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HUISEN GROUP

Huisen Shares Group Limited

匯森股份集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2127)

**SECOND INTERIM RESULTS ANNOUNCEMENT
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2024,
CLARIFICATION ANNOUNCEMENT REGARDING THE 2024 INTERIM
RESULTS ANNOUNCEMENT AND THE 2024 INTERIM REPORT**

FINANCIAL HIGHLIGHTS

- The Group's revenue for the twelve months ended 31 December 2024 was approximately RMB1.01 billion, representing a decrease of approximately 72.3% from approximately RMB3.64 billion for the twelve months ended 31 December 2023.
- Loss for the twelve months ended 31 December 2024 was approximately RMB1,682.5 million, representing a decrease of approximately 928.79% from the revenue of approximately RMB203.0 million for the twelve months ended 31 December 2023.
- The basic and diluted loss per share of the Company (the "Share") for the twelve months ended 31 December 2024 was RMB0.46 as compared to the basic and diluted earnings per share (the "Share") of RMB0.07 for the twelve months ended 31 December 2023.

INTERIM RESULTS

The board of directors (the “**Board**”) of Huisen Shares Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the twelve months ended 31 December 2024 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2023. Such results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Twelve months ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	5	1,008,525	3,640,712
Cost of sales		<u>(1,208,746)</u>	<u>(3,157,399)</u>
Gross profit		(200,221)	483,313
Other revenue		10,651	15,430
Other gains and losses		(913,996)	44,778
Other expense		(8,841)	(8,940)
Distribution and selling expenses		(286,210)	(73,658)
Administrative expenses		(262,114)	(145,412)
Equity-settled share-based payments		–	–
Reversal of impairment loss recognised on trade receivables, net		(661)	(42,970)
Finance costs	6	<u>(18,713)</u>	<u>(23,196)</u>
Profit before income tax expense	7	(1,680,105)	249,345
Income tax expense	8	<u>(2,406)</u>	<u>(46,338)</u>
Profit and total comprehensive income for the period		<u><u>(1,682,511)</u></u>	<u><u>203,007</u></u>
Total comprehensive income for the period attributable to:			
Owner of the Company		(1,706,770)	207,103
Non-controlling interest		<u>24,259</u>	<u>(4,096)</u>
Profit and total comprehensive income for the period		<u><u>(1,682,511)</u></u>	<u><u>203,007</u></u>
Earnings per share – Basic and diluted (RMB cents)	10	<u><u>(46.34)</u></u>	<u><u>6.75</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	11	2,682,895	2,593,335
Right-of-use assets	12	49,225	55,050
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment	15	55,600	339,824
Deferred tax assets		6,689	6,688
Goodwill		106,122	106,122
Investment properties		153,598	161,162
Intangible assets		93,050	129,730
Total non-current assets		3,147,179	3,391,911
Current assets			
Inventories	13	527,267	877,757
Trade receivables	14	847,476	1,526,525
Prepayments, deposits and other receivables	15	368,827	247,738
Pledged bank deposits		–	114,010
Short-term bank deposits		–	13,000
Cash and bank balances		5,586	463,355
Total current assets		1,749,156	3,242,385
Total assets		4,896,335	6,634,296
Current liabilities			
Trade and bills payables	16	155,018	434,071
Other payables and accruals	16	364,390	83,957
Borrowings	17	645,840	733,596
Lease liabilities		–	2,920
Income tax payable		7,755	16,362
Total current liabilities		1,173,003	1,270,906
Net current assets		576,153	1,971,479
Total assets less current liabilities		3,723,332	5,363,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

		As at 31 December 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	17	88,875	90,000
Lease liabilities		–	335
Deferred tax liabilities		12,383	18,474
Total non-current liabilities		101,258	108,809
NET ASSETS		3,622,074	5,254,581
Capital and reserves attributable to owners of the Company			
Share capital	18	314,753	259,018
Reserves		3,307,321	4,997,091
		3,622,074	5,256,109
Non-controlling interests		–	(1,528)
TOTAL EQUITY		3,622,074	5,254,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2023 (the “**2023 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

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

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

These condensed consolidated interim financial statements are unaudited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 Annual Financial Statements.

HKICPA has issued certain amendments to HKFRS which took effect for the first time in the current accounting period for the Group. These developments have had no material impact on the Group’s current or prior period results and financial position in the way in which this interim results announcement has been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

5. REVENUE AND SEGMENT INFORMATION

Operating segments

The Group was principally engaged in manufacturing and selling of panel furniture, hardware furniture and furniture ornaments. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenues from external customers are divided into the following geographical areas:

	Revenue from external customers	
	Twelve months ended 31 December	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
United States of America (the "United States" or "U.S.")	460,776	2,290,770
PRC	85,120	244,574
Canada	29,324	100,538
Singapore	25,040	103,961
Vietnam	25,048	99,718
Malaysia	23,141	99,196
Other locations	360,076	701,955
	1,008,525	3,640,712

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 2024 and 31 December 2023, all of the Group's non-current assets are located in the PRC.

Shipping terms of the export sales are free-on-board (at PRC ports). Therefore, the customers are generally responsible for insuring the shipment and handling the importation process, including paying import duties, if any. The Group did not have any overseas tax exposure regarding sales for locations outside of the PRC.

5. REVENUE AND SEGMENT INFORMATION – Continued

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

	Twelve months ended 31 December	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Audited)
Panel-type furniture	717,399	3,434,603
Upholstered furniture	231,486	95,640
Sport-type furniture and customised furniture	10,354	95,648
Smart furniture	21,797	–
Information technology solution services	27,489	14,821
	<u>1,008,525</u>	<u>3,640,712</u>
Timing of revenue recognition		
At a point in time	981,036	3,625,891
Transferred over time	27,489	14,821
	<u>1,008,525</u>	<u>3,640,712</u>

6. FINANCE COSTS

	Twelve months ended 31 December	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Audited)
Interest expenses on bank and other borrowings	18,673	22,836
Interest expenses on lease liabilities	40	360
	<u>18,713</u>	<u>23,196</u>

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Twelve months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Cost of inventories recognised as expenses	1,208,746	3,157,399
Depreciation charge:		
– Owned property, plant and equipment	162,839	119,412
– Intangible assets	16,840	7,884
– Right-of-use-assets	3,577	5,168
– Investment properties	7,564	6,934
	<u>190,820</u>	<u>139,398</u>
Research and development costs	68,253	152,602
Reversal of impairment loss recognised on trade receivables, net	<u>661</u>	<u>(42,969)</u>

8. INCOME TAX EXPENSE

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

	Twelve months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)		
– For the period	1,954	36,695
– Under provision in prior periods	<u>645</u>	<u>83</u>
	<u>2,598</u>	<u>36,778</u>
Deferred tax		
– For the period	<u>(192)</u>	<u>9,560</u>
Income tax expense	<u>2,406</u>	<u>46,338</u>

8. 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% (2023: 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% (2023: 25%).

According to the Announcement of No. 13 (2022) and No. 12 (2023) issued by the Ministry of Finance and the State Taxation Administration of the PRC, “Further Implementing Income Tax Preferential Policies for Small and Micro Enterprises”, for one of the subsidiaries of the Group located in the PRC, the tax rate would be at a reduced rate. For the year ended 31 December 2024, if the annual taxable profits do not exceed RMB3 million, only 25% of such amount is taxable with a tax rate of 20%. However, if its annual taxable profits do exceed RMB3 million, the whole amount will be taxable at a tax rate of 25%.

Pursuant to the income tax rules and regulations of the PRC, the provision for the PRC EIT of the PRC subsidiaries of the Group located in the West Regions is calculated on the basis of the preferential tax rate of 15% (2023: 15%) as they are recognised as the enterprises of Development of the West Regions according to the tax regulations of the PRC.

Two subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2021 to 2023 and from 2023 to 2025, respectively, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% (2023: 15%) for the year ended 31 December 2024.

8. INCOME TAX EXPENