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 2021

FINANCIAL HIGHLIGHTS

- The revenue of Huisen Household International Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 ("**FY2021**") was approximately RMB5,139 million representing an increase of approximately 31.9% as compared to approximately RMB3,896 million for the year ended 31 December 2020 ("**FY2020**").

- The profit for FY2021 was approximately RMB888 million representing an increase of approximately 64.1% as compared to approximately RMB541 million for FY2020, which was mainly due to the growth in sales driven by the increase in purchase orders during FY2021 and the increase in gross profit of approximately RMB355 million.

- Basic and diluted earnings per share of the Company ("**Share**") was RMB0.29 for FY2021 and RMB0.24 for FY2020.

- The board of directors of the Company (the "**Board**") did not recommend the payment of final dividend for FY2021 (FY2020: HK7.9 cents (equivalent to approximately RMB7 cents) per Share).

CONSOLIDATED ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is pleased to announce the consolidated results of the Group for FY2021 together with the comparative figures for FY2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*5*	**5,139,157**	3,895,548
Cost of sales		**(3,839,952)**	(2,951,403)
Gross profit		**1,299,205**	944,145
Other revenue		**29,663**	6,469
Other gains and losses	*6*	**(54,146)**	(89,335)
Distribution and selling expenses		**(95,239)**	(68,131)
Administrative expenses		**(108,798)**	(76,350)
Reversal of/(provision for) impairment loss recognised on trade receivables, net		**5,101**	(6,705)
Finance costs	*7*	**(36,766)**	(42,720)
Listing expenses		**—**	(29,514)
Profit before income tax expense	*8*	**1,039,020**	637,859
Income tax expense	*9*	**(150,953)**	(97,176)
Profit and total comprehensive income for the year		**888,067**	540,683
Total comprehensive income for the year attributable to:			
Owner of the Company		**888,067**	540,683
Earnings per share — Basic and diluted *(RMB)*	*11*	**0.29**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**933,949**	916,049
Right-of-use assets		**46,480**	30,044
Prepayments for acquisition of property, plant and equipment and intangible assets		**6,946**	50
Other receivables		**940**	855
Deferred tax assets		**1,029**	1,795
Total non-current assets		**989,344**	948,793
Current assets			
Inventories	*13*	**215,455**	150,361
Trade receivables	*14*	**1,291,167**	1,186,087
Prepayments, deposits and other receivables		**53,206**	50,570
Cash and cash equivalents		**3,137,071**	2,647,848
Total current assets		**4,696,899**	4,034,866
Total assets		**5,686,243**	4,983,659
Current liabilities			
Trade payables	*15*	**358,167**	338,531
Other payables and accruals		**86,734**	93,953
Borrowings		**365,513**	323,145
Lease liabilities		**8,035**	3,750
Income tax payable		**32,639**	34,847
Total current liabilities		**851,088**	794,226
Net current assets		**3,845,811**	3,240,640
Total assets less current liabilities		**4,835,155**	4,189,433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — Continued
AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Borrowings		**120,519**	245,032
Lease liabilities		**1,244**	4,052
Total non-current liabilities		**121,763**	249,084
NET ASSETS		**4,713,392**	3,940,349
Capital and reserves attributable to owners of the Company			
Share capital	*16*	**259,018**	253,239
Reserves		**4,454,374**	3,687,110
TOTAL EQUITY		**4,713,392**	3,940,349

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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEx**" or 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.

(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 2021

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 HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[1]
2021 Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]

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

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

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 except for the 2021 amendments to HKFRS 16. Impact on the application of this amended HKFRS is summarised below.

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

(a) Adoption of new or amended HKFRSs — effective 1 January 2021 — Continued

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

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:

(a) 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;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) 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.

2021 Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19-Related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has elected to early adopt the above amendments and apply the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions arose during the year ended 31 December 2020, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2021 on initial application of the amendment.

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 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[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[3]
Amendments to HKAS 8	Disclosures of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples, HKFRS 16, Leases[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 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.
3 Effective for annual periods beginning on or after 1 January 2023.
4 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.

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

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.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong 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 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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 8, Disclosures of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

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.

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 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

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 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

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.

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 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.

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

Annual Improvements to HKFRSs 2018–2020 Cycle, Amendment to HKFRS 1

The annual improvements permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

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 Cycle — 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 Cycle — 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 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.

4. SEGMENT INFORMATION — Continued

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	
	2021	2020
	RMB'000	*RMB'000*
The United States of America (the "**United States**" or "**U.S.**")	**3,457,208**	2,613,090
The PRC	**247,608**	217,494
The Republic of Singapore	**221,285**	164,096
Malaysia	**146,093**	109,511
The Socialist Republic of Vietnam	**119,188**	82,369
Canada	**128,272**	73,640
Other locations	**819,503**	635,348
	5,139,157	3,895,548

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 2021 and 2020, all of the Group's non-current assets are located in the PRC.

Shipping terms of the export sales are free-on-board (at 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:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**1,294,106**	957,298
Customer B	**639,573**	480,325
Customer C	**1,021,921**	778,799
Customer D	**705,858**	524,618
Customer E	**799,672**	602,234
	4,461,130	3,343,274

5. REVENUE

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

	2021 *RMB'000*	2020 *RMB'000*
Panel-type furniture	**4,829,553**	3,606,286
Upholstered furniture	**155,134**	129,879
Outdoor/sport-type furniture	**154,470**	159,383
	5,139,157	3,895,548
Timing of revenue recognition		
At a point in time	**5,139,157**	3,895,548
Transferred over time	**—**	—
	5,139,157	3,895,548

As at 31 December 2021, no transaction price was allocated to the remaining performance obligations under the Group's existing contracts (2020: Nil).

6. OTHER GAINS AND LOSSES

	2021 *RMB'000*	2020 *RMB'000*
Exchange losses, net	**38,617**	85,308
Losses on disposal of property, plant and equipment	**15,529**	4,027
	54,146	89,335

7. FINANCE COSTS

	2021 *RMB'000*	2020 *RMB'000*
Interest expenses on bank and other borrowings	**35,980**	42,443
Interest expenses on lease liabilities	**786**	277
	36,766	42,720

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Auditors' remuneration	**1,980**	1,344
Cost of inventories recognised as expenses *(Note)*	**3,839,952**	2,951,403
Depreciation charge:		
— Owned property, plant and equipment	**103,665**	101,864
— Right-of-use-assets	**4,510**	4,116
	108,175	105,980
Listing expenses — HKEx	**—**	29,514
Research and development costs	**9,474**	15,016
(Reversal of)/provision for impairment loss recognised on trade receivables, net *(Note 14)*	**(5,101)**	6,705
Employee costs	**298,602**	239,163

Note: Cost of inventories recognised as expenses includes RMB626,595,000 (2020: RMB506,733,000) 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:

	2021	2020
	RMB'000	*RMB'000*
Current tax —Enterprise Income Tax of the PRC (the "**PRC EIT**")		
— for the year	**153,502**	99,003
— Over-provision in prior years	**(3,315)**	(821)
	150,187	98,182
Deferred tax		
— for the year	**766**	(1,006)
Income tax expense	**150,953**	97,176

9. INCOME TAX EXPENSE — Continued

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company incorporated in the Cayman Islands and the Company's subsidiary incorporated in 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% (2020: 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% (2020: 25%) in general.

According to the Announcement of No.13 (2019) issued by the Ministry of Finance and the State Taxation Administration of the PRC, "Implementing the inclusive tax deduction and exemption policies for micro and small enterprises", for one of the subsidiaries of the Group located in the PRC, if its annual taxable profits do not exceed RMB1 million, only 25% of such amount is taxable with a tax rate of 20%; while if its annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at a tax rate of 25%.

And supplemented with the Announcement of No.12 (2021) issued the Ministry of Finance and the State Taxation Administration of the PRC, "Implementing the preferential income tax policies for micro and small enterprises and individual industrial and commercial households", for the period from 1 January 2021 to 31 December 2022, if its annual taxable profits do not exceed RMB1 million, only 12.5% of such amount is taxable at 20%; while if its annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at the tax rate of 25%.

Pursuant to the income tax rules and regulations of the PRC, the provision for the PRC EIT of certain PRC subsidiaries of the Group located in the West Regions is calculated basing on the preferential tax rate of 15% (2020: 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 the comprehensive income represents:

	2021	2020
	RMB'000	*RMB'000*
Profit before income tax expense	**1,039,020**	637,859
Tax calculated at the PRC EIT statutory tax rate of 25% (2020: 25%)	**259,755**	159,465
Different tax rates applied according to the relevant tax laws	**3,875**	—
Revenue not taxable for tax purposes	**(1,411)**	—
Expenses not deductible for tax purposes	**95**	62
Effect of tax preferential rates granted to the eligible PRC subsidiaries	**(105,507)**	(66,915)
Tax losses/temporary difference not recognised	**860**	8,819
Utilisation of unrecognised tax losses	**(3,399)**	(3,434)
Over-provision in respect of prior years	**(3,315)**	(821)
	150,953	97,176

The weighted average effective tax rate was 14.5% (2020: 15.2%).

