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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The revenue of Huisen Household International Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2020 ("**FY2020**") was RMB3,896 million representing an increase of approximately 4.7% as compared to approximately RMB3,719 million for the year ended 31 December 2019 ("**FY2019**").

- The profit for the year for FY2020 was approximately RMB541 million representing a decrease of approximately 4.9% as compared to approximately RMB568 million for FY2019, mainly due to the increase in listing expenses of approximately RMB19 million and the exchange losses of approximately RMB85.3 million for FY2020 as compared to the exchange gains of approximately RMB2.8 million for FY2019.

- Basic and diluted earnings per share of the Company ("**Share**") was RMB0.24 for FY2020 and RMB0.25 for FY2019.

- The board of directors of the Company (the "**Board**") recommends the payment of a final dividend of HK7.9 cents (equivalent to approximately RMB7 cents) per Share for FY2020.

CONSOLIDATED ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board is pleased to announce the consolidated results of the Group for FY2020 together with the comparative figures for FY2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** **_RMB'000_**	2019 *RMB'000*
Revenue	*5*	**3,895,548**	3,719,066
Cost of sales		**(2,951,403)**	(2,835,754)
Gross profit		**944,145**	883,312
Other revenue		**6,469**	5,520
Other gains and losses	*6*	**(89,335)**	1,652
Distribution and selling expenses		**(68,131)**	(65,445)
Administrative expenses		**(76,350)**	(84,219)
Provision of impairment loss recognised on trade receivables, net		**(6,705)**	(858)
Finance costs	*7*	**(42,720)**	(59,790)
Listing expenses		**(29,514)**	(10,097)
Profit before income tax expense	*8*	**637,859**	670,075
Income tax expense	*9*	**(97,176)**	(101,772)
Profit and total comprehensive income for the year		**540,683**	568,303
Total comprehensive income for the year attributable to:			
Owners of the Company		**540,683**	568,303
Earnings per share — Basic and diluted *(RMB)*	*11*	**0.24**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	**916,049**	959,525
Right-of-use assets		**30,044**	25,186
Prepayments for acquisition of property, plant and equipment		**50**	30,784
Other receivables		**855**	1,758
Total non-current assets		**946,998**	1,017,253
Current assets			
Inventories	13	**150,361**	171,430
Trade receivables	14	**1,186,087**	1,049,958
Prepayments, deposits and other receivables		**50,570**	61,894
Deferred tax assets		**1,795**	789
Restricted bank deposits		**—**	1,240
Cash and cash equivalents		**2,647,848**	1,084,636
Total current assets		**4,036,661**	2,369,947
Total assets		**4,983,659**	3,387,200
Current liabilities			
Trade and bills payables	15	**338,531**	270,981
Other payables and accruals		**93,953**	64,761
Borrowings		**323,145**	529,615
Lease liabilities		**3,750**	2,422
Amount due to an ultimate holding company		**—**	13
Income tax payable		**34,847**	24,110
Total current liabilities		**794,226**	891,902
Net current assets		**3,242,435**	1,478,045
Total assets less current liabilities		**4,189,433**	2,495,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — Continued
AS AT 31 DECEMBER 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Non-current liabilities			
Borrowings		**245,032**	126,401
Lease liabilities		**4,052**	—
Total non-current liabilities		**249,084**	126,401
NET ASSETS		**3,940,349**	2,368,897
Capital and reserves attributable to owners of the Company			
Share capital	*16*	**253,239**	9
Reserves		**3,687,110**	2,368,888
TOTAL EQUITY		**3,940,349**	2,368,897

1. GENERAL INFORMATION

(a) 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 "**Listing**").

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.

(b) Reorganisation

Pursuant to a group reorganisation (the "**Group Reorganisation**") as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 14 December 2020 (the "**Prospectus**"), the Company became the holding company of the subsidiaries comprising the Group on 15 December 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs — effective 1 January 2020

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

(b) New or amended HKFRSs that have been issued but are not yet effective

The following amendments to HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
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[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[2]
Annual Improvements to HKFRSs 2018–2020	Amendment to HKFRS 9, Financial Instruments[3]
Annual Improvements to HKFRSs 2018–2020	Amendment to HKFRS 16, Leases[3]

1 Effective for annual periods beginning on or after 1 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after 1 January 2022.

