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Ji Yi Household International Holdings Limited

集一家居國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1495)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF THE
ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY
INVOLVING THE ISSUE OF NEW SHARES
UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 4 June 2020 (after trading hours), the Company, as the Purchaser, and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares from the Vendors at an aggregate consideration of HK\$89,856,000, which will be satisfied wholly by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Sale Shares represent the entire issued share capital of the Target Company as at the date of this announcement.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition is subject to fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 4 June 2020 (after trading hours), the Company as the Purchaser, the Vendors and the Target Company entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares from the Vendors at an aggregate consideration of HK\$89,856,000, which will be satisfied wholly by the allotment and issue of the Consideration Shares. A summary of the main terms of the Agreement are set out below.

THE AGREEMENT

Date: 4 June 2020 (after trading hours)

Parties: Purchaser;

Vendor A;

Vendor B; and

Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Vendor A and Vendor B are Independent Third Parties.

Assets to be Acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the aggregate 50,000 Sale Shares from the Vendors, which are comprised of 46,570 Sale Shares to be acquired from Vendor A, representing 93.14% thereof, and 3,430 Sale Shares to be acquired from Vendor B, representing 6.86% thereof.

The 50,000 Sale Shares in aggregate represent the entire issued share capital of the Target Company as at the date of this announcement.

Profit Guarantee

Pursuant to the Agreement, the parties expect that the actual audited net profit after tax of the Operating Group for the financial year ending 31 December 2020 (i.e. the period from 1 January 2020 to 31 December 2020)(the “**2020 Profit**”) shall not be less than RMB4,000,000 or equivalent to approximately HK\$4,344,800 (the “**Minimum Profit**”).

The Vendors shall procure that, the consolidated financial statements of the Operating Group for the financial year ending 31 December 2020, shall be prepared, audited by auditors and delivered to the Company as soon as practicable and in any event not later than two months following 31 December 2020.

Within seven Business Days after the Completion, the Purchaser shall issue and allot an aggregate of 85,800,000 First Consideration Shares to the Vendors as the First Consideration. After the Completion, (1) in case that the 2020 Profit satisfies the Minimum Profit, the Purchaser shall issue and allot an aggregate of 52,440,000 Final Consideration Shares to the Vendors as the Final Consideration; and (2) in the event that the 2020 Profit is less than the Minimum Profit, no Final Consideration or Final Consideration Shares shall be paid or allotted by the Purchaser to the Vendors (the “**Profit Guarantee**”).

Consideration

Pursuant to the Agreement, the Consideration shall be HK\$89,856,000 (subject to the fulfillment of the Profit Guarantee), which will be paid by the Company to the Vendors by way of the allotment and issuance of the Consideration Shares at the Issue Price of HK\$0.65 per Share, being a total of 138,240,000 new Shares, among which 128,756,736 new Shares will be issued to Vendor A and 9,483,264 new Shares will be issued to Vendor B, respectively. The Vendors and the Purchaser irrevocably agree that the exchange rate of RMB: HK\$1.0862.

Basis of the Consideration

The Consideration was arrived at after arm's length negotiation between the Vendors and the Purchaser, having taken into account the valuation of the Operating Group of approximately HK\$90,600,000 as at 31 May 2020 pursuant to the Valuation Report, as well as the future prospect of the business of the Target Group.

The Consideration shall be paid by the Purchaser to the Vendors in the following two installments (subject to the fulfillment of the Profit Guarantee) by procurement of the Company to allot and issue the Consideration Shares to the Vendors as follows:

- (i) HK\$56,060,000, being the first installment of the Consideration (the “**First Consideration**”), shall be paid by way of allotment of 85,800,000 First Consideration Shares to the Vendors within seven Business Days after the Completion Date; and
- (ii) In case that the 2020 Profit satisfies the Minimum Profit, the outstanding balance of the Consideration of HK\$33,796,000, being the final installment of the Consideration (the “**Final Consideration**”), shall be paid by way of allotment of 52,440,000 Final Consideration Shares to the Vendors within 14 Business Days when the actual audited net profit after tax of the Operating Group for the financial year ending 31 December 2020 has been delivered to the Company. In the event that the 2020 Profit is less than the Minimum Profit, no such Final Consideration or Final Consideration Shares shall be paid or allotted by the Purchaser to the Vendors.

