan Liqiong (Chairman)  
Ms. Zeng Minglan  
Ms. Zhang Lingling

### Risk Management Committee

Ms. Zeng Minglan (Chairman)  
Ms. Zhang Lingling

### Company Secretary

Ms. Ho Wing Yan

### Authorised Representatives

Mr. Zeng Minglan  
Ms. Ho Wing Yan

### 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 County  
Jiangxi Province  
PRC

### Principal Place of Business in Hong Kong

Room 2806, 28/F,  
China Resources Building  
26 Harbour Road  
Wan Chai, Hong Kong

### Cayman Islands Principal Share Registrar and Transfer Office

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

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

Union Registrars Limited  
Suite 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point, Hong Kong

**Auditor**

ZHONGHUI ANDA CPA Limited  
*Registered Public Interest Entity Auditor*

**Legal Advisers**

As to Cayman Islands law:  
Conyers Dill & Pearman

**Principal Bankers**

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

**Stock Code**

2127

**Company Website**

[www.huisengufen.cn](http://www.huisengufen.cn)

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

Trade tariffs between China and United States continue to affect the Group's profit. Despite the impact of the global economic downturn, we are still firmly optimistic of the industry, continue to increase investment in research and development, and make a better plan for the future.

In early 2022, the Russia-Ukraine war broke out, which stimulated the rise of international commodity prices. National prices of oil and food experienced alternate rises, casting a shadow over the recovery of the world economy.

The domestic economic growth slows down and the consumption intention of domestic resident weakens.

### BUSINESS REVIEW

The Group adhered to its strategic positioning and mission, and continued to strengthen its core competitiveness. On the one hand, the Group vigorously promoted its research and development projects and continued to increase its investment in research and development to lay a solid foundation for future development; on the other hand, the Group stepped up the implementation of the fund-raising projects and continued to optimize the personnel structure to reduce its expenses. The construction of the main structure of the new production plant in Longnan County has been completed and the interior decoration and procurement of equipment are being accelerated; the second phase of the factory of the Group in Nankang, Ganzhou is in the stage of land formation, the research and development of smart home has made certain progress and the Group is applying for patents, and the upgrade of equipment in the Longnan plant has been completed, which has effectively improved the production efficiency and automation.

During the Reporting Period, the principal businesses of the Group are manufacturing and selling of panel-type furniture, upholstered furniture, sport-type furniture and customised furniture. The furniture products of the Group were mainly sold in wholesale to the markets such as the United States and including direct sales through overseas retail chain stores or sales through furniture traders.

During the Reporting Period, the Group continued to strengthen its original design capability and launch more original design manufacturing ("ODM") products. The sales of ODM products accounted for more than 80% of the Group's revenue during the Reporting Period and the proportion of sales of ODM products accounted for over 80% for many years.

Against the backdrop of the overall industry downturn, the number of customers remained largely stable, highlighting the Group's attractiveness and competitive edge in adverse situation. The Group's channel advantage was further consolidated.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the Reporting Period, the revenue of the Group amounted to RMB0.84 billion, representing a decrease of 43.6% as compared to the corresponding period of 2023, while the net loss was RMB0.38 billion, representing a decrease of 336.3% as compared to the corresponding period of 2023. The decrease in revenue was mainly due to the continued interest rate hikes, high real estate prices, rising costs of home purchases, declining demand in furniture products, and falling prices of some furniture products in the countries in Europe and the U.S. during the Reporting Period.

### Revenue and Gross Profit Margin by Product Types

	For the six months ended 30 June 2024			For the six months ended 30 June 2023			Change in Revenue (%)
	Revenue (RMB'000)	Proportion (%)	Gross Profit Margin (%)	Revenue (RMB'000)	Proportion (%)	Gross Profit Margin (%)	
Panel-type furniture	666,579	79.7	(24.3)	1,405,459	94.8	13.3	(52.6)
Upholstered furniture	147,461	17.6	(17.2)	37,846	2.6	13.2	289.6
Sport-type furniture	10,353	1.2	(43.2)	38,554	2.6	10.1	(73.1)
Customised furniture	3	0.0	21.8	193	0.0	11.2	(98.4)
Information technology solution services	12,173	1.5	58.5	–	–	–	100.0
<b>Total</b>	<b>836,569</b>	<b>100.0</b>	<b>(22.1)</b>	<b>1,482,052</b>	<b>100.0</b>	<b>13.2</b>	<b>(43.6)</b>

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

### Panel-type Furniture

The Group's panel-type furniture products include television cabinets, bookshelves, shelves, desks, and coffee tables. Panel-type furniture has always been the core revenue driver of the Group. During the Reporting Period, the decrease in demand from the overseas market such as the U.S. led to a decrease in revenue of panel-type furniture from approximately RMB1.41 billion to approximately RMB0.67 billion for the Reporting Period, representing a decrease of 52.6%. The decrease in gross profit margin was mainly attributable to the reduction in average selling price for some of the panel-type furniture.

