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 2022

FINANCIAL HIGHLIGHTS

- The revenue of Huisen Household International Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2022 ("**FY2022**") was approximately RMB3,015 million representing a decrease of approximately 41.3% as compared to approximately RMB5,139 million for the year ended 31 December 2021 ("**FY2021**").

- The profit for FY2022 was approximately RMB334 million representing a decrease of approximately 62.4% as compared to approximately RMB888 million for FY2021, which was mainly due to the decrease in demand for furniture in the real estate market as a result of the continued interest rate hikes in Europe and U.S. in FY2022, as well as the decline in price of some of the Group's products against the backdrop of the continued appreciation of the U.S. dollar against the RMB.

- Basic and diluted earnings per share of the Company (the "**Share**") was RMB10.91 cents for FY2022 and RMB28.96 cents for FY2021.

- The board of directors of the Company (the "**Board**") did not recommend the payment of final dividend for FY2022 (FY2021: nil).

CONSOLIDATED ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board is pleased to announce the consolidated results of the Group for FY2022 together with the comparative figures for FY2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**3,015,191**	5,139,157
Cost of sales		**(2,470,417)**	(3,839,952)
Gross profit		**544,774**	1,299,205
Other revenue		**32,260**	29,663
Other gains and losses	6	**74,753**	(54,146)
Distribution and selling expenses		**(66,868)**	(95,239)
Administrative expenses		**(159,305)**	(108,798)
Equity-settled share-based payment expenses		**714**	—
(Provision for)/reversal of impairment loss recognised on trade receivables, net		**(9,938)**	5,101
Finance costs	7	**(24,971)**	(36,766)
Profit before income tax expense	8	**389,991**	1,039,020
Income tax expense	9	**(55,523)**	(150,953)
Profit and total comprehensive income for the year		**334,468**	888,067
Total comprehensive income for the year attributable to:			
Owner of the Company		**334,900**	888,067
Non-controlling interest		**(432)**	—
		334,468	888,067
Earnings per share for profit attributable to the shareholders of the Company			
— Basic and diluted *(RMB cent)*	11	**10.91**	28.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**1,271,395**	933,949
Right-of-use assets		**60,218**	46,480
Intangible assets		**12,000**	—
Interest in an associate		**—**	—
Prepayments for acquisition of property, plant and equipment and intangible assets		**96,771**	6,946
Other receivables		**—**	940
Deferred tax assets		**6,780**	1,029
Total non-current assets		**1,447,164**	989,344
Current assets			
Inventories	*13*	**1,041,808**	215,455
Trade receivables	*14*	**773,158**	1,291,167
Prepayments, deposits and other receivables		**136,153**	53,206
Short-term bank deposits		**800,000**	—
Cash and cash equivalents		**1,505,808**	3,137,071
Total current assets		**4,256,927**	4,696,899
Total assets		**5,704,091**	5,686,243
Current liabilities			
Trade payables	*15*	**188,720**	358,167
Other payables and accruals		**51,095**	86,734
Borrowings		**293,819**	365,513
Lease liabilities		**10,171**	8,035
Income tax payable		**5,457**	32,639
Total current liabilities		**549,262**	851,088
Net current assets		**3,707,665**	3,845,811
Total assets less current liabilities		**5,154,829**	4,835,155

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — Continued

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings		**100,000**	120,519
Lease liabilities		**3,255**	1,244
Total non-current liabilities		**103,255**	121,763
NET ASSETS		**5,051,574**	4,713,392
Capital and reserves attributable to owners of the Company			
Share capital	16	**259,018**	259,018
Reserves		**4,789,988**	4,454,374
		5,049,006	4,713,392
Non-controlling interest		**2,568**	—
TOTAL EQUITY		**5,051,574**	4,713,392

1. GENERAL INFORMATION

Huisen Household International Group Limited (the "**Company**") was incorporated in the Cayman Islands on 16 March 2018, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares 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.