The Consideration has been arrived at after arm's length negotiations between the parties to the Agreement with reference to the valuation of 100% equity interests in the Operating Group prepared by the Valuer of approximately HK\$90,600,000 as at 31 May 2020 (the “**Valuation**”).

The Valuation is comprised of (1) market equity interests of a property under construction held by the Operating Group of HK\$38,780,000 as at 31 May 2020, and (2) equity value of the home decoration and distribution business conducted by the Operating Group of HK\$51,837,109 under the discounted cashflow approach as at 31 May 2020. Further details of the Valuation are set out in the section headed “Profit Forecast Requirement under the Listing Rules” below.

For the total Consideration of HK\$89,856,000, it represents a discount of approximately 0.82% to the entire equity interests of the Target Group under the Valuation.

For the First Consideration of HK\$56,060,000, it represents a discount of approximately 38.12% to the entire equity interests of the Target Group under the Valuation.

For the Final Consideration, it represents the outstanding balance of the Consideration of HK\$33,796,000 to be paid to the Vendors, provided that the actual audited net profit after tax of the Operating Group fulfills the Profit Guarantee. The Final Consideration is calculated by subtracting the First Consideration from the Consideration.

Taking into account the above, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Agreement shall be unconditional upon the following conditions being fulfilled and satisfied on or before the Long Stop Date:

- (a) the Purchaser having entrusted a qualified valuer to verify and appraise the fair value of the assets, liabilities, conditions and value of the equity interest of the Target Group, and being reasonably satisfied with the Valuation Report;
- (b) the Purchaser being reasonably satisfied and accepting the results of the due diligence (including the due diligence of the legal and financial affairs) conducted on the Target Group;
- (c) there being no breach of any of the representations, warranties and undertakings given under the Agreement;

- (d) there being no material breach of any of the terms and conditions set out in the Agreement by the Vendor(s) and the Target Company prior to the Completion;
- (e) the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Consideration Shares;
- (f) the completion of Restructure of the Target Group; and
- (g) all necessary relevant approvals and consents (including approvals of the relevant governmental and regulatory authorities) if any, in relation to the Agreement and the transactions contemplated therein having been obtained.

The Purchaser may waive in writing the conditions precedent (a), (b), (c) and (d) as set out above at its absolute discretion. The above conditions precedent (e), (f) and (g) shall not be waived. In the event that all conditions precedent above not being satisfied or waived (as the case may be) on or before the Long Stop Date, and without affecting the liabilities for any breach of any terms of the Agreement, the Agreement and any matters contained thereof and the rights and obligations of the Agreement and the parties shall be deemed to be void. No party shall have any claim against the other in respect the obligations and liabilities or the sale and purchase of the Sale Shares contemplated thereunder; provided that (i) non-fulfilment of any of the conditions is not due to the fault or default of the Purchaser or the Vendor(s); or (ii) there are prior breaches of the terms of the Agreement.

Completion

The Completion shall take place no later than the Long Stop Date after the conditions precedent to the Agreement having been fulfilled or waived (as the case may be), or such other day as the Vendors and Purchaser may mutually agree in writing.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company's consolidated financial statements.

Consideration Shares

The Consideration Shares will be issued at the Issue Price of HK\$0.65 per Consideration Share which represents:

- (i) a discount of approximately 7.14% to the closing price of HK\$0.700 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 5.25% to the average closing price of HK\$0.686 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Agreement.

The Issue Price was determined after arm's length negotiations between the Company and the Vendors, with reference to (i) the market price of the Shares then prevailing prior to the entering into the Agreement and represents a discount of approximately 5.25% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement; and (ii) the Valuation of the Operating Group of approximately HK\$90,600,000 as at 31 May 2020.

The number of Consideration Shares to be allotted and issued for the First Consideration will be 86,246,154 Shares ("**First Consideration Shares**"), among which 80,329,668 new Shares will be issued to Vendor A and 5,916,486 new Shares will be issued to Vendor B, within seven Business Days after the Completion Date. The number of Consideration Shares to be allotted and issued for the Final Consideration will be 51,993,846 Shares ("**Final Consideration Shares**"), among which 48,427,068 new Shares will be issued to Vendor A and 3,566,778 new Shares will be issued to Vendor B within 14 Business Days when the actual audited net profit after tax of the Operation Group for the financial year ending 31 December 2020 has been delivered to the Company, which indicates that the Profit Guarantee has been satisfied.