### Upholstered Furniture

The Group's upholstered furniture mainly includes sofas. During the Reporting Period, the revenue from upholstered furniture recorded an increase of approximately 289.6%. During the Reporting Period, the average selling price for some of the upholstered furniture has been reduced, leading to an overall decrease in the gross profit margin of the upholstered furniture.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

#### Sport-type Furniture

Sport-type furniture mainly includes table tennis tables and pool tables. During the Reporting Period, the revenue from sport-type furniture amounted to RMB10.4 million, representing a decrease of 73.1% from the corresponding period of 2023, mainly due to the decrease in order during the Reporting Period. The decrease in the gross profit margin of sport-type furniture was mainly due to the reduction in the selling price of some of the products.

#### Sales by Geographical Regions

Regions	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Change in Revenue (%)
	Revenue (RMB'000)	Proportion (%)	Revenue (RMB'000)	Proportion (%)	
United States	425,509	50.9	887,552	59.9	(52.1)
PRC	69,804	8.3	99,993	6.8	(30.2)
Canada	24,958	3.0	47,532	3.1	(47.5)
Singapore	24,727	3.0	47,512	3.2	(48.0)
Vietnam	24,523	2.9	45,717	3.1	(46.4)
Malaysia	23,145	2.8	45,086	3.0	(48.7)
Others	243,903	29.1	308,660	20.9	(21.0)
Total	836,569	100.0	1,482,052	100.0	(43.6)

During the Reporting Period, the furniture products of the Group were mainly sold to the U.S. and the sales from the U.S. accounted for the largest portion of the revenue of the Group. The revenue derived from the sales to the U.S. decreased by 52.1% in the first half of 2024 compared to the corresponding period of 2023, and the proportion has been decreased from 59.9% in the first half of 2023 to 50.9% in the first half of 2024, representing a decrease of approximately 9%, mainly because of that the Group actively expanded the sales to downstream markets such as mainland China and other regions. The Group strived to expand sales outside of the U.S. to reduce reliance on the U.S. market.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

## Sales to Top Five Customers

Customer	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Change in Revenue (%)
	Revenue (RMB'000)	Proportion (%)	Revenue (RMB'000)	Proportion (%)	
Customer C	138,452	16.5	311,340	21.0	(55.5)
Customer A	178,725	21.4	299,435	20.2	(40.3)
Customer D	94,563	11.3	258,669	17.5	(63.4)
Customer E	66,368	7.9	201,038	13.6	(67.0)
Customer B	N/A	N/A	183,876	12.4	N/A
Customer F	50,012	6.0	N/A	N/A	N/A
Total	<b>528,120</b>	<b>63.1</b>	1,254,358	84.7	(57.9)

Maintaining a stable and long-term business relationship with major customers is the foundation for the Group's success. Given the Group's competitive advantages in the furniture manufacturing industry such as strong research and development capabilities which allow the Group to offer products of different types and designs and products that suits the overseas market preference, our customers have developed greater reliance on the Group. The aggregate sales to the top five customers accounted for approximately 63.1% of the total sales of the Group for the Reporting Period, representing a decrease of approximately 21.6% from the six months ended 30 June 2023.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

#### Sale of ODM and Original Equipment Manufacturing (“OEM”) Furniture (Excluding Particleboards)

	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Change in Revenue (%)
	Revenue RMB'000	Proportion (%)	Revenue RMB'000	Proportion (%)	
ODM	740,152	91.4	1,223,439	83.2	(39.5)
OEM	69,652	8.6	247,832	16.8	(71.9)
Total	<b>809,804</b>	<b>100.0</b>	<b>1,471,271</b>	<b>100.0</b>	<b>(45.0)</b>

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

#### Breakdown of the Cost of Sales

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

	For the six months ended 30 June 2024 (RMB'000)	For the six months ended 30 June 2023 (RMB'000)	Change (%)
Cost of materials consumed	853,524	1,088,711	(21.6)
Overhead costs	82,147	93,070	(11.7)
Direct labour	85,854	99,753	(13.9)
Subcontracting fees	–	4,612	(100.0)
Total	<b>1,021,525</b>	<b>1,286,146</b>	<b>(20.6)</b>

The Group's cost of sales during the Reporting Period decreased by 20.6% from approximately RMB1.29 billion in the first half of 2023 to approximately RMB1.02 billion in the first half of 2024. Such decrease was due to the decrease in cost of materials consumed because of the decrease in sales of furniture products. In addition, subcontracting is no longer required, due to the decrease in orders from customers during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

#### Breakdown of Other Gains and Losses

Other gains and losses include the following breakdown:

	<b>For the six months ended 30 June 2024 (RMB'000)</b>	For the six months ended 30 June 2023 (RMB'000)
Exchange gains, net	<b>19,604</b>	58,170
Gains on disposal of subsidiaries	<b>(64,982)</b>	–
Gain/(loss) on disposal of property, plant and equipment	<b>1,488</b>	–
Total	<b>(43,890)</b>	58,170

The other gains and losses mainly consist of exchange gains/(losses) which primarily arise from the difference between the exchange rates at which the trade receivables denominated in U.S. dollars and gain/(loss) on disposal of subsidiaries are recorded and settled.