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

(a) Adoption of new or amended HKFRSs — effective 1 January 2022

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	Conceptual Framework for Financial Reporting
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (revised)[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 The amendment shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

Amendments to HKAS 1 and HKFRS Practice Statement 2 replace the requirement of entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies.

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. The amendments to HKFRS Practice Statement 2 provide guidance on applying materiality judgements on accounting policy disclosures. In assessing the materiality of accounting policy information, entities are required to consider both the size of the transactions, other events or conditions and the nature of them. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

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 Group's 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 8, Disclosures of Accounting Estimates

Amendments to HKAS 8 provide a new definition for accounting estimates. The new definition states that accounting estimates are monetary amounts that are subject to material uncertainty. The amendments clarify the distinction among changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

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 Group's consolidated financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

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 Group's consolidated financial statements.

Amendments to HKAS 16, Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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 Group's 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 1, Non-current Liabilities with Covenants

Amendments to HKAS 1 Non-current Liabilities with Covenants clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

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 Group's consolidated financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to the Hong Kong Interpretation 5 (Revised)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 (Revised) was revised to align the corresponding wording with no change in conclusion.

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 Group's 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 HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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 Group's 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	
	2022	2021
	RMB'000	*RMB'000*
The United States of America (the "**United States**" or "**U.S.**")	**1,841,591**	3,457,208
The PRC	**215,891**	247,608
Singapore	**89,868**	221,285
Malaysia	**83,420**	146,093
Vietnam	**78,734**	119,188
Canada	**81,520**	128,272
Other locations	**624,167**	819,503
	3,015,191	5,139,157

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 2022 and 2021, 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.

4. SEGMENT INFORMATION — Continued

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A	**714,364**	1,294,106
Customer B	**375,745**	639,573
Customer C	**611,236**	1,021,921
Customer D	**402,007**	705,858
Customer E	**417,571**	799,672
	2,520,923	4,461,130

5. REVENUE

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

	2022	2021
	RMB'000	*RMB'000*
Panel-type furniture	**2,821,086**	4,829,553
Upholstered furniture	**96,218**	155,134
Sport-type furniture	**95,932**	154,470
Tailor-made furniture	**1,955**	—
	3,015,191	5,139,157
Timing of revenue recognition		
At a point in time	**3,015,191**	5,139,157
Transferred over time	**—**	—
	3,015,191	5,139,157

As at 31 December 2022, no transaction price was allocated to the remaining performance obligations under the Group's existing contracts (2021: Nil).

6. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Exchange (gains)/losses, net	**(80,620)**	38,617
Losses on disposal of property, plant and equipment	**5,867**	15,529
	(74,753)	54,146

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**24,429**	35,980
Interest expenses on lease liabilities	**542**	786
	24,971	36,766

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2022	2022
	RMB'000	*RMB'000*
Auditors' remuneration	**2,178**	1,980
Cost of inventories recognised as expenses *(Note)*	**2,442,015**	3,839,952
Provision for impairment of inventories	**28,402**	—
Depreciation charge:		
— Owned property, plant and equipment	**109,892**	103,665
— Right-of-use-assets	**5,535**	4,510
	115,427	108,175
Equity-settled share-based payments to external consultants	**714**	—
Research and development costs	**57,318**	9,474
Employee costs	**283,643**	298,602

Note: Cost of inventories recognised as expenses includes RMB529,736,000 (2021: RMB626,595,000) 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 statement of profit or loss and other comprehensive income represents:

	2022	2021
	RMB'000	*RMB'000*
Current tax —Enterprise Income Tax of the PRC (the "**PRC EIT**")		
— for the year	**61,179**	153,502
— Under/(over)-provision in prior years	**95**	(3,315)
	61,274	150,187
Deferred tax		
— for the year	**(5,751)**	766
Income tax expense	**55,523**	150,953

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% (2021: 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% (2021: 25%).

According to the Announcement of No.12 (2021) and No. 13 (2022) issued by the Ministry of Finance and the State Taxation Administration of the PRC, "Further Implementing Income Tax Preferential Policies for Small and Micro Enterprises", for one of the subsidiaries of the Group located in the PRC, the tax rate would be at a reduced rate. For the year ended 31 December 2022, if the 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 25% (2021: 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%.

Pursuant to the income tax rules and regulations of the PRC, the provision for the PRC EIT of the PRC subsidiaries of the Group located in the West Regions is calculated based on the preferential tax rate of 15% (2021: 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 statement of profit or loss and other comprehensive income represents:

	2022	2021
	RMB'000	*RMB'000*
Profit before income tax expense	**389,991**	1,039,020
Tax calculated at the PRC EIT statutory tax rate of 25% (2021: 25%)	**97,497**	259,755
Different tax rates applied according to the relevant tax laws	**(17,732)**	3,875
Revenue not taxable for tax purposes	**(188)**	(1,411)
Expenses not deductible for tax purposes	**4,781**	95
Effect of tax preferential rates granted to the eligible PRC subsidiaries	**(36,856)**	(105,507)
Tax losses/temporary difference not recognised	**8,305**	860
Utilisation of unrecognised tax losses	**(379)**	(3,399)
Under/(over)-provision in respect of prior years	**95**	(3,315)
	55,523	150,953

The weighted average effective tax rate was 14.2% (2021: 14.5%).

10. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
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 2022 (2021: Nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	2022	2021
Profit for the year attributable to owners of the Company for the purpose of computation of basic and diluted earnings per share *(RMB'000)*	**334,900**	888,067
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**3,069,090,000**	3,066,439,973
Basic and diluted earnings per share *(RMB cent)*	**10.91**	28.96

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2022 included 3,069,090,000 shares issued throughout the year ended 31 December 2022.

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 and 3,000,000,000 shares issued throughout the year ended 31 December 2021.

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 2022 and 2021.

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 2022, the movement of property, plant and equipment was as follow:

(1) Assets amounted to approximately RMB453,210,000 (2021: approximately RMB138,189,000) were acquired; and

(2) Assets with a net book value of approximately RMB5,872,000 (2021: approximately RMB16,624,000) were disposed of by the Group, resulting in a net loss on disposal of approximately RMB5,867,000 (2021: approximately RMB15,529,000).

13. INVENTORIES

	2022 *RMB'000*	2021 *RMB'000*
Raw materials	**574,139**	69,864
Work-in-progress	**5,714**	12,673
Finished goods	**490,357**	132,918
	1,070,210	215,455
Less: Provision for impairment of inventories	**(28,402)**	—
	1,041,808	215,455

14. TRADE RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**789,976**	1,298,047
Less: Loss allowance	**(16,818)**	(6,880)
	773,158	1,291,167

The Group's trading terms with customers are mainly on credit. The credit terms are generally 30 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:

	2022 *RMB'000*	2021 *RMB'000*
Within 1 month	**164,944**	955,443
1 to 2 months	**142,312**	330,831
2 to 3 months	**179,986**	11,773
Over 3 months	**302,734**	—
	789,976	1,298,047

14. TRADE RECEIVABLES — Continued

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

	2022	2021
	RMB'000	*RMB'000*
As at 1 January	**6,880**	11,981
Provision for/(reversal of) impairment loss recognised on trade receivables, net	**9,938**	(5,101)
As at 31 December	**16,818**	6,880

15. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**188,720**	358,167

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

	2022	2021
	RMB'000	*RMB'000*
Within six months	**188,720**	358,167

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 2021, 31 December 2021 and 31 December 2022	10,000,000	1,000,000	844,130
Issued and fully paid			
As at 1 January 2021	3,000,000	300,000	253,239
Exercise of the over-allotment option *(Note (i))*	69,090	6,909	5,779
As at 31 December 2021, 1 January 2022 and 31 December 2022	3,069,090	306,909	259,018

Notes:

(i) 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. REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee and audited by BDO Limited, the auditor of the Company. The unqualified auditor's report will be included in the 2022 annual report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2022, the developed countries in Europe and America successively released the pandemic control, abolished the subsidies during the pandemic and entered into the deflationary stage. Continued interest rate hikes and high housing prices reduced demand in the European and American real estate markets, which led to a downward spiral in the furniture market.