4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

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

(b) New or amended HKFRSs that have been issued but are not yet effective — Continued

Amendment to HKFRS 16 — Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 June 2020.

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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 consolidated financial statements.

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

(b) New or amended HKFRSs that have been issued but are not yet effective — 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 — Continued

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 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 while 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 that the application of the amendments will have on the Group's 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 construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

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 Group's 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

(b) New or amended HKFRSs that have been issued but are not yet effective — Continued

HKFRS 17 — Insurance Contracts

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

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

Amendments to HKFRS 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)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 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 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 consolidated financial statements in future periods should such transaction arise.

(b) New or amended HKFRSs that have been issued but are not yet effective — Continued

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

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 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 consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in manufacturing and selling of panel-type 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	
	2020	2019
	RMB'000	*RMB'000*
The United States of America (the "**United States**" or "**U.S.**")	**2,613,090**	2,669,892
The PRC	**217,494**	283,354
Singapore	**164,096**	179,444
Malaysia	**109,511**	88,184
Vietnam	**82,369**	79,612
Canada	**73,640**	68,331
Other locations	**635,348**	350,249
	3,895,548	3,719,066

4. SEGMENT INFORMATION — Continued

Geographical 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 31 December 2020 and 2019, all of the Group's non-current assets are located in the PRC.

Shipping terms of the export sales are free-on-board (at ports in the PRC).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.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**957,298**	890,240
Customer B	**480,325**	445,178
Customer C	**778,799**	753,037
Customer D	**524,618**	488,479
Customer E	**602,234**	555,306
	3,343,274	3,132,240

5. REVENUE

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

	2020	2019
	RMB'000	*RMB'000*
Panel-type furniture	**3,606,286**	3,483,930
Upholstered furniture	**129,879**	111,556
Outdoor and sport-type furniture	**159,383**	123,580
	3,895,548	3,719,066
Timing of revenue recognition		
At a point in time	**3,895,548**	3,719,066
Transferred over time	**—**	—
	3,895,548	3,719,066

As at 31 December 2020, no transaction price was allocated to the remaining performance obligations under the Group's existing contracts (2019: Nil).

6. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Exchange losses/(gains), net	**85,308**	(2,847)
Losses on disposal of property, plant and equipment	**4,027**	1,195
	89,335	(1,652)

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**42,443**	56,185
Imputed interest expenses on puttable shares	**—**	3,268
Interest expenses on lease liabilities	**277**	337
	42,720	59,790

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Auditors' remuneration	**1,344**	—
Cost of inventories recognised as expenses *(Note)*	**2,951,403**	2,835,754
Depreciation charge:		
— Owned property, plant and equipment	**101,864**	98,528
— Right-of-use-assets	**4,116**	3,967
	105,980	102,495
Listing expenses	**29,514**	10,097
Research and development costs	**15,016**	14,881
Provision of impairment loss recognised on trade receivables, net *(Note 14)*	**6,705**	858
Employee costs	**239,163**	230,246

Note: Cost of inventories recognised as expenses includes RMB506,733,000 (2019: RMB486,199,000) of staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, subcontracting fee and other manufacturing overheads which are also included in the respective total amounts disclosed above for each of these types of expenses.

9. INCOME TAX EXPENSE

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

	2020	2019
	RMB'000	*RMB'000*
Current tax — Enterprise Income Tax of the PRC (the "**PRC EIT**")		
— for the year	**99,003**	100,759
— (Over)/under-provision in prior years	**(821)**	447
	98,182	101,206
Deferred tax		
— for the year	**(1,006)**	566
Income tax expense	**97,176**	101,772

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.

Pursuant to the income tax rules and regulations of the PRC, the provision for the PRC EIT of the PRC subsidiaries of the Group is calculated based on the preferential tax rate of 15% (2019: 15%) as they are recognised as the enterprises of Development of the West Regions according to the tax regulations of the PRC.