The maximum number of Consideration Shares to be issued for full satisfaction of the Consideration will be 138,240,000 Shares ("**Maximum Consideration Shares**"), which represents (i) approximately 19.99% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares on a fully diluted basis.

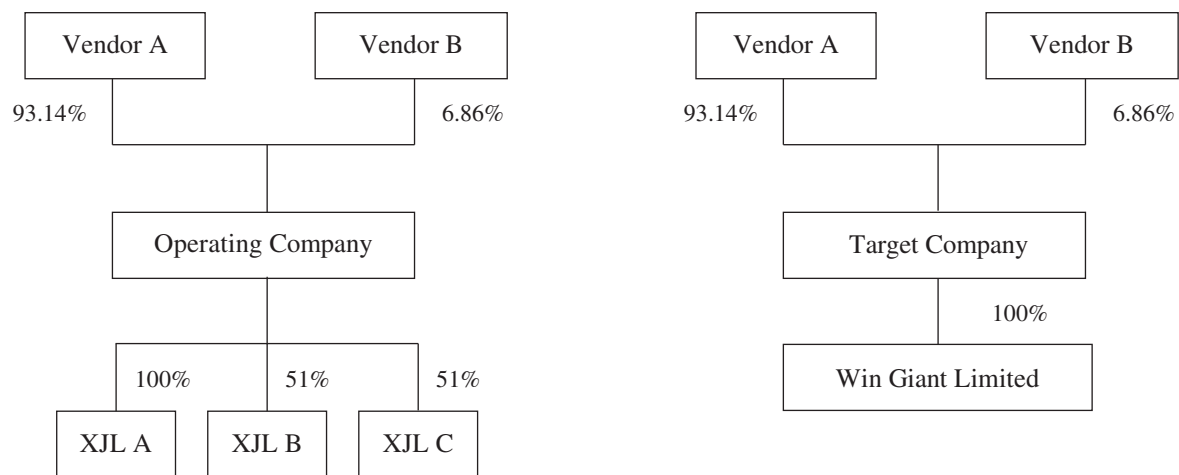
General Mandate

The Consideration Shares will be allotted and issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with each other and with other Shares then in issue at the time of issue of the Consideration Shares.

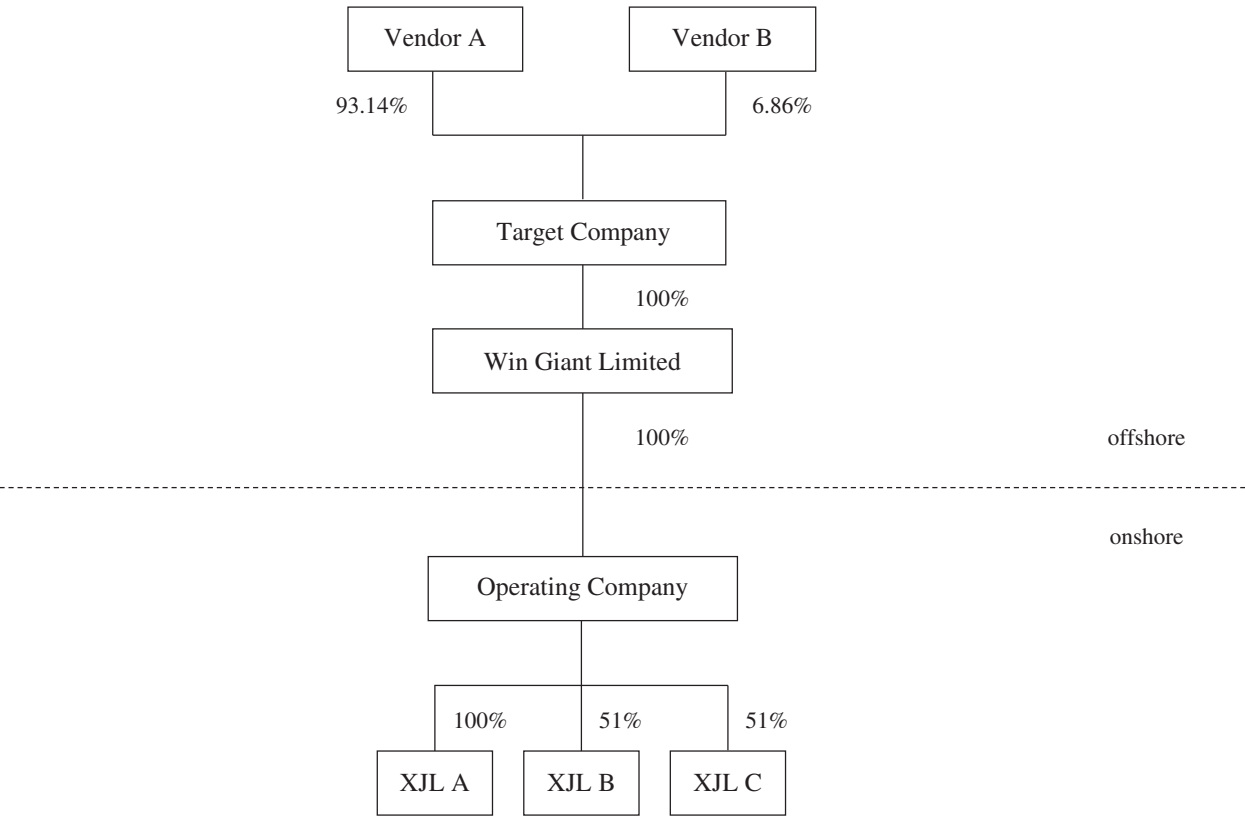
INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Group is undergoing internal restructuring (the “**Restructure**”), the following diagram illustrates the shareholding structures of the Target Group (i) as at the date of this announcement, (ii) immediately after the Restructure and prior to the Completion, and (iii) immediately after the Completion:

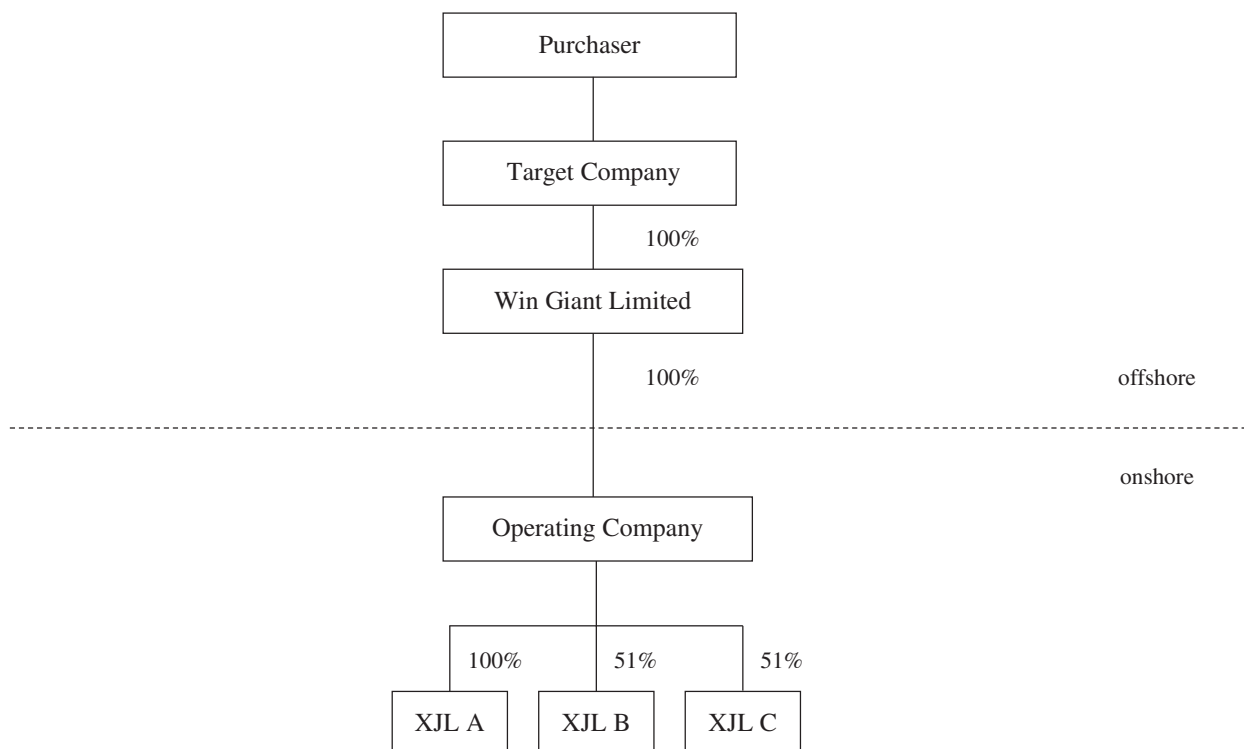
(i) Shareholding structure of the Target Group as at the date of this announcement:–



(ii) Shareholding structure of the Target Group after the Restructure and prior to the Completion:–



(iii) Shareholding structure of the Target Group immediately after the Completion:–



(i) The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability and 93.14% of its entire issued share capital is owned by Vendor A and 6.86% of its entire issued share capital is owned by Vendor B as at the date of this announcement.

As at the date of this announcement, the Target Company is principally engaged in investment holding and is holding the entire equity interest of Win Giant Limited.

(ii) Win Giant Limited

Win Giant Limited is a private company incorporated in Hong Kong with limited liability and the entire issued share capital is wholly owned by the Target Company as at the date of this announcement.

As at the date of this announcement, Win Giant Limited is principally engaged in investment holding. Upon the Restructure, it will hold the entire equity interest of the Target Company.

(iii) The Operating Group

The Operating Company is a company established in the PRC with limited liability, and its 93.14% equity interest is owned by Vendor A and 6.86% equity interest is owned by Vendor B as at the date of this announcement. Upon the Restructure, the entire equity interest will be owned by Win Giant Limited and then become a wholly foreign owned enterprise under PRC laws.

As at the date of this announcement, (1) XJL A is a wholly-owned subsidiary of the Operating Company, a company established in the PRC with limited liability; (2) XJL B is a company established in the PRC with limited liability, and also a subsidiary of the Operating Company as to its 51% equity interest, and the remaining 49% of its equity interest is held by Zhang Lixue (張麗雪), an Independent Third Party; and (3) XJLC is owned by the Operating Company as to its 51% equity interest, and the remaining 49% of its equity interest is held by Vendor A.

As at the date of this announcement, the Operating Group is principally engaged in home decoration and distribution business in the PRC.

Financial information of the Target Group

As advised by the Vendors, each of the Target Company and Win Giant Limited is principally engaged in investment holding. No business was conducted by each of them since its incorporation and, at the date of this announcement, neither of them has any material assets.

Since the Operating Company was newly established in 2019, set out below are the combined unaudited financial information of the Target Group, as extracted from each of the unaudited financial statements of Win Giant Limited and Operating Group for the year ended 31 December 2019 and the period from 1 January 2020 to 30 April 2020:–

	For the year ended 31 December 2019 RMB (unaudited)	For the the period from 1 January 2020 to 30 April 2020 RMB (unaudited)
Revenue	271,725	857,103
Net asset	1,563,305	13,815,622
(Loss)/Profit before tax	(731,695)	4,317
(Loss)/Profit after tax	(731,695)	3,317

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 691,600,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the allotment and issuance of the First Consideration Shares; and (iii) immediately upon the allotment and issuance of the Maximum Consideration Shares and assuming there are no other changes in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares:

Shareholders	Nature of interest	(i) As at the date of this announcement		(ii) Immediately upon the allotment and issuance of the First Consideration Shares		(iii) Immediately upon the allotment and issuance of the Maximum Consideration Shares	
		Approximately		Approximately		Approximately	
		Shares	%	Shares	%	Shares	%
Ms. Hou Wei <i>(Note)</i>	Interest in a controlled corporation	414,788,363	59.98	414,788,363	53.33	414,788,363	49.98
Xinling Limited <i>(Note)</i>	Beneficiary Owner	414,788,363	59.98	414,788,363	53.33	414,788,363	49.98
Public Shareholders		276,811,637	40.02	363,057,791	46.67	415,051,637	50.02
Total		<u>691,600,000</u>	<u>100.00</u>	<u>777,846,154</u>	<u>100.00</u>	<u>829,840,000</u>	<u>100.00</u>

Note: Ms. Hou Wei was beneficially interested in 100% of the issued share capital of Xinling Limited (“Xinling”). Xining was the registered holder of 414,788,363 Shares. Under Part XV of the SFO, Ms. Hou Wei was therefore deemed to have interests in 414,788,363 Shares in which Xinling was interested.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENT

The Company is an investment holding company, the Group is principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and engineering services in the PRC.