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

The local outbreak of the pandemic in PRC hindered the smooth supply chain to a certain extent. The domestic economic growth slows down and the consumption intention of domestic resident weakens.

In the relatively difficult times, furniture export industry in PRC was affected, and the export value of furniture products and parts manufactured in PRC decreased in 2022 as compared to 2021.

Business Review

In the face of the complex situation in 2022, the Group adhered to its strategic positioning and mission, and continued to strengthen its core competitiveness. On the one hand, the Group vigorously promoted its research and development projects and continued to increase its investment in research and development to lay a solid foundation for future development; on the other hand, the Group stepped up the implementation of the fund-raising projects and continued to optimize the personnel structure to reduce its expenses. Despite affected by the local outbreak of the pandemic in Mainland China from time to time, progress has been made in the various fund-raising projects. By the end of 2022, the construction of the main structure of the new production plant in Longnan County has been completed and the interior decoration and procurement of equipment are being accelerated; the second phase of the factory of the Group in Nankang, Ganzhou is in the stage of land formation, the research and development of smart home has made certain progress and the Group is applying for patents, and the upgrade of equipment in the Longnan plant has been completed, which has effectively improved the production efficiency and automation.

During FY2022, the principal businesses of the Group are manufacturing and selling of panel-type furniture, upholstered furniture, sport-type furniture and customised furniture. The furniture products of the Group were mainly sold in wholesale to the markets such as the United States and including direct sales through overseas retail chain stores or sales through furniture traders.

Business Review — Continued

In 2022, the Group continued to strengthen its original design capability and launch more original design manufacturing ("**ODM**") products. The sales of ODM products accounted for more than 80% of the Group's revenue during FY2022 and the proportion of sales of ODM products accounted for over 80% for many years.

Against the backdrop of the overall industry downturn, the Group's orders from customers decreased, while the number of customers remained largely stable and the top five customers remained unchanged, highlighting the Group's attractiveness and competitive edge in adverse situation. During FY2022, the Group acquired a new customer, Home-depot, a well-known chain store of furniture in the United States, which has already made certain sales in 2022. The Group's channel advantage was further consolidated.

Financial Review

During FY2022, the revenue of the Group amounted to RMB3,015 million, representing a decrease of 41.3% as compared to RMB5,139 million in 2021, while the net profit recorded a decrease of 62.3% as compared to 2021. It was mainly due to the decrease of orders during FY2022 and the decrease of overall gross profit margin contributed by the decrease in the selling price of some products.

Revenue and Gross Profit Margin by Product Types:

	2022			2021			
	Revenue *(RMB'000)*	**Proportion *(%)***	**Gross Profit Margin *(%)***	Revenue *(RMB'000)*	Proportion *(%)*	Gross Profit Margin *(%)*	Change in Revenue *(%)*
Panel-type furniture	**2,821,086**	**93.6**	**18.0**	4,829,553	94.0	24.9	−41.6
Upholstered furniture	**96,218**	**3.2**	**20.2**	155,134	3.0	34.1	−38.0
Sport-type furniture and customised furniture	**97,887**	**3.2**	**17.7**	154,470	3.0	29.3	−36.6
Total	**3,015,191**	**100.0**	**18.1**	5,139,157	100.0	25.3	−41.3

In 2022, the Group's overall revenue decreased by 41.3%, mainly due to the decline in demand for furniture as a result of the downturn in the real estate market in Europe and America.

Financial Review — Continued

Panel-type Furniture

The Group's panel-type furniture products include television cabinets, bookshelves, shelves, desks, and coffee tables. Panel-type furniture has always been the core revenue driver of the Group. During FY2022, the revenue of panel-type furniture decreased by 41.6%. The decrease in gross profit margin of panel-type furniture was attributable to the decrease in the selling price of some products of the Group affected by the continuous appreciation of the U.S. dollar against the RMB during the reporting period.

Upholstered Furniture

The Group's upholstered furniture mainly includes sofas. During FY2022, the revenue of upholstered furniture decreased by 38.0%. The decrease in gross profit margin of upholstered furniture was attributable to the decrease in the selling price of some products of the Group affected by the continuous appreciation of the U.S. dollar against the RMB during the reporting period.

Sport-type Furniture and Customised Furniture

This includes sports and recreational equipment and customised furniture. Sports and recreational equipment mainly include table tennis tables, foosball tables and pool tables. During FY2022, the revenue of Sport-type furniture and customised furniture amounted to RMB98 million representing a decrease of 36.6% as compared to the corresponding period of 2021. The decrease in gross profit margin of Sport-type furniture and customised furniture was attributable to the decrease in the selling price of some products of the Group affected by the continuous appreciation of the U.S. dollar against the RMB during the reporting period.

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 FY2022 and FY2021:

	2022		2021		Change
	RMB'000	***(%)***	*RMB'000*	*(%)*	*(%)*
United States	**1,841,591**	**61.1**	3,457,208	67.3	−46.7
The PRC	**215,891**	**7.2**	247,608	4.8	−12.8
Singapore	**89,868**	**3.0**	221,285	4.3	−59.4
Malaysia	**83,420**	**2.8**	146,093	2.8	−42.9
Vietnam	**78,734**	**2.6**	119,188	2.3	−33.9
Canada	**81,520**	**2.7**	128,272	2.5	−36.4
Other locations	**624,167**	**20.6**	819,503	16.0	−23.8
Total	**3,015,191**	**100.0**	5,139,157	100.0	−41.3

Financial Review — Continued

The sales from the United States still accounted for a significant portion of the revenue of the Group. During FY2022, the revenue derived from the sales of furniture products to the United States decreased by 46.7% as compared to the corresponding period of 2021, and the proportion has been decreased from 67.3% in 2021 to 61.1% in 2022, representing a decrease of 6.2%, mainly due to the decline in demand for furniture driven by the downturn in the real estate market in the United States. Sales in mainland China decreased by 12.8%, mainly due to decline in demand for furniture as a result of continued domestic real estate regulation and the impact of the pandemic. The sales from Malaysia, Canada and other regions also declined, mainly due to the decline in demand for furniture driven by the slowdown in world economic growth.

Sales to Top Five Customers

The table below sets out an analysis of sales to the top five customers of the Group for FY2022 and FY2021:

Customer	**2022**		2021		
	Revenue ***(RMB'000)***	**Proportion** ***(%)***	Revenue *(RMB'000)*	Proportion *(%)*	Change *(%)*
Customer A	**714,364**	**23.7**	1,294,106	25.2	−44.8
Customer C	**611,236**	**20.3**	1,021,921	19.9	−40.2
Customer E	**417,571**	**13.8**	799,672	15.6	−47.8
Customer D	**402,007**	**13.3**	705,858	13.7	−43.0
Customer B	**375,745**	**12.5**	639,573	12.4	−41.3
Total	**2,520,923**	**83.6**	4,461,130	86.8	−43.5

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. As a result, sales of the top five customers decreased by 43.5% during FY2022 as compared to 2021, and the aggregate sales to the top five customers accounted for 83.6%, representing a decrease of 3.2 percentage points as compared to 86.8% in 2021.

Financial Review — Continued

Sales of ODM and Original Equipment Manufacturing ("OEM") Furniture: (Exclude Panel-type or Customised Household Products)

	2022		2021		Change
	RMB'000	***(%)***	*RMB'000*	*(%)*	*(%)*
ODM	**2,427,778**	**81.1**	4,222,757	82.5	−42.5
OEM	**565,611**	**18.9**	895,447	17.5	−36.8
Total	**2,993,389**	**100**	5,118,204	100.0	−41.5

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 FY2022, the sales of ODM products accounted for 81.1% of the Group's revenue of furniture products and accounted for over 80% for many years.