During the Reporting Period, the exchange rate of U.S. dollars against RMB fluctuated significantly with an appreciation trend in general. As a result, the Group encountered an exchange gain during the Reporting Period.

#### Summary of Consolidated Statement of Cash Flow

	<b>For the six months ended 30 June 2024 (RMB'000)</b>	For the six months ended 30 June 2023 (RMB'000)	Change (%)
Operating profits before working capital changes	<b>(203,718)</b>	219,090	(193.0)
Change in working capital	<b>(66,444)</b>	(430,491)	(84.6)
Income tax paid	<b>(16,486)</b>	(7,478)	120.5
Net cash (used in)/generated from operating activities	<b>(286,648)</b>	(218,879)	31.0
Net cash used in investing activities	<b>(82,723)</b>	(332,893)	(75.2)
Net cash used in financing activities	<b>(48,516)</b>	(29,452)	64.7

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

#### Liquidity and Financial Resources

As at 30 June 2024, the cash and bank balances of the Group were approximately RMB45.5 million.

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

#### Inventory Provision

As of 30 June 2024, the Group has not made any provisions for impairment of inventories (31 December 2023: Nil). The Group estimates whether to withdraw inventory provision based on the inventory turnover days and sales performance of each product. During the Reporting Period, the Group's inventory sales were smooth with healthy turnover days, and there were no signs which were unsalable or should be impaired.

#### Impairment of Trade and Other Receivables

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

As of 30 June 2024, our trade receivables (net of impairment provision) amounted to approximately RMB1,206.6 million. During the Reporting Period, impairment provision made for trade receivables was approximately RMB0.6 million.

#### Pledge of Assets

As of 30 June 2024, the Group's immovables, machineries and equipment with a carrying amount of approximately RMB562.23 million (31 December 2023: RMB567.60 million) were pledged to secure borrowings granted to the Group by financial institutions.

#### Capital Commitments and Contingent Liabilities

As at 30 June 2024, 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 position and profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW – CONTINUED

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

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

#### Significant Investments

During the Reporting Period, the Group did not hold other 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 material investment or acquisition of capital assets.

#### Human Resources and Training

As of 30 June 2024, the Group had a total of 3,470 employees (30 June 2023: 3,001 employees), and the total staff costs were approximately RMB118.0 million (30 June 2023: approximately RMB142.4 million). The remuneration package of 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 continues to provide training for new and existing staff to enhance technical and safety knowledge as well as knowledge of industry quality standards. The Group also provides fire safety training to its production staff regularly. The directors of the Company (the "**Directors**") believe such initiatives have contributed to the increase in employee productivity and enhanced cohesiveness of the Group.

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

On 14 January 2022, the Company has granted a total of 214,836,300 share options to the Grantees, being the external consultants of the Group, under the Share Option Scheme for the purpose of expanding the smart furniture business segment of the Group and all of the 214,836,300 outstanding share options were cancelled with effect from 15 April 2024 in accordance with the terms of the 2020 Share Option Scheme. Please refer to the announcements of the Company dated 14 January 2022, 12 May 2022 and 15 April 2024 for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OUTLOOK

Looking ahead to the second half of 2024, as the interest rate hike cycle in the European and American developed countries enters the final stage, the real estate market will stabilize and the furniture market will soon bottom out, thus creating a favorable external environment for the Group.

We will continue to uphold our business strategy to continuously explore markets outside the U.S., establish strong relationship with new customers, and continually strengthen the ODM capabilities. We will also solidify our core competitiveness, and continuously enhance our market share to achieve long-term sound development of business.

### INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the Reporting Period (Six months ended 30 June 2023: Nil).

### EVENTS AFTER THE REPORTING PERIOD

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

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

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS FROM GLOBAL OFFERING

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

	Net proceeds (HK\$ million)	Percentage	Amount utilised as of 30 June 2024 (HK\$ million)	Amount unutilised as at 30 June 2024 (HK\$ million)	Expected time period
Establishing new factory compartments for the manufacturing of panel furniture and upholstered furniture	636	45.4%	636	–	N/A
Construction of the second phase of the factory of the Group located in Nankang, Ganzhou, Jiangxi Province of the PRC	463	33.0%	463	–	N/A
Upgrading the production line in the current production facilities by acquiring more advanced and automated machineries and equipment for the furniture factory of the Group	70	5.0%	70	–	N/A
Enhancing the product design, research and development capabilities of the Group	93	6.6%	93	–	N/A
General replenishment of working capital and other general corporate purpose	140	10.0%	140	–	N/A
Total	<u>1,402</u>	<u>100.0%</u>	<u>1,402</u>	<u>–</u>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS IN RELATION TO THE PLACING UNDER GENERAL MANDATE