9. INCOME TAX EXPENSE — Continued

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

	2020	2019
	RMB'000	*RMB'000*
Profit before income tax expense	**637,859**	670,075
Tax calculated at the PRC EIT statutory tax rate of 25%	**159,465**	167,519
Expenses not deductible for tax purposes	**62**	64
Effect of tax preferential rates granted to the eligible PRC subsidiaries	**(66,915)**	(66,949)
Tax losses/temporary difference not recognised	**8,819**	1,313
Utilisation of unrecognised tax losses	**(3,434)**	(622)
(Over)/under provision in respect of prior years	**(821)**	447
	97,176	101,772

The weighted average effective tax rate was 15.2% (2019: 15.2%).

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 (2019: Nil).

At a meeting of the directors of the Company held on 25 March 2021, the directors recommended a final dividend of HK$0.079 (equivalent to approximately RMB0.07) per ordinary share. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

11. 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:

	2020	2019
Profit for the year attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share *(RMB'000)*	**540,683**	568,303
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**2,254,109,589**	2,250,000,000
Basic and diluted earnings per share *(RMB)*	**0.24**	0.25

11. EARNINGS PER SHARE — Continued

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2020 included the weighted average number of shares pursuant to the issuance of shares of 750,000,000 shares and the 2,250,000,000 shares assumed to be in issue throughout the year ended 31 December 2019 as referred to below.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2019 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 16)) as disclosed in the Prospectus, as if all these shares had been in issue throughout the year ended 31 December 2019.

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 years ended 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both years.

During the year ended 31 December 2020, the movement of property, plant and equipment was as follow:

(1) Assets amounted to approximately RMB62,583,000 (2019: approximately RMB9,658,000) were acquired; and

(2) Assets with a net book value of approximately RMB4,195,000 (2019: approximately RMB14,549,000) were disposed of by the Group, resulting in a net loss on disposal of approximately RMB4,027,000 (2019: approximately RMB1,195,000).

13. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**78,603**	64,747
Work-in-progress	**9,608**	8,014
Finished goods	**62,150**	98,669
	150,361	171,430

14. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**1,198,068**	1,055,234
Less: Loss allowance	**(11,981)**	(5,276)
	1,186,087	1,049,958

14. TRADE RECEIVABLES — Continued

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

Trade receivables with amounts that are individually significant have been separately assessed for impairment.

An ageing analysis, based on the invoice dates, as of the end of the reporting period are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**561,353**	493,902
1 to 2 months	**326,328**	239,686
2 to 3 months	**310,191**	227,530
Over 3 months	**196**	94,116
	1,198,068	1,055,234

Movement on the Group's provision for impairment on trade receivables are as follows:

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**5,276**	4,418
Provision for impairment loss recognised on trade receivables, net *(Note 8)*	**6,705**	858
As at 31 December	**11,981**	5,276

The following changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the year:

— increase in the adjustment factors to expected loss rates as a consequence of the Covid-19 pandemic resulted in increase in loss allowance of RMB5,990,000; and

— increase in lifetime expected credit loss after assessing existing or forecast change in business, financial or economic conditions which may cause deterioration in the operating results of the debtors.

15. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**338,531**	269,741
Bills payable	**—**	1,240
	338,531	270,981

Note:

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

	2020	2019
	RMB'000	*RMB'000*
Within six months	**338,531**	269,741

The Group's trade payables 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.

No bills payable were secured by the Group's restricted bank deposits for the year ended 31 December 2020 (2019: RMB1,240,000).

16. SHARE CAPITAL

	Number	Amount	Amount
	'000	*HK$'000*	*RMB'000*
Ordinary shares of par value of HK$0.1 each			
Authorised			
As at 1 January 2019, 31 December 2019 and 1 January 2020	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	10,000,000	1,000,000	844,130
Issued and fully paid			
As at 1 January 2019, 31 December 2019 and 1 January 2020	100	10	9
Issuance of new shares upon listing *(Note (ii))*	2,249,900	224,990	189,921
Issuance of shares for Capitalisation Issue *(Note (ii))*	750,000	75,000	63,309
As at 31 December 2020	3,000,000	300,000	253,239

16. SHARE CAPITAL — Continued

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 the 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 ("**Capitalisation Issue**").