10. DIVIDENDS

	2021 *RMB'000*	2020 *RMB'000*
Dividend recognised as distribution during the year:		
2020 final dividend of RMB0.07 per Share	**216,273**	—

No interim dividend was paid or proposed for both years.

The Board of directors does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK$0.079 (equivalent to approximately RMB0.07) per Share, approximately RMB216,273,000).

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:

	2021	2020
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)*	**888,067**	540,683
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**3,066,439,973**	2,254,109,589
Basic and diluted earnings per share *(RMB)*	**0.29**	0.24

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2021 included the weighted average number of shares pursuant to exercise of the over-allotment option of 69,090,000 shares on 20 January 2021 (Note 16) and 3,000,000,000 shares issued throughout the year ended 31 December 2020.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2020 included the weighted average number of shares pursuant to issuance of shares of 750,000,000 shares and 2,250,000,000 shares issued throughout the year ended 31 December 2020.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2021 and 2020.

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 2021, the movement of property, plant and equipment was as follow:

(1) Assets amounted to approximately RMB138,189,000 (2020: approximately RMB62,583,000) were acquired; and

(2) Assets with a net book value of approximately RMB16,624,000 (2020: approximately RMB4,195,000) were disposed of by the Group, resulting in a net loss on disposal of approximately RMB15,529,000 (2020: approximately RMB4,027,000).

13. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**69,864**	78,603
Work-in-progress	**12,673**	9,608
Finished goods	**132,918**	62,150
	215,455	150,361

14. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,298,047**	1,198,068
Less: Loss allowance	**(6,880)**	(11,981)
	1,291,167	1,186,087

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.

14. TRADE RECEIVABLES — Continued

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**955,443**	561,353
1 to 2 months	**330,831**	326,328
2 to 3 months	**11,773**	310,191
Over 3 months	**—**	196
	1,298,047	1,198,068

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

	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**11,981**	5,276
(Reversal of)/provision for impairment loss recognised on trade receivables, net *(Note 8)*	**(5,101)**	6,705
As at 31 December	**6,880**	11,981

15. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**358,167**	338,531

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

	2021	2020
	RMB'000	*RMB'000*
Within six months	**358,167**	338,531

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

16. SHARE CAPITAL

	Number *'000*	Amount *HK$'000*	Amount *RMB'000*
Ordinary shares of par value of HK$0.1 each			
Authorised			
As at 1 January 2020	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, 1 January 2021 and 31 December 2021	**10,000,000**	**1,000,000**	**844,130**
Issued and fully paid			
As at 1 January 2020	100	10	9
Issuance of shares for Capitalisation Issue *(Note (ii))*	750,000	75,000	63,309
Issuance of new shares upon listing *(Note (ii))*	2,249,900	224,990	189,921
As at 31 December 2020 and 1 January 2021	3,000,000	300,000	253,239
Exercise of the over-allotment option *(Note (iii))*	69,090	6,909	5,779
As at 31 December 2021	**3,069,090**	**306,909**	**259,018**

Notes:

(i) On 2 December 2020, the authorised share capital of the Company was increased from HK$380,000,000 divided into 3,800,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of additional 6,200,000,000 Shares which rank pari passu in all respects with the Shares issued before 2 December 2020.

(ii) In connection with the Company's issuance of new shares upon listing, the Company allotted and issued 300,000,000 shares and 450,000,000 shares of HK$0.1 each at a price of HK$1.77 per Share on 28 December 2020 and 29 December 2020 respectively as a result of the completion of listing. The gross proceeds from issuance of new shares of approximately RMB1,125,110,000 (equivalent to approximately HK$1,332,865,000) of which approximately RMB63,309,000 (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**").

16. SHARE CAPITAL — Continued

Notes: — Continued

(iii) On 20 January 2021, over-allotment option in relation to initial public offering in the Stock Exchange of the Group was partially exercised and an aggregate of 69,090,000 Shares were issued at a price of HK$1.77 per Share accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately RMB101,249,000 (equivalent to HK$122,289,000), of which RMB5,779,000 were credited to the Company's share capital account. The remaining proceeds of RMB95,470,000 were credited to the Company's share premium account.

17. EVENT AFTER THE REPORTING DATE

Material events after the reporting date of the Group are as below:

(i) On 6 January 2022, a subsidiary of the Group, namely Huisen Environmental Protection Material Technology (Ganzhou) Co., Limited ("**Huisen Environmental**") entered into agreements with the Ganzhou Local Government, that Huisen Environmental should buy and the Ganzhou Local Government should sell the land use right of two parcels of land at RMB2,580,000 and RMB1,450,000 respectively. The final payment was made on 20 January 2022 and the Group is in the procedures for obtaining the land certificates.

(ii) On 14 January 2022, the Company announced that, for the benefit of expanding the smart furniture business segment of the Group, the Company granted the following share options to seven eligible participants (the "Grantees"), being external consultants of the Group, subject to the acceptance of the Grantees, under its share option scheme adopted on 2 December 2020.

The date of grant was 14 January 2022, 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 excise 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In FY2021, various difficulties such as COVID-19 pandemic continues, the rising cost of labour, and global shortage of intermodal container that hit our customers in waves and challenged the furniture industry. A new variant strain of COVID-19, Omicron, has blurred the future of the world's economic recovery.

Although China and the world's major economies, including developed countries such as Europe and the United States, were recovering gradually, the mutation of the COVID-19 has led to the recurrence of the pandemic and some parts of the world are still plagued by the pandemic, resulting in the closure or interruption of factory production; with the success achieved in the prevention of pandemic in China, resumption of work and production were successfully sped up in various industries, which led the products manufactured in China to become more popular around the world. With the quantitative easing monetary policy of Europe and the United States, the real estate market of the developed economies, especially the United States, was thriving, which led to a surging growth of the furniture industry. China's furniture exporters further attracted orders from countries around the world, ushering in an opportunity for a rapid growth.

The high-quality-approach development and proactive measure in response to COVID-19 pandemic from the furniture enterprises have achieved good results in both export and domestic sales in FY2021. In FY2021, the export value of furniture products and parts manufactured in China reached to approximately RMB477.19 billion, a year-on-year increase of approximately 18.2%, according to the statistics of the General Administration of Customs.

Business Review

During FY2021, the Group has been constantly uncovering the potential of our existing factories to raise the utilisation rate of our production capacity without relaxing the preventive measures adopted for the pandemic and continue to put effort to safeguard the lives and safety of our staff; on the other hand, the Group also accelerated the implementation of fundraising and investment projects. Although the Group was still affected by the outbreak of COVID-19 pandemic in some provinces of China from time to time, various fundraising and investment projects were off to a good start. During FY2021, both production and sales of the Group have been achieved considerable growth.

Business Review — Continued

During FY2021, the principal businesses of the Group are manufacturing and selling of panel-type furniture, upholstered furniture, sport-type furniture and customised furniture; while we ceased the production of outdoor furniture, which was mainly due to (1) the decrease in the number of orders for outdoor recreational equipment as outdoor activities were greatly reduced during the outbreak of COVID-19 pandemic; and (2) the outdoor recreational equipment production facilities took up more space than other furniture products of the Group. In order to increase the efficiency of the manufacturing facilities, the Group had adjusted the product portfolio and ceased the production of outdoor recreational equipment and reserved more space for manufacturing panel-type furniture and upholstered furniture. The furniture products of the Group were mainly sold in wholesale to overseas markets such as the United States and including direct sales orders from overseas retail chain stores or through furniture traders.

In FY2021, the Group continued to strengthen its design capability and launch more original design manufacturing ("**ODM**") products. During FY2021, the sales of ODM products accounted for more than 82% of the Group's revenue (FY2020: approximately 80.0%), and the proportion of sales of ODM products maintained an increase for four consecutive years.

As the global economy was hit hard by the pandemic, some of the small and medium-sized furniture traders reduced their orders. The Group has continued with the same business strategies as adopted in FY2020, such as strategically focusing on maintaining the relationship with customers such as overseas retail chain stores and furniture traders, prudently expanded business with small and medium-sized enterprises and maintained a high-quality customer base. The number of customers of the Group in FY2021 was basically stable compared to FY2020. In FY2021, the sales to the top five customers increased to a large extent, and the sales growth rate to the top five customers exceeded 30%. The Group is also actively negotiating with the world's largest home furnishing chain store companies. During FY2021, our Group has entered into a cooperation agreement with a well-known home furnishing chain store company in the United States. The Group passed the factory quality control requested by this company and has started sales since January 2022.

Business Review — Continued

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

On 16 June 2021, the Group has entered into a strategic cooperation agreement with Jiangxi University of Science and Technology (江西理工大學) to further enhance the cooperation in relation to the research and development of smart furniture, including but not limited to professional and technical personnel training provided by Jiangxi University of Science and Technology to the staff of the Group and the establishment of the Smart Furniture Research Institute (智能家具研究院) to focus on the research and development of smart furniture and prefabricated decoration.

On 6 January 2022, the Group has entered into an agreement with the local government authority to obtain the right to use for two pieces of lands (totally 33,539.30 square metres) in Nankang District, Ganzhou for the construction of a new factory which will be devoted to the production of particleboards and is in close proximity to the factory operated by Ganzhou Aigesen Wood Panel Co., Limited* (贛州愛格森人造板有限公司). For further details regarding the construction of the new factory, please refer to the prospectus of the Company dated 14 December 2020（the "**Prospectus**"）

* *For identification purpose only*

Financial Review

During FY2021, the revenue of the Group amounted to approximately RMB5,139 million, representing an increase of 31.9% as compared to approximately RMB3,896 million in FY2020, while the net profit recorded an increase of 64.2% as compared to FY2020. It was mainly due to the increase of overall gross profit margin contributed by the increase in the average selling price of some products and the overall increase in sales volume.

Revenue and Gross Profit Margin by Product Types:

	FY2021			FY2020			
	Revenue *(RMB'000)*	**Proportion** *(%)*	**Gross Profit Margin** *(%)*	Revenue *(RMB'000)*	Proportion *(%)*	Gross Profit Margin *(%)*	Change Revenue *(%)*
Panel-type furniture	**4,829,553**	**94.0**	**24.9**	3,606,286	92.6	23.7	33.9
Upholstered furniture	**155,134**	**3.0**	**34.1**	129,879	3.3	33.4	19.4
Outdoor/sport-type furniture	**154,470**	**3.0**	**29.3**	159,383	4.1	28.0	(3.1)
Total	**5,139,157**	**100.0**	**25.3**	3,895,548	100.0	24.2	31.9

In FY2021, the Group's overall revenue increased by approximately 31.9%. The increase in revenue of panel-type furniture and upholstered furniture was mainly due to the benefit from the robust demand from the European and the American markets. Revenue from outdoor/sport-type furniture dropped mainly because the Group ceased to produce outdoor recreational furniture in FY2021. The revenue of panel-type furniture has increased compared with FY2020, mainly due to the surging demand for panel-type furniture from the European and American markets in FY2021.

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 FY2021, the revenue of panel-type furniture increased by 33.9%. The gross profit margin of panel-type furniture recorded a slight increment due to the higher gross profit margins from some of our newly launched products, as well as the increase in average selling prices for some of our existing products, which partially offset the impact of the depreciation of the U.S. dollar against the RMB.

Financial Review — Continued

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 explore new markets. The Group's upholstered furniture mainly includes sofas. During FY2021, the revenue of upholstered furniture increased by 19.4%. The gross profit margins for both FY2020 and FY2021 were relatively stable, and certain products with high gross profit margin recorded a higher sales.

Outdoor/sport-type Furniture

This includes outdoor recreational furniture, sports and recreational equipment. Sports and recreational equipment mainly include table tennis tables and pool tables. During FY2021, the revenue from sport-type furniture amounted to approximately RMB154 million, representing a decrease of approximately 3.1% from FY2020. The gross profit margin increased from approximately 28.0% for FY2020 to 29.3% for FY2021, which was mainly due to the increase in the average selling prices of certain products and cessation of production and selling of outdoor recreation furniture with low gross profit margin in FY2021.