On 11 January 2024, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 613,818,000 placing shares at the placing price of HK\$0.13 per placing share to not less than six Placees (who are individual, institutional or professional investors), who and whose ultimate beneficial owners are independent third parties. The placing shares have been allotted and issued pursuant to the general mandate. A total of 306,910,000 Placing Shares have been successfully placed by the Placing Agent to one Placee at the Placing Price of HK\$0.13 per Placing Share pursuant to the terms and conditions of the Placing Agreement on 1 February 2024. The net proceeds from this placing at the time of its completion were approximately HK\$39.3 million. The Company will utilise all net proceeds from the Placing towards the purchase of raw materials such as wood for manufacturing the original design manufacturing (“ODM”) product. Further information of this placing can be found in the Company’s announcements dated 11 January 2024, 23 January 2024, 24 January 2024 and 1 February 2024.

An analysis of the utilisation of the use of proceeds during the interim period is set out as follows:

	Net proceeds (HK\$ million)	Amount utilised as of 30 June 2024 (HK\$ million)	Amount unutilised as at 30 June 2024 (HK\$ million)	Expected time period
Purchase of raw materials	39.3	39.3	–	N/A
Total	39.3	39.3	–	

## MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS IN RELATION TO THE SUBSCRIPTION UNDER GENERAL MANDATE

On 8 February 2024, the Company and the subscriber entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 306,908,000 subscription shares at the subscription price of HK\$0.135 per Share. All conditions of the subscription agreement have been fulfilled and the completion of the subscription agreement took place on 4 March 2024 in accordance with the terms and conditions of the subscription agreement. 306,908,000 Shares have been allotted and issued to the subscriber at the subscription price of HK\$0.135 per Share. The net proceeds from this placing at the time of its completion were approximately HK\$40.8 million. The Company will utilise all net proceeds from the subscription towards the purchase of raw materials such as wood for manufacturing the original design manufacturing (“ODM”) product. Further information of this placing can be found in the Company’s announcements dated 8 February 2024 and 4 March 2024.

An analysis of the utilisation of the use of proceeds during the interim period is set out as follows:

	<b>Net proceeds</b> (HK\$ million)	<b>Amount utilised as of 30 June 2024</b> (HK\$ million)	<b>Amount unutilised as at 30 June 2024</b> (HK\$ million)	<b>Expected time period</b>
Purchase of raw materials	<u>40.8</u>	<u>40.8</u>	<u>–</u>	N/A
Total	<u>40.8</u>	<u>40.8</u>	<u>–</u>	



## OTHER INFORMATION

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

As at 30 June 2024, 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 of Ordinary Shares (Note 1)	Percentage of the Issued Shares
Mr. Zeng Ming (“Mr. Zeng”)	Interest of controlled corporation	2,045,750,000 (L) (Note 2)	55.55%

*Notes:*

- The letter “L” denotes the Director’s long position in the Shares or the relevant associated corporation.
- These 2,045,750,000 Shares are held by Pure Cypress Limited, the issued shares of which are wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.

Save as disclosed above, as at 30 June 2024, 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 2024, 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 of Ordinary Shares (Note 1)	Percentage of the Issued Shares
Pure Cypress Limited	Beneficial owner	2,045,750,000 (L) (Note 2)	55.55%
Mr. Zeng	Interest of controlled corporation	2,045,750,000 (L) (Note 2)	55.55%
Ms. Zeng Ronghua ("Ms. Zeng RH")	Interest of spouse	2,045,750,000 (L) (Note 3)	55.55%
Yggles World Pte. Ltd.	Beneficial owner	306,910,000	8.33%
Kwok Property Pte. Ltd.	Beneficial owner	306,910,000	8.33%

## Notes:

- The letter "L" denotes the shareholder's long position in the Shares.
- These 2,045,750,000 Shares are held by Pure Cypress Limited, which is wholly owned by Mr. Zeng. Under the SFO, Mr. Zeng will be taken to be interested in the Shares held by Pure Cypress Limited.
- Ms. Zeng RH is the spouse of Mr. Zeng. Under the SFO, Ms. Zeng RH is taken to be interested in the same number of Shares in which Mr. Zeng is interested in.