The Group has been actively considering and exploring various opportunities for investment projects and to broaden the scope of investment according to the market conditions with an aim to enhance the Shareholders’ value.

In light of the above, the Directors have assessed the entering into the Agreement and the transactions contemplated thereunder and considered that the Company intends to further expand its sale and distribution of merchandise and provision of interior design and engineering business segments for enhanced profitability. Therefore, the Directors consider that the potential acquisition of the Target Group, which is principally engaged in home decoration and distribution business, could represent a viable business opportunity to step forward in strengthening and to further expand the Group's existing business segments.

In order to maximise return to the Company and the Shareholders in the long run, the Directors believe that the Acquisition, should it be materialised, will enhance the corporate development of the Group which will be in the best interests of the Company and its Shareholders as a whole.

PROFIT FORECAST REQUIREMENT UNDER THE LISTING RULES

According to the Valuation Report, the Valuation in respect of the equity value of the home decoration and distribution business conducted by the Operating Group of HK\$51,837,109 was based on the discounted future estimated cash flows method approach (income approach). Since the Valuation was based on a discounted future estimated cash flow approach, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and, accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the Acquisition.

The details of the principal assumptions upon which the Valuation is based are as follows:

- a) The current financial, economic, taxation, market and political conditions which prevail in the regions in which the Operating Group utilises will have no material change;
- b) Inflation and interest rates will have no material change from the rates prevailing as at 31 May 2020;
- c) The market conditions in which the Operating Group operates, which are material to revenue and costs of the businesses will have no material change;

- d) The current company legislation will have no material change;
- e) Competent management, key personnel and technical staff will be maintained to support the ongoing operation of the Operating Group; and
- f) The basic and financial information regarding the Operating Group provided to the Valuer is true, accurate and complete.

The Board has reviewed the principal assumptions upon which the profit forecast was based on and are of the view that the profit forecast was made after due care and enquiry.

Moore Stephens CPA Limited, the reporting accountant of the Company, has also reviewed the calculations of the discounted cash flow approach upon which the Valuation prepared by the Valuer was based on.

A letter from the Board and a letter from Moore Stephens CPA Limited are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Vincorn Consulting and Appraisal Limited	Independent Professional Valuer
Moore Stephens CPA Limited	Certified Public Accountants

As at the date of this announcement, each of the Valuer and Moore Stephens CPA Limited does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and Moore Stephens CPA Limited has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition is subject to fulfillment or waiver (as the case may be) of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 4 June 2020 entered into among the Purchaser, each of the Vendors and the Target Company in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9: 00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	Jiyi Household International Holdings Limited 集一家居國際控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock Code: 1495)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the business day agreed by the parties to perform the Completion after all the conditions precedent are satisfied or waived (as the case may be), and in any case shall be no later than the Long Stop Date
“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Consideration”	HK\$89,856,000 (subject to the fulfillment of the Profit Guarantee), being the total consideration for the Acquisition
“Consideration Share(s)”	the aggregate number of 138,240,000 new Shares (subject to the fulfillment of the Profit Guarantee) to be allotted and issued to the Vendors at the Issue Price, credited as fully paid, for the purpose of settling the Consideration
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 30 May 2019 to issue and allot up to 138,240,000 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Issue Price”	HK\$0.65, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2020
“Main Board”	Main Board of the Stock Exchange
“Operating Company”	Xinjiale Cloud-based Decoration Technology Co., Limited* (深圳市新家樂雲整裝科技有限公司)
“Operating Group”	the Operating Company, XJL A, XJL B and XJL C
“Purchaser”	the Company
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Sale Shares”	an aggregate of 50,000 issued and fully paid up share of the Target Company, representing the entire issued share capital of Target Company, among which 93.14% being legally and beneficially owned by Vendor A and 6.86% legally and being beneficially owned by Vendor B
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino Legacy Investments Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is owned by the Vendors as at the date of this announcement
“Target Group”	collectively the Target Company, Win Giant Limited and each member of the Operating Group
“Valuation Report”	the valuation report dated 2 June 2020 on the valuation of 100% equity interests in Operating Company as at 31 May 2020 under the discounted cash flow approach prepared by the Valuer
“Valuer”	Vincorn Consulting and Appraisal Limited, an independent professional valuer
“Vendor A”	Lin Shunwei* (林順偉)
“Vendor B”	Chen Yiting* (陳伊婷)
“Vendors”	Vendor A and Vendor B
“XJL A”	Meizhou Xinjiale Enterprises Limited* (梅州市新家樂實業有限公司)
“XJL B”	Xinjiale Cloud-base Qinyang (Meizhou) Decoration Engineering Company Limited* (新家樂雲整裝芹洋(梅州)裝飾工程有限公司)