Sales by Geographical Regions

The table below sets out the breakdown of sales of furniture products by geographical regions based on delivery destinations as requested by customers during FY2021 and FY2020:

	FY2021		FY2020		Change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
United States	**3,457,208**	**67.3**	2,613,090	67.1	32.3
The PRC	**247,608**	**4.8**	217,494	5.6	13.8
Singapore	**221,285**	**4.3**	164,096	4.2	34.9
Malaysia	**146,093**	**2.8**	109,511	2.8	33.4
Vietnam	**119,188**	**2.3**	82,369	2.1	44.7
Canada	**128,272**	**2.5**	73,640	1.9	74.2
Other locations	**819,503**	**16.0**	635,348	16.3	29.0
Total	**5,139,157**	**100.0**	3,895,548	100.0	31.9

Financial Review — Continued

Revenue generated from sales to the United States is still the most significant among all the geographical locations. The revenue derived from the sales of furniture product with the United States as the delivery destination increased by 32.3% during FY2021 compared to FY2020 and the sales ratio to our total revenue increased from 67.1% for FY2020 to 67.3% for FY2021, representing an increase of 0.2%, which was mainly due to the increase in furniture demand driven by the growth in the real estate market in the United States. Sales in the PRC increased by 13.8%, which was mainly due to the strategies adopted by the Group for the expansion of sales to customers from China during FY2021. The revenue generated from sales to Malaysia, Vietnam, and Canada as delivery destination also achieved higher growth during FY2021 as compared to FY2020, mainly due to the Group's efforts to expand sales outside the United States.

Sales to Top Five Customers

The table below sets out an analysis of sales to the top five customers of the Group for FY2021 and FY2020:

Name of Customer	**FY2021**		FY2020		
	Revenue *(RMB'000)*	**Proportion** *(%)*	Revenue *(RMB'000)*	Proportion *(%)*	Change *(%)*
Customer A	**1,294,106**	**25.2**	957,298	24.6	35.2
Customer C	**1,021,921**	**19.9**	778,799	20.0	31.2
Customer E	**799,672**	**15.6**	602,234	15.5	32.8
Customer D	**705,858**	**13.7**	524,618	13.5	34.5
Customer B	**639,573**	**12.4**	480,325	12.3	33.2
Total	**4,461,130**	**86.8**	3,343,274	85.9	33.4

A stable and long-term business relationship is fundamental to the Group's success. The Group has strategically prioritised orders placed by the major customers. The Group has maintained a long-term relationship with each of top five customers in particular, the Group has established a direct and stable long-term business relationship with Walmart Group since 2012. As a result, the sales of the top 5 customers during FY2021 have recorded an increase of approximately 33.4% compared to FY2020, and the revenue from the top five customers of the Group accounted for approximately 86.8% of the total revenue for FY2021, representing an increase of approximately 0.9% from approximately 85.9% for FY2020.

Financial Review — Continued

Sales of ODM and Original Equipment Manufacturing ("OEM") Furniture: (Exclude Panels Boards or customised household products)

	FY2021		FY2020		Change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
ODM	**4,222,757**	**82.5**	3,106,141	80.0	35.9
OEM	**895,447**	**17.5**	775,715	20.0	15.4
Total	**5,118,204**	**100.0**	3,881,856	100.0	31.8

The Group always attaches great importance to the improvement of independent research and development capabilities and continues to expand its sales in ODM to increase the dependence of our customers and the competitiveness of the Group. As for the OEM, we strictly follow the specifications and requirements provided by our customers. During FY2021, sales from ODM increased by approximately 35.9% compared to FY2020 and accounted for approximately 82.5% of the total revenue with an increase of approximately 2.5% from FY2020. The remaining were arisen from OEM business with an increase of approximately 15.4% while its proportion accounted for the total revenue decreased to approximately 17.5% compared to approximately 20.0% in FY2020.

Cost of Sales

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

	FY2021	FY2020	Change
	(RMB'000)	*(RMB'000)*	*(%)*
Cost of all material consumed	**3,213,357**	2,444,670	31.4
Overhead costs	**358,072**	298,156	20.1
Direct labour	**236,467**	191,729	23.3
Subcontracting fees	**32,056**	16,848	90.3
Total	**3,839,952**	2,951,403	30.1

Financial Review — Continued

The Group's cost of sales during FY2021 increased by approximately 30.1% from approximately RMB2,951 million in FY2020 to approximately RMB3,840 million in FY2021, which was driven by the growth of sales. The subcontracting fee increased by approximately 90.3% for a year-on-year comparison mainly due to the significant increase in orders from customers during the FY2021, which increased the need of subcontracting of manufacturing works to ensure a timely delivery of the products.