17. EVENT AFTER THE REPORTING DATE

On 20 January 2021, 69,090,000 ordinary shares of the Company were issued upon the exercise of the over-allotment option in connection with the Listing at a price of HK$1.77 per share. Gross proceeds of the additional offering was approximately RMB103,167,000 (equivalent to approximately HK$122,289,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2020, the world went through a year like no other. The coronavirus ("**COVID-19**"), a once-in-a-century pandemic, ravaged the world, making considerable impacts on the global economy. It also put a daunting challenge on the furniture industry at the beginning of the outbreak. As large-scale restrictive measures have been implemented, the mainland China achieved significant strategic results in combating against COVID-19. In the first quarter of 2020, the pandemic in mainland China was largely brought under control and was one of the first countries to restore manufacturing production capacity and resume normal activities. Many companies resumed normal production and operation, the furniture companies also resumed production and work in an active and orderly manner. In the second quarter of 2020, the outbreak of COVID-19 shifted quickly to European countries and the United States. Under the impact of the pandemic, developed European countries and the United States began to adopt or strengthen quantitative easing monetary policies, granting subsidies to enterprises and residents and encouraging people to work from home. Working from home has become the new norm in the short term. According to the data from Fast Company, one of the world's top three financial media brands, approximately 42% of the U.S. workforce are now working from home, and even in the post-pandemic period, the proportion of people working from home is expected to be three times higher than the pre-pandemic period. Consumers pay more attention to the furniture products used at home and the consumer demand is increasing.

In addition, with the effective control of the pandemic in mainland China, businesses and production gradually resumed. At the same time, furniture manufacturing countries in Southeast Asia were still disturbed by the pandemic. As a result, demand from the supply chain in the global market had shifted to the mainland China, hence the booming development of the furniture industry in the second half of the year.

Business Review

During FY2020, the Group was successfully listed on the main board of the Stock Exchange in a challenging year. The outbreak of COVID-19 posed unexpected and serious threats to the global economy. However, the pandemic did not have a significant adverse impact on the Group's sustainable operation.

During FY2020, the Group's principal businesses are manufacturing of panel-type furniture, upholstered furniture, outdoor and sport-type furniture. The Group's furniture products are mainly sold to the U.S. and other markets on wholesale basis, including overseas retail chains directly or through our customers which are furniture traders.

Business Review — Continued

In 2020, the Group continued to strengthen its capabilities as an original design manufacturer and launched more original design manufacturing ("**ODM**"). ODM accounted for over 80% of total sales for FY2020, and the sales of ODM maintained growth for three consecutive years.

In terms of production management, the Group promoted lean production management, with a product defective rate of approximately 1.15% in FY2020, down by approximately 0.02% from approximately 1.17% in FY2019.

As the global economy was being hit hard by the pandemic, some of the small and medium-sized furniture traders reduced their orders. The Group carefully assessed the situation and focused strategically on maintaining its major customers. In FY2020, the sales to the top five customers of the Group achieved growth in different degrees, with the growth rates ranging from 3% to 9%.

Financial Review

Revenue and gross profit margin by product types:

	FY2020			FY2019			
	Revenue *(RMB'000)*	*(%)*	**Gross Profit Margin** *(%)*	Revenue *(RMB'000)*	*(%)*	Gross Profit Margin *(%)*	Change Revenue *(%)*
Panel-type Furniture	**3,606,286**	**92.6**	**23.7**	3,483,930	93.7	23.2	3.5
Upholstered Furniture	**129,879**	**3.3**	**33.4**	111,556	3.0	33.4	16.4
Outdoor and sport-type furniture	**159,383**	**4.1**	**28.0**	123,580	3.3	29.5	29.0
Total	**3,895,548**	**100.0**	**24.2**	3,719,066	100.0	23.8	4.7

In 2020, our overall revenue increased by approximately 4.7%. Revenue of the three main types of products achieved different degrees of growth. Revenue of panel-type furniture, upholstered furniture and outdoor and sport-type furniture for FY2020 continued to increase as compared with FY2019. This was mainly due to the Group's rapid expansion of the sales of upholstered furniture and outdoor, and sport-type furniture to improve the balance of product categories.

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 FY2020, the revenue of panel-type furniture increased by approximately 3.5%. Gross profit margin of panel-type furniture recorded slight increment due to the higher gross profit margins from some for of our newly launched panel-type furniture products, as well as the increase in average selling prices some of the panel-type furniture products, which partially offset the impact of the depreciation of the U.S. dollar against the RMB.