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).

	2022	2021	Change
	(RMB'000)	*(RMB'000)*	*(%)*
Cost of materials consumed	**1,912,279**	3,213,357	(40.5)
Direct labour	**214,412**	236,467	(9.3)
Subcontracting fees	**20,000**	32,056	(37.6)
Overhead costs	**295,324**	358,072	(17.5)
Provision for impairment of inventories	**28,402**	—	—
Total	**2,470,417**	3,839,952	(35.7)

During FY2022, the Group's cost of sales decreased by 35.7% from approximately RMB3.84 billion in 2021 to approximately RMB2.470 billion in 2022, mainly due to the decrease in sales. Workers' basic wages were stable and overtime pay has been reduced, resulting in a slight decrease in direct labour.

Financial Review — Continued

Breakdown of Other Gains and Losses

Other gains and losses include the following breakdown:

	2022	2021
	(RMB'000)	*(RMB'000)*
Exchange (gains)/losses, net	**(80,620)**	38,617
Losses on disposal of property, plant and equipment	**5,867**	15,529
Total:	**(74,753)**	54,146

In 2021, the slight depreciation of U.S. dollar against the RMB resulted in exchange losses, while during FY2022, the significant appreciation of U.S. dollar against the RMB resulted in significant exchange gains. Less aged equipment were disposed during FY2022 as compared to 2021 resulting in a decrease in losses on disposal.

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 as described and defined in the prospectus of Global Offering (the "**Prospectus**") and expected schedule:

Use of Net Proceeds from the Global Offering — Continued

	Net proceeds *(HK$ million)*	Percentage	Amount utilised as of 31 December 2022 *(HK$ million)*	Amount unutilised as at 31 December 2022 *(HK$ million)*	Expected date for fully utilising the unutilised proceeds
Establishing new factory compartments for the manufacturing of panel furniture and upholstered furniture	636	45.4%	316	320	On or before 31 December 2023 *(Note 1)*
Construction of the second phase of the factory of the Group located in Nankang, Ganzhou, Jiangxi Province of the PRC	463	33.0%	10	453	On or before 30 June 2024 *(Note 2)*
Upgrading the production line in the current production facilities by acquiring more advanced and automated machineries and equipment for the furniture factory of the Group	70	5.0%	70	—	N/A
Enhancing the product design, research and development capabilities of the Group	93	6.6%	78	15	On or before 31 December 2023 *(Note 3)*
General replenishment of working capital and other general corporate purpose	140	10.0%	140	—	N/A
Total	1,402	100.0%	614	788	

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 was mainly due to the delay in the construction of new factory due to the land leveling work, the complex planning process and construction procedures and the time-consuming process for making application to and obtaining approval from the local government previously, and the delay in the construction of new factory also resulted in the delay in the procurement of machinery and equipment.

Use of Net Proceeds from the Global Offering — Continued

Note 2: 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 the use of proceeds was mainly due to the slow negotiation and approval process of the land of Nankang Phase II Factory with the PRC government, therefore the construction of the second phase of the new factory has been delayed.

Note 3: The delay in the use of proceeds on some research and development projects is due to the Company's different priorities in the timing of different research and development projects.

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

Summary of Consolidated Statement of Cash Flow

	2022	2021	Change
	(RMB'000)	*(RMB'000)*	*(%)*
Operating profits before working capital changes	**553,745**	1,185,540	(53.3)
Change in working capital	**(619,825)**	(157,532)	293.5
Income tax paid	**(88,456)**	(152,395)	(42.0)
Net cash (used in)/generated from operating activities	**(154,536)**	875,613	(117.6)
Net cash used in investing activities	**(1,353,483)**	(146,239)	825.5
Net cash used in financing activities	**(123,244)**	(240,151)	(48.7)

As of 31 December 2022, the cash and cash equivalents of the Group were approximately RMB1,505,808,000 (2021: RMB3,137,071,000).