Save as disclosed above, as at 30 June 2024, 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" in this report, no person had any interests or short positions in any Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## OTHER INFORMATION

### SHARE OPTION SCHEME

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

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

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

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

## OTHER INFORMATION

Category of participants	Date of grant	Exercise period (Note 1)	Exercise price per Share (HK\$)	Outstanding as at 1 January 2024	During the Reporting Period			Lapsed	Outstanding as at 30 June 2024
					Granted	Exercised	Cancelled		
贛州橙木科技有限公司 Ganzhou Cheng Wood Technology Co., Ltd.*	14 January 2022	16 January 2023 to 14 January 2026	1.878	10,230,300	-	-	10,230,300	-	-
	14 January 2022	15 January 2024 to 14 January 2026	1.878	10,230,300	-	-	10,230,300	-	-
	14 January 2022	14 January 2025 to 14 January 2026	1.878	10,230,300	-	-	10,230,300	-	-
Cloud Mount Limited 雲登有限公司	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 2)	1.878	30,690,900	-	-	30,690,900	-	-
Dragon Win Corporation 龍盈有限公司	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 2)	1.878	30,690,900	-	-	30,690,900	-	-
Aster Blossom Limited	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 2)	1.878	30,690,900	-	-	30,690,900	-	-
Top Easeway Limited	14 January 2022	From the Relevant Vesting Date to 14 January 2026 (Note 2)	1.878	30,690,900	-	-	30,690,900	-	-
Total				214,836,300	-	-	214,836,300	-	-

\* For identification purpose only

## OTHER INFORMATION

### Notes:

- 1) The vesting period of the share options granted under the Share Option Scheme is from the date of grant until the commencement of the exercise period. The vesting of the share options is subject to the fulfilment of certain vesting conditions. Please refer to the announcements of the Company dated 14 January 2022 and 12 May 2022 for further details of the vesting conditions.
- 2) Relevant vesting date ("**Relevant Vesting Date**") means the day immediately after the vesting condition as prescribed being fully satisfied (or if such day is not a business day, the business day immediately after such day).
- 3) The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue (i.e. 3,682,908,000 Shares) for the Reporting Period was nil, representing 0%. The total number of options available for grant under the Share Option Scheme was 85,163,700 at the beginning and the end of the Reporting Period.

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

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 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. 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.

## SUFFICIENCY OF PUBLIC FLOAT

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

## OTHER INFORMATION

### AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Ms. Yan Liqiong, Mr. Feng Zhaowei and Ms. Zhang Lingling. Ms. Yan Liqiong 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 interim results have been reviewed by the Audit Committee and the management of the Company with no disagreement thereon. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed the risk management, internal control and financial reporting matters for the Reporting Period.

### CHANGES IN BOARD COMPOSITION

Save as disclosed in this interim report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board  
**Zeng Minglan**  
*Chairman*

Hong Kong, 30 August 2024

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	836,569	1,482,052
Cost of sales		(1,021,525)	(1,286,146)
Gross profit		(184,956)	195,906
Other revenue		5,063	29,017
Other gains and losses		(43,890)	58,170
Other expense		(4,563)	–
Distribution and selling expenses		(28,309)	(29,949)
Administrative expenses		(105,590)	(63,349)
Equity-settled share-based payments		–	–
Reversal of impairment loss recognised on trade receivables, net		(661)	3,533
Finance costs	6	(17,227)	(9,612)
Profit before income tax expense	7	(380,133)	183,716
Income tax expense	8	(292)	(22,757)
Profit and total comprehensive income for the period		(380,425)	160,959
Total comprehensive income for the period attributable to:			
Owner of the Company		(404,684)	161,328
Non-controlling interest		24,259	(369)
Profit and total comprehensive income for the period		(380,425)	160,959
Earnings per share – Basic and diluted (RMB cents)	10	(11.0)	5.3

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	11	2,951,313	2,593,335
Right-of-use assets	12	53,667	55,050
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment	15	84,750	339,824
Deferred tax assets		6,689	6,688
Goodwill		106,122	106,122
Investment properties		158,275	161,162
Intangible assets		59,570	129,730
<b>Total non-current assets</b>		<b>3,420,386</b>	3,391,911
<b>Current assets</b>			
Inventories	13	921,983	877,757
Trade receivables	14	1,206,597	1,526,525
Prepayments, deposits and other receivables	15	337,369	247,738
Pledged bank deposits		–	114,010
Short-term bank deposits		–	13,000
Cash and bank balances		45,468	463,355
<b>Total current assets</b>		<b>2,511,417</b>	3,242,385
<b>Total assets</b>		<b>5,931,803</b>	6,634,296
<b>Current liabilities</b>			
Trade payables	16	231,869	434,071
Other payables and accruals	16	34,305	83,957
Borrowings	17	631,160	733,596
Lease liabilities	12	2,333	2,920
Income tax payable		7,394	16,362
<b>Total current liabilities</b>		<b>907,061</b>	1,270,906
<b>Net current assets</b>		<b>1,604,356</b>	1,971,479
<b>Total assets less current liabilities</b>		<b>5,024,742</b>	5,363,390