Upholstered Furniture

Leveraging on our expertise and experience on product design and development as well as our business relationships with major overseas retail chains and furniture traders, we further expanded the supply of upholstered furniture to open up new markets. The Group's upholstered furniture mainly includes sofas. During FY2020, the revenue of upholstered furniture increased by approximately 16.4% with a stable gross profit margin of approximately 33.4% for both FY2020 and FY2019. Products sales with relatively high gross profit margins increased among upholstered furniture, which partially offset the impact of the continued depreciation of the U.S. dollar against the RMB.

Outdoor and Sport-Type Furniture

Sports and recreational equipment mainly includes table tennis tables, foosball tables and pool tables. The outdoor furniture mainly includes outdoor tables and stools. The revenue of other furniture amounted to approximately RMB159.38 million for FY2020, representing an increase of 29.0% as compared to approximately RMB123.58 million for FY2019. The gross profit margin of other furniture decreased from approximately 29.5% for FY2019 to approximately 28.0% for FY2020, mainly due to the depreciation of the U.S. dollar against the RMB.

Sales by Geographical Regions

	FY2020		FY2019		Change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
United States	**2,613,090**	**67.1**	2,669,892	71.8	–2.1
The PRC	**217,494**	**5.6**	283,354	7.6	–23.2
Singapore	**164,096**	**4.2**	179,444	4.8	–8.6
Malaysia	**109,511**	**2.8**	88,184	2.4	24.2
Vietnam	**82,369**	**2.1**	79,612	2.1	3.5
Canada	**73,640**	**1.9**	68,331	1.8	7.8
Other locations	**635,348**	**16.3**	350,249	9.5	81.4
Total	**3,895,548**	**100.0**	3,719,066	100.0	4.7

Sales by Geographical Regions — Continued

For FY2020, sales from the United States is still the most significant among all geographical regions. The revenue derived from the sales of furniture product with the United States as the delivery destination decreased by approximately 2.1% in FY2020 compared to FY2019 and the sales ratio to our total revenue decreased from approximately 71.8% in FY2019 to 67.1% in FY2020, representing a decrease of approximately 4.7%. The decrease in sales to United States was mainly due to the strategy adopted by the Group to actively expand to downstream markets other than the United States. Sales revenue from mainland China decreased by approximately 23.2%, which was mainly due to the Group's priority to guarantee furniture sales of overseas customers. Increment of sales to Malaysia, Canada and other regions were more significant. Sales in other regions increased by approximately 81.4% as there were significant growth of sales to Australia, Philippines and France. The Group strived to expand sales outside the United States to reduce reliance on the U.S. market and risk of potential trade frictions between the United States and mainland China.

Sales of Top Five Customers

Name of Customer	**FY2020 Revenue**		FY2019 Revenue		Change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Customer A	**957,298**	**24.6**	890,240	23.9	7.5
Customer C	**778,799**	**20.0**	753,037	20.2	3.4
Customer E	**602,234**	**15.5**	555,306	14.9	8.5
Customer D	**524,618**	**13.5**	488,479	13.1	7.4
Customer B	**480,325**	**12.3**	445,178	12.0	7.9
Total	**3,343,274**	**85.9**	3,132,240	84.1	6.7

Stable and long-term business relationship is the foundation for the Group's success. The Group has strategically prioritized orders placed by the major customers. The Group has maintained a long-term relationship with each of top five customers ranging from approximately five to eight years, in particular, the Group has established a direct and stable long-term business relationship with one of the largest retail company in the United States since 2012. As a result, the revenue of the top five customers of the Group accounted for approximately 85.9% of the total revenue in FY2020, representing an increase of approximately 1.8% from approximately 84.1% in FY2019.

Sales of ODM and original equipment manufacturing ("OEM") (Exclude sales of particleboards):

	FY2020 *(RMB'000)*	*(%)*	FY2019 *(RMB'000)*	*(%)*	Change *(%)*
ODM	**3,106,141**	**80.0**	2,752,928	74.7	12.8
OEM	**775,715**	**20.0**	934,514	25.3	−17.0
Total	**3,881,856**	**100.0**	3,687,442	100.0	5.3

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 dependence of customers and our competitiveness. As for the OEM, we strictly follow the specifications and requirements provided by our customers. The Group's total sales from ODM and OEM increased by approximately 5.3% from approximately RMB3,687.44 million in FY2019 to approximately RMB3,881.86 million in FY2020. During FY2020, sales from ODM increased by approximately 12.8%, compared to FY2019 and accounted for approximately 80.0% of the total revenue. Other revenue from OEM business decreased by approximately 17.0% compared to FY2019 and accounted for approximately 20.0% of the total revenue for FY2020.