Other Gains and Losses

Other gains and losses include the following:

	FY2021 ***(RMB'000)***	FY2020 *(RMB'000)*
Exchange losses, net	**38,617**	85,308
Losses on disposal of property, plant and equipment	**15,529**	4,027
Total	**54,146**	89,335

During FY2020, the exchange rate of U.S. dollar against RMB fluctuated significantly, while it was relatively stable during FY2021. Generally speaking, the exchange rate of U.S. dollar against RMB showed a downward trend but was less volatile when compared with the situation in FY2020. As a result, the Group encountered less exchange loss during the FY2021 than in FY2020. A higher disposal loss of property, plant and equipment was recorded during FY2021 as a higher number of aged equipment was disposed of. Whereas, the Group ensures the production efficiency by the renewal, modification and purchase of new equipment.

Use of Net Proceeds from the Global Offering

The Shares were listed on the Stock Exchange on 29 December 2020 by way of global offering (the "**Global Offering**"). The net proceeds from the Global Offering, after deducting the underwriting commission and other expenses payable by the Company, amounted to approximately HK$1,280.69 million. In addition, pursuant to the partial exercise of the over-allotment option on 15 January 2021, the additional net proceeds of approximately HK$121.06 million was received by the Company from the issue and allotment of over-allotment shares after deducting the underwriting commission and other estimated expenses. The following table sets out the breakdown of the use of net proceeds from the Global Offering as described and defined in the Prospectus:

Use of Net Proceeds from the Global Offering — Continued

	Net proceeds *(HK$ million)* *(approximately)*	Percentage of net proceeds *(%)* *(approximately)*	Actual amount utilised as of 31 December 2021 *(HK$ million)* *(approximately)*	Actual amount unutilised as of 31 December 2021 *(HK$ million)* *(approximately)*	Expected date for fully utilisation of unutilised proceeds
Establishment of a new manufacturing compartment to manufacture panel-type furniture and upholstered furniture	636	45.4%	28	608	On or before 30 June 2023
Construction of the second phase of the factory of the Group in Nankang, Ganzhou, Jiangxi Province, China	463	33.0%	1	462	On or before 30 June 2023*(Note 1)*
Upgrading the production line in the existing production facilities by acquiring more advanced and automated machineries and equipment for the factory of the Group located in Longnan City, Ganzhou, Jiangxi Province, China	70	5.0%	70	—	N/A
Enhancing the product design, research and development capabilities	93	6.6%	7	86	On or before 31 December 2022
General replenishment of working capital and other general corporate purpose	140	10.0%	140	—	N/A
Total	1,402	100.0%	246	1,156	

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

Use of Net Proceeds from the Global Offering — Continued

Note 1: As of the date of this announcement, the Board is aware that there has been a delay in the expected timeline for the use of proceeds when compared to the implementation plan as disclosed in the Prospectus. The delay in use of proceeds is mainly due to the land for the second phase of the factory in Nankang is still pending for the PRC government's approval, therefore the construction of the second phase of the new factory has been delayed.

Summary of Consolidated Statement of Cash Flow

	FY2021 *(RMB'000)*	FY2020 *(RMB'000)*	Change *(%)*
Operating profits before working capital changes	**1,185,540**	792,821	49.5
Change in working capital	**157,532**	(54,486)	189.1
Income tax paid	**(152,395)**	(87,445)	74.3
Net cash generated from operating activities	**875,613**	650,890	34.5
Net cash generated used in investing activities	**(146,239)**	(25,971)	463.1
Net cash generated (used in)/from financing activities	**(240,151)**	938,293	(125.6)

As of 31 December 2021, the bank balances and cash of the Group were approximately RMB3,137 million (2020: approximately RMB2,648 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. We rely on cash from operations and external financing to operate and expand our business.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2021, the Group had short-term borrowings of approximately RMB366 million (31 December 2020: approximately RMB323 million) and long-term borrowings of approximately RMB121 million (31 December 2020: approximately RMB245 million). The Group's major bank borrowings were denominated in RMB and bear interest at both fixed or floating rates. The fixed interest rates ranged from 3.4% to 7.99% per annum (2020: 3.4% to 7.99% per annum).

The Group's main sources of working capital are cash flows from operating activities and bank deposits. As at 31 December 2021, the Group's current ratio was approximately 5.5 (31 December 2020: approximately 5.1). As at 31 December 2021, the Group's gearing ratio was approximately 10.5% (31 December 2020: approximately 14.6%), which is calculated by dividing the total debt by the Equity attributable to the equity owners of the Company.