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Borrowings	17	89,250	90,000
Lease liabilities	12	85	335
Deferred tax liabilities		11,249	18,474
<b>Total non-current liabilities</b>		<b>100,584</b>	108,809
<b>NET ASSETS</b>		<b>4,924,158</b>	5,254,581
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	18	314,753	259,018
Reserves		4,609,405	4,997,091
		4,924,158	5,256,109
Non-controlling interests		–	(1,528)
<b>TOTAL EQUITY</b>		<b>4,924,158</b>	5,254,581

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2024*

	Share capital RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Total equity attributable to shareholders of parent Company RMB'000	Total equity attributable to minority RMB'000	Total equity RMB'000
<b>Balance as at 1 January 2023 (audited)</b>	259,018	92,425	656,736	714	401,395	27,594	3,611,124	5,049,006	2,568	5,051,574
Profit for the period	-	-	-	-	-	-	161,328	161,328	(369)	160,959
Transfer from retained earnings to statutory reserve	-	-	-	-	6,560	-	(6,560)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2023 (unaudited)</b>	<b>259,018</b>	<b>92,425</b>	<b>656,736</b>	<b>714</b>	<b>407,955</b>	<b>27,594</b>	<b>3,765,892</b>	<b>5,210,334</b>	<b>2,199</b>	<b>5,212,533</b>
<b>Balance as at 1 January 2024 (audited)</b>	<b>259,018</b>	<b>92,425</b>	<b>656,736</b>	<b>714</b>	<b>409,559</b>	<b>27,594</b>	<b>3,810,063</b>	<b>5,256,109</b>	<b>(1,528)</b>	<b>5,254,581</b>
Profit for the period	-	-	-	-	-	-	(404,684)	(404,684)	24,259	(380,425)
Issue of new shares	55,735	-	16,999	-	-	-	-	72,734	-	72,734
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(22,731)	(22,731)
<b>As at 30 June 2024 (unaudited)</b>	<b>314,753</b>	<b>92,425</b>	<b>673,735</b>	<b>714</b>	<b>409,559</b>	<b>27,594</b>	<b>3,405,378</b>	<b>4,924,158</b>	<b>-</b>	<b>4,924,158</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax expense	(380,133)	183,716
Adjustments for:		
Depreciation of property, plant and equipment	83,211	59,175
Depreciation of right-of-use assets and intangible assets	8,603	3,968
Depreciation of investment properties	2,887	–
Finance costs	17,227	9,612
Interest income	(1,156)	(5,446)
Reversal of impairment loss recognised on trade receivables, net	661	(3,533)
Reversal of impairment loss recognized on inventories, net	–	(28,402)
Gain on disposal of subsidiaries	64,982	–
<b>Operating profits before working capital changes</b>	<b>(203,718)</b>	219,090
Decrease/(increase) in inventories	(44,226)	8,437
(Increase)/decrease in trade receivables	319,267	(533,937)
(Increase)/decrease in prepayments, deposits and other receivables	(89,631)	(2,946)
Increase/(decrease) in trade payables	(202,202)	108,837
Decrease in other payables and accruals	(49,652)	(10,882)
<b>Cash (used in)/generated from operations</b>	<b>(270,162)</b>	(211,401)
Income tax paid	(16,486)	(7,478)
<b>Net cash (used in)/generated from operating activities</b>	<b>(286,648)</b>	(218,879)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(180,612)	(335,434)
Prepayments paid for acquisition of intangible assets and property, plant and equipment	(31,848)	(745,568)
Acquisition of the company Bashen	–	(57,337)
Proceeds from disposal of property, plant and equipment	1,646	–
Net cash inflows from acquisition of a subsidiary	(76)	–
Decrease/(increase) in time deposits	13,000	800,000
Decrease/(increase) in restricted bank deposits	114,010	–
Interest received	1,156	5,446
<b>Net cash used in investing activities</b>	<b>(82,723)</b>	<b>(332,893)</b>
<b>Cash flows from financing activities</b>		
Repayment of principal portion of the lease liabilities	(837)	(2,321)
Proceeds from borrowings	346,862	63,400
Repayment of borrowings	(450,047)	(80,784)
Interest paid	(17,227)	(9,747)
Security deposits paid for borrowings	72,734	–
<b>Net cash used in financing activities</b>	<b>(48,516)</b>	<b>(29,452)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(417,887)</b>	<b>(581,224)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>463,355</b>	<b>1,505,808</b>
<b>Cash and cash equivalents at the end of period</b>	<b>45,468</b>	<b>924,584</b>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	45,468	924,584

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 1. GENERAL INFORMATION

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

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

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

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated financial statements were authorised for issue on 30 August 2024.

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 2023 (the “**2023 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 2024. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

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

These condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group for the Reporting Period. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”) and should be read in conjunction with the 2023 Annual Financial Statements.