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

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2022, the Group had short-term borrowings of approximately RMB294 million (31 December 2021: approximately RMB366 million) and long-term borrowings of approximately RMB100 million (31 December 2021: approximately RMB121 million). The Group's major bank borrowings were denominated in RMB and bear interest at both fixed or floating rates. The fixed or floating interest rates ranged from 3.4% to 7.6% per annum (2021: 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 2022, the Group's current ratio was approximately 7.8 (31 December 2021: approximately 5.5). As at 31 December 2022, the Group's gearing ratio was approximately 8.1% (31 December 2021: approximately 10.5%), 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 2022, the Group has made provision for impairment of inventories of RMB28 million (31 December 2021: Nil). The Group estimates whether to make inventory provision based on the inventory turnover days and sales performance of each product.

IMPAIRMENT OF TRADE 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 may adjust the credit period granted to these customers. We generally provide export sales and domestic sales customers with 90 days at maximum. We record trade receivables net of any impairment provision made.

As of 31 December 2022, our trade receivables (net of impairment provision) amounted to approximately RMB773.16 million (31 December 2021: approximately RMB1,291.17 million). Such decrease in trade receivables was mainly due to the decrease in our revenue. As at 31 December 2022, provision for impairment loss recognised on trade receivables of approximately RMB16.82 million (31 December 2021: approximately RMB6.88 million) has been made.

PLEDGE OF ASSETS

As of 31 December 2022, 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 RMB427.25 million (31 December 2021: approximately RMB408.82 million) were pledged to secure borrowings granted to the Group.

As of 31 December 2022, 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 RMB46.32 million (31 December 2021: approximately RMB67.49 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 2022, the Group had capital commitments amounted to approximately RMB114 million for the purpose of acquisition of intangible assets and property, plant and equipment (31 December 2021: approximately RMB6 million).

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: no significant contingent liabilities).

FOREIGN EXCHANGE EXPOSURE

During FY2022, 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 appreciation of the U.S. dollars may increase the overseas sales income settled in U.S. dollars.

HUMAN RESOURCES AND TRAINING

As of 31 December 2022, the Group had a total of 3,028 employees (31 December 2021: 3,223 employees), the total staff costs were approximately RMB283.6 million (31 December 2021: approximately RMB298.6 million). The remuneration package of all employees is determined based on their work performance, experience and current market level.

We organise friendship 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 directors believe such initiatives have contributed to the increased employee's productivity and cohesiveness.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals of subsidiaries or associates of the Company during FY2022.

SIGNIFICANT INVESTMENT

During FY2022, there was no significant investment held by the Company.

EVENT AFTER THE REPORTING PERIOD

There is no significant event occurring after the end of the reporting period.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend in respect of FY2022 (FY2021: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (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 shall 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 12 June 2023.

BUSINESS OUTLOOK

Looking ahead to 2023, with the recovery of 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 gradually resume. The developed economies (such as the United States) will slow down the pace of interest rate hikes, which will have a positive impact on the real estate market, thus bringing benefits to China's furniture exporters.

With the rising income and living standard of the residents, consumers are no longer satisfied with the basic functions of furniture products, but pay more attention to the brand and experience of the products. In order to meet the needs of consumers, the Group will continue to increase its investment in product design and branding to continuously improve the beauty and usage experience of products.

We will comprehensively and constantly strengthen the Group's management, continuously expand the international large-scale retail chain customers, and persistently promote research, development and innovation, so as to contribute a concrete foundation to the Group's long-term development and strive to achieve long-term positive development of the Group.

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 FY2022.

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 FY2022.

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 FY2022.

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, Ms. Zhang Lingling and Mr. Feng Zhaowei. 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 FY2022, 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report for the FY2022 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 FY2022 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 2022 annual report of the Company.

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

Hong Kong, 28 March 2023

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, Ms. Zhang Lingling and Mr. Feng Zhaowei.