Cost of Sales

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

	FY2020 *(RMB'000)*	FY2019 *(RMB'000)*	Change *(%)*
Cost of materials consumed	**2,444,670**	2,349,555	4.0
Overhead costs	**298,156**	286,110	4.2
Direct labour	**191,729**	184,997	3.6
Subcontracting fees	**16,848**	15,092	11.6
Total	**2,951,403**	2,835,754	4.1

Driven by the growth of sales, the Group's cost of sales increased by approximately 4.1% from approximately RMB2,835.75 million in FY2019 to approximately RMB2,951.40 million in FY2020. During FY2020, the subcontracting fees increased by approximately 11.6% due to the increase in urgent bulk orders from customers in the fourth quarter of 2020, which increased the need of subcontracting to ensure timely delivery of the products.

Other gains and losses

Other gains and losses include the following:

	FY2020 **(RMB'000)**	FY2019 (RMB'000)
Exchange losses/(gains), net	**85,308**	(2,847)
Losses on disposal of property, plant and equipment	**4,027**	1,195
Total	**89,335**	1,652

The exchange rate of U.S. dollar against RMB fluctuated in FY2020. In the first half of 2020, the exchange rate was relatively stable with gradual appreciation, while it turned to fall sharply unilaterally in the second half of FY2020. As a result, the Group encountered a significant exchange loss during FY2020 as compared to exchange gains in FY2019. We adjusted the sales price based on cost of production and exchange rate but it may incur exchange losses or gains especially when foreign exchange rate fluctuates intensely in short term. During FY2020, more aging equipment was disposed and new equipment was purchased for replacement of the aging equipment to ensure production efficiency as compared to FY2019, which resulted in more disposal losses.

Use of Net Proceeds from Global Offering

The Shares were listed on the Stock Exchange on 29 December 2020 (the "**Listing Date**") 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 commissions and other estimated expenses. The following table sets out the breakdown of the use of net proceeds from the Global Offering:

Use of net proceeds as detailed and defined in the Prospectus	**Net proceeds** *(HK$ million) (approximately)*	**Percentage of net proceeds** *(%) (approximately)*
Establishment of a new manufacturing factory, comprising of two factory compartments, which will focus on the manufacture of panel-type furniture and upholstered furniture	636	45.4%
Construction of the second phase of Aigesen Factory	463	33.0%
Upgrading the production line in our existing production facilities by acquiring more advanced and automated machineries and equipment for Huisen Furniture Factory	70	5.0%
Enhancing the product design, research and development capabilities	93	6.6%
General replenishment of working capital and other general corporate purpose	140	10.0%
	1,402	100%

Use of Net Proceeds from Global Offering — Continued

As at the date of this announcement, the Company has not utilised any of the net proceeds and does not anticipate any change to its plan on the use of proceeds as disclosed in the Prospectus.

Summary of consolidated statement of cash flow

	FY2020	FY2019	Change
	(RMB'000)	*(RMB'000)*	*(%)*
Operating profits before working capital changes	**792,821**	831,013	(4.6)
Change in working capital	**(54,486)**	(60,106)	(9.4)
Income tax paid	**(87,445)**	(99,101)	(11.8)
Net cash generated from operating activities	**650,890**	671,806	(3.1)
Net cash (used in)/generated from investing activities	**(25,971)**	30,045	(186.4)
Net cash generated from/(used in) financing activities	**938,293**	(523,753)	(279.1)

As of 31 December 2020, the bank balances and cash of the Group were approximately RMB2.65 billion.

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. We rely on cash from operations and external financing to operate and expand our business.

Inventory Provision

As of 31 December 2020, the Group has not made any provision for impairment of inventories (31 December 2019: Nil). The Group estimates whether to withdraw inventory provision based on the inventory turnover days and sales performance of each product. During FY2020, 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 us from our customers. We 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. We generally provide credit period of 90 days at maximum for export sales customers and 30 days at maximum for domestic sales customers. We record trade receivables net of any impairment provision made.