These condensed consolidated interim financial statements are unaudited.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 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 2023 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 2024.

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 2024.

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction International Tax Reform – Pillar Two Model Rules

The new and revised standards, amendments and interpretations that are effective from 1 January 2023 did not have significant impact on the Group's accounting policies.

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenant <sup>1</sup>
Amendments to HKFRS 16	Lease liability in a Sales and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 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 2023 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	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
United States of America (the "United States" or "U.S.")	425,509	887,552
PRC	69,804	99,993
Canada	24,958	47,532
Singapore	24,727	47,512
Vietnam	24,523	45,717
Malaysia	23,145	45,086
United Kingdom	9,359	15,239
France	8,306	13,970
Germany	20,763	13,925
Japan	6,528	13,425
Thailand	3,507	12,311
Netherlands	9,385	11,811
Korea	6,742	11,105
Philippines	4,658	10,078
Other locations	174,655	206,796
	<b>836,569</b>	<b>1,482,052</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 5. REVENUE AND SEGMENT INFORMATION – CONTINUED

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 2024 and 31 December 2023, 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.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>RMB' 000</b> <b>(Unaudited)</b>	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>
Panel-type furniture	<b>666,579</b>	1,405,459
Upholstered furniture	<b>147,461</b>	37,846
Sport-type furniture	<b>10,353</b>	38,554
Customised furniture	<b>3</b>	193
Information technology solution services	<b>12,173</b>	–
	<b>836,569</b>	1,482,052
<b>Timing of revenue recognition</b>		
At a point in time	<b>824,396</b>	1,482,052
Transferred over time	<b>12,173</b>	–
	<b>836,569</b>	1,482,052



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 6. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest expenses on bank and other borrowings	17,187	9,601
Interest expenses on lease liabilities	40	11
	<b>17,227</b>	<b>9,612</b>

### 7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	1,021,525	1,286,146
Depreciation charge:		
– Owned property, plant and equipment	83,211	59,175
– Intangible assets	7,220	1,200
– Right-of-use-assets	1,383	2,768
– Investment properties	2,887	–
	<b>94,701</b>	<b>63,143</b>
Research and development costs	44,590	27,576
Reversal of impairment loss recognised on trade receivables, net	661	(3,533)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 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	
	2024 RMB' 000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax (the “ <b>PRC EIT</b> ”)		
– For the period	973	17,866
– Under provision in prior periods	645	92
	<u>1,618</u>	<u>17,958</u>
Deferred tax		
– For the period	(1,326)	4,799
Income tax expense	<u>292</u>	<u>22,757</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.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 8. INCOME TAX EXPENSE – CONTINUED

According to the Announcement of No. 13 (2022) and No. 12 (2023) issued by the Ministry of Finance and the State Taxation Administration of the PRC, “Further Implementing Income Tax Preferential Policies for Small and Micro Enterprises”, for one of the subsidiaries of the Group located in the PRC, the tax rate would be at a reduced rate. For the year ended 31 December 2023, if the annual taxable profits do not exceed RMB3 million, only 25% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at a tax rate of 25%.

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

Two subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2021 to 2023 and from 2023 to 2025, respectively, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 30 June 2024.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB' 000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax expense	<b>(380,133)</b>	183,716
Tax calculated at the PRC EIT statutory tax rate of 25%	–	45,929
Revenue not taxable for tax purposes	–	–
Expenses not deductible for tax purposes	<b>81</b>	416
Effect of tax preferential rates granted to the eligible PRC subsidiaries	<b>(10,919)</b>	(13,926)
Different tax rates applied to relevant tax laws	<b>(1,699)</b>	(7,615)
Utilisation of unrecognised temporary difference	–	–
Tax losses/temporary difference not recognised	<b>14,709</b>	3,099
Utilisation of unrecognised tax losses	<b>(2,525)</b>	(5,238)
Under/(over) provision in respect of prior periods	<b>645</b>	92
	<b>292</b>	22,757

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 9. DIVIDENDS

No interim dividend in respect of the Reporting Period has been proposed by the Board (Six months ended 30 June 2023: Nil).

### 10. EARNINGS PER SHARE

The calculation of the basic and 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>2024</b> <b>(Unaudited)</b>	2023 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic and diluted earnings per share (RMB'000)	<u>(404,684)</u>	<u>161,328</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<u>3,682,908,000</u>	<u>3,069,090,000</u>
Basic and diluted earnings per share (RMB cents)	<u>(11.0)</u>	<u>5.3</u>

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the Reporting Period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the Reporting Period included the weighted average number of shares pursuant to exercise of the over-allotment option of 682,908,000 shares (Note 18) and 3,000,000,000 shares issued throughout the year ended 31 December 2020.