“XJL C” Xinjiale Cloud-base Gaofeng (Meizhou) Decoration Engineering Company Limited* (新家樂雲整裝中高峰(梅州)裝飾工程有限公司)

“%” per cent

By order of the Board
Jiyi Household International Holdings Limited
Hou Wei
Chairlady

Hong Kong, 4 June 2020

As at the date of this announcement, Ms. Hou Wei, Mr. Liu Xianxiu and Mr. Yang Baikang are the executive directors of the Company, Mr. Hou Bo is the non-executive director of the Company, and Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang are the independent non-executive directors of the Company.

* For identification purpose only.

APPENDIX I – REPORT FROM MOORE STEPHENS CPA LIMITED ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE TARGET GROUP

The following is the text of a report received from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



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REPORT FROM REPORTING ACCOUNTANT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SINO LEGACY INVESTMENTS LIMITED

TO THE BOARD OF DIRECTORS OF JIYI HOUSEHOLD INTERNATIONAL HOLDINGS LIMITED

We refer to the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 2 June 2020 prepared by Vincorn Consulting and Appraisal Limited in respect of the appraisal of the fair value of 100% equity interest in Xinjiale Cloud-based Decoration Technology Co., Limited* (深圳市新家樂雲整裝科技有限公司) (“**the Target Company**”) as at 31 May 2020 is based.

The Valuation is set out in pages 13 to 14 of the announcement of JiYi Household International Holdings Limited (the “**Company**”) dated 4 June 2020 (the “**Announcement**”) in connection with the acquisition of, among others, 100% equity interest in the Target Company by the Company.

The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors contained in section headed "Profit Forecast Requirement under the Listing Rules" in the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions contained in section headed “Profit Forecast Requirement under the Listing Rules” in the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company contained in section headed “Profit Forecast Requirement under the Listing Rules” in the Announcement.

Moore Stephens CPA Limited
Certified Public Accountants

Li Wing Yin
Practising Certificate Number: P05035

Hong Kong, 4 June 2020

* *For identification purpose only.*

APPENDIX II – LETTER FROM THE BOARD

4 June 2020

Listing Division

The Stock Exchange of Hong Kong Limited

12/F, Two Exchange Square,

8 Connaught Place, Central, Hong Kong

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the valuation report dated 2 June 2020 prepared by Vincorn Consulting and Appraisal Limited (“**Vincorn**”) in relation to the valuation (the “**Valuation**”) of 100% equity interest in Xinjiale Cloud-based Decoration Technology Co., Limited* (深圳市新家樂雲整裝科技有限公司) as at 31 May 2020. As the income approach is adopted for the Valuation in respect of the equity value of the home decoration and distribution business of the aforesaid company, the Valuation constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and, accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable. Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings when used herein.

The Board of the Company have reviewed the basis and assumptions based on which the Valuation has been prepared, and reviewed the Valuation prepared by Vincorn. We have also considered the report from the reporting accountant of the Company, Moore Stephens CPA Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company is of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,

On behalf of the Board

Jiyi Household International Holdings Limited

Hou Wei

Chairlady

* *For identification purpose only.*