As of 31 December 2020, our trade receivables (net of impairment provision) amounted to approximately RMB1,186 million (31 December 2019: RMB1,050 million). Such increase in trade receivables were mainly due to the increase in our revenue. As at 31 December 2020, impairment provision for trade receivables of approximately RMB12 million (31 December 2019: RMB5 million) has been made.

Pledge of Assets

As of 31 December 2020, 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 RMB433 million (31 December 2019: approximately RMB440 million) were pledged to secure borrowings granted to the Group.

As of 31 December 2020, 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 RMB34 million (31 December 2019: approximately RMB11 million) were pledged to non related parties for corporate guarantee provided by non related parties on banking facilities granted to the Group.

Foreign Exchange Exposure

During FY2020, we had not adopted any financial instrument to hedge our 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 our financial conditions and profitability.

Human Resources and Training

As of 31 December 2020, the Group had a total 3,161 employees (2019: 3,000 employees), the total staff costs were approximately RMB239 million for FY2020 (2019: approximately RMB230 million). The remuneration package of the employees is reviewed based on their work performance, experience and current market level.

We organise bond-building events for our 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. We also provide fire safety training to our production staff regularly. Our directors believe such initiatives have contributed to the increased employee productivity.

DIVIDENDS

The Board recommends the payment of a final dividend of HK$0.079 (equivalent to approximately RMB0.07) per Share for FY2020, which is subject to the approval of the shareholders of the Company ("**Shareholders**") at the annual general meeting ("**AGM**") to be held on Tuesday, 15 June 2021. The proposed final dividend is expected to be paid on Thursday, 15 July 2021 to all Shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming AGM. In order to be qualified for attending and voting at the forthcoming AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 8 June 2021.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the forthcoming AGM, the register of members of the Company will also be closed from Monday, 21 June 2021 to Tuesday, 22 June 2021 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2020. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the forthcoming AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 18 June 2021.

BUSINESS OUTLOOK

Looking ahead to 2021, the global economy will continue to be affected by COVID-19, and the massive roll out of vaccines in various countries around the world and the development progress of drugs will play a key role in economic recovery. Challenges are accompanied by opportunities. Despite the uncertainties surrounding the evolution of the pandemic, the Mainland China remains the most competitive country in the world in terms of the supply chain when compared to panel-type furniture made in the United States which has long relied on imported panel-type furniture. In addition, as foreign economies begin to recover and working from home becomes the new norm, it is expected that demand for furniture products will gradually increase.

BUSINESS OUTLOOK— Continued

In addition, it is expected that demand for Chinese panel-type furniture in Australia, Europe and other countries will continue to grow as the local manufacturing capacity is unable to meet the local demand for panel-type furniture consumption. The Regional Comprehensive Economic Partnership Agreement (RCEP) signed on 15 November 2020 will bring a new 'peak' of growth for the Chinese furniture export industry. With the signing of the RCEP, the tariffs imposed by Association of Southeast Asian Nations ("**ASEAN**"), Japan, Korea, Singapore, and Australia will be gradually reduced or even 'zero-tariff' so as to establish a unified free trade market.

The uncertainties and unfavorable atmosphere still loom over the global economy. However, with its vertically integrated business model, world-class production capacity, diverse product types, increasingly improved experience and expertise in product design and development, excellent and consistent product quality, and growing marketing channels, the Group is confident to maintain its leading position in the industry and continue to lead the development of the panel-type furniture industry.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities from the Listing Date up to the date of this announcement.

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code from the Listing Date up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing the directors' securities transactions from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive directors of the Company, 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 audit committee of the Company has discussed with the management of the Group and reviewed the audited consolidated financial results of the Group for FY2020, including accounting principles and practices adopted by the Group, and discussed the financial reporting system and the risk management and internal control systems of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange and the Company. The annual report for the FY2020 will be despatched to the Shareholders and will be published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the audit committee of the Company and audited by BDO Limited, the auditor of the Company. The unqualified auditor's report will be included in the 2020 annual report of the Company.

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

Hong Kong, 25 March 2021

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