Diluted earnings per share was the same as basic earnings per share as the impact of share options had an anti-dilutive effect for the Reporting Period.

Diluted earnings per share was the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2024.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

The Group incurred expenditure of RMB212,542,500 during the Reporting Period (Six months ended 30 June 2023: RMB335,434,000) 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 2023 (audited)	53,202	7,016	60,218
Additions	–	–	–
Depreciation for the year	<u>(1,201)</u>	<u>(3,967)</u>	<u>(5,168)</u>
As at 31 December 2023 (audited)	52,001	3,049	55,050
Depreciation for the period	<u>(582)</u>	<u>(801)</u>	<u>(1,383)</u>
As at 30 June 2024 (unaudited)	<u>51,419</u>	<u>2,248</u>	<u>53,667</u>

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

#### Lease Liabilities

	As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within one year	2,333	2,920
More than one year, but not exceeding two years	85	335
More than two years, but not exceeding five years	—	—
	<u>2,418</u>	<u>3,255</u>
Analysed as:		
Current portion	2,333	2,920
Non-current portion	85	335
	<u>2,418</u>	<u>3,255</u>

### 13. INVENTORIES

	As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Raw materials	314,446	382,850
Work-in-progress	5,240	8,974
Finished goods	602,297	485,933
	<u>921,983</u>	<u>877,757</u>
Less: Provision for impairment of inventories	—	—
	<u>921,983</u>	<u>877,757</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 14. TRADE RECEIVABLES

The Group's trading term with customers are mainly on credit. The credit terms are generally 30 to 150 days. An ageing analysis, based on the invoice dates, as of 30 June 2024 and 31 December 2023 is as follows:

	<b>As at 30 June 2024 RMB' 000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Within 1 month	197,822	390,985
1 to 2 months	109,922	346,570
2 to 3 months	132,644	323,516
Over 3 months	<u>825,335</u>	<u>525,242</u>
	<b>1,265,723</b>	<b>1,586,313</b>
Less: Allowance for doubtful debts	<u>(59,126)</u>	<u>(59,788)</u>
	<b><u>1,206,597</u></b>	<b><u>1,526,625</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Current</b>			
Prepayments		57,869	4,017
Value added tax recoverable		279,117	243,336
Interest receivables		–	111
Other receivables	(b)	383	274
		337,369	247,738
<b>Non-current</b>			
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment		84,750	339,824
		84,750	339,824
	(a)	422,119	587,562

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 2023: Nil).
- (b) Other receivables were neither past due nor impaired for whom there is no recent history of default. These balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 16. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2024 RMB' 000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Trade payables	201,869	263,071
Bill payables	30,000	171,000
	<b>231,869</b>	<b>434,071</b>

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

	<b>As at 30 June 2024 RMB' 000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Within 6 months	231,569	434,071
Over 6 months	300	–
	<b>231,869</b>	<b>434,071</b>

The Group's trade payable are non-interest bearing and generally have payment terms of 0 to 30 days.

All the bills payable of the Group were not yet due at the end of the Reporting Period.

Other payables and accruals as at 30 June 2024 represented other payables of RMB4,000,000 (31 December 2023: RMB35,456,000), accruals of RMB23,443,000 (31 December 2023: RMB39,595,000), and other tax payables of RMB6,862,000 (31 December 2023: RMB8,906,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 17. BORROWINGS

	<b>As at 30 June 2024 RMB' 000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
<b>Current</b>		
Bank loans due for repayment within one year	<b>631,160</b>	733,596
Other loans	—	—
	<b>631,160</b>	733,596
<b>Non-current</b>		
Bank loans	<b>89,250</b>	90,000
	<b>89,250</b>	90,000
Total borrowings	<b>720,410</b>	823,596

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 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 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	10,000,000	1,000,000	844,130
<b>Issued and fully paid</b>			
As at 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	3,682,908	368,290	314,753

### 19. EQUITY SETTLED SHARE-BASED PAYMENT

On 14 January 2022, the Company granted share options to seven eligible participants (the “**Grantees**”, being external consultants of the Group), an aggregate of 214,836,300 share options (each share option shall entitle the holder of the share option to subscribe for one Share), as to 30,690,900 share options to each Grantee and the exercise price of share options granted was HK\$1.878 to subscribe for one ordinary share of HK\$0.10 each in the share capital of the Company. All of the following 214,836,300 outstanding share options granted to certain external consultants of the Company were cancelled with effect from 15 April 2024 in accordance with the terms of the 2020 Share Option Scheme.

	2024	
	Weighted average exercise price HK\$	Number
Outstanding at 1 January	1.878	214,836,300
Granted during the period	–	–
Forfeited during the period	–	–
Exercised during the period	–	–
Cancelled during the period	1.878	(214,836,300)
Outstanding at 30 June	–	–

Among the total number of share options outstanding for the Reporting Period, nil had vested and were exercisable.