INVENTORY PROVISION

As of 31 December 2021, the Group has not made any provision for impairment of inventories (31 December 2020: Nil). The Group estimates whether to withdraw inventory provision based on the inventory turnover days and sales performance of each product. During FY2021, 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 2021, our trade receivables (net of impairment provision) amounted to approximately RMB1,291.17 million (31 December 2020: approximately RMB1,186.09 million). Such increase in trade receivables was mainly due to the increase in our revenue. As of 31 December 2021, impairment provision for trade receivables of approximately RMB6.88 million (31 December 2020: approximately RMB11.98 million) has been made.

PLEDGE OF ASSETS

As of 31 December 2021, the Group's certain land use right included in right-of-use assets, buildings and machineries included in property, plant and equipment with an aggregate carrying amount of approximately RMB408.82 million (31 December 2020: approximately RMB432.73 million) were pledged to secure borrowings granted to the Group.

As of 31 December 2021, the Group's land use right included in right-of-use assets and machineries included in property, plant and equipment with an aggregate carrying amount of approximately RMB67.49 million (31 December 2020: approximately RMB33.58 million) were pledged to non-related parties for corporate guarantee provided by non-related parties on banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had capital commitments amounted to approximately RMB6 million for the purpose of acquisition of intangible assets (31 December 2020: no significant capital commitments).

As at 31 December 2021, the Group had no significant contingent liabilities (31 December 2020: no significant contingent liabilities).

FOREIGN EXCHANGE EXPOSURE

During FY2021, the Group has not adopted any financial instrument to hedge the foreign currency exchange risks. Since most of the revenue is settled in U.S. dollars, short term depreciation of the U.S. dollars may reduce the overseas sales income settled in U.S. dollars, which may also influence the Group's financial conditions and profitability.

HUMAN RESOURCES AND TRAINING

As of 31 December 2021, the Group had a total 3,223 employees (31 December 2020: 3,161 employees), the total staff costs were approximately RMB298.6 million (31 December 2020: approximately RMB239 million). The remuneration package of the employees is reviewed based on their work performance, experience and current market level.

We organise team-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. The Board believe such initiatives have contributed to the increased employee productivity.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisitions or disposals of subsidiaries or associated companies of the Company during FY2021.

SIGNIFICANT INVESTMENT

During FY2021, there was no significant investment with a value of 5% or more of the Company's total assets held by the Company.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for FY2021 (FY2020: HK7.9 cents (equivalent to approximately RMB7 cents) per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting ("**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 Thursday, 16 June 2022.

BUSINESS OUTLOOK

Looking ahead to the year ending 31 December 2022 ("**FY2022**"), with the gradual increase in vaccination rate against COVID-19 in various countries and the accumulation of experience in the prevention and control of the pandemic, coupled with the development of the economic level of different countries and the improvement of disposable income per capita and living conditions, the willingness to consume furniture will continue to grow. Specifically, there is a stable demand for furniture from the developed countries and regions, such as Europe, America, Japan and South Korea, as their degree of urbanisation is high, the consumption power of their resident is strong, leading to a higher living standard from these end customers and a huge demand for renovation of obsoleted homes and furniture for rental home; for countries with an emerging market, the demand for furniture is increasing with the expansion of housing demand due to the advancing progress of urbanisation and the increase in the size of the urban population.

Although the developed economies led by the United States will tighten the monetary policy and gradually increase the interest rates, making the real estate market in FY2022 full of uncertainties and so bringing the uncertainties to China's furniture exporters, the manufacturing industry, including the furniture industry, of China still has an irreplaceable international competitiveness as China is a country with the world's most complete supply chain. The global economic cycle model of "Made in China and consumed by the world" will continue to exist for a long time.

In FY2022, we will firmly adhere to the unchangeable factors of the Group's solid core competitive advantages, comprehensively and constantly strengthen the Group's management, push forward the fundraising and investment projects in a timely and orderly manner, and continuously expand the international large-scale retail chain customers base, so as to contribute a concrete foundation to the Group's long-term development. In mid of this business atmosphere full of the pursuit of short-term satisfactions, we always stick to our original aspirations and pursue long-term achievements, strive to achieve stable and long-term goals of the Group, and create a long-term value for the society.

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 for FY2021.

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 for FY2021.

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 for FY2021.

AUDIT COMMITTEE

The Company has established an audit committee which comprises the four independent non-executive directors of the Company, namely Mr. Suen To Wai, Mr. Lau Jing Yeung William, Mr. Gao Jianhua and Ms. Leong Mali. 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 FY2021, 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 FY2021 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 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for FY2021 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 2021 annual report of the Company.

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

Hong Kong, 25 March 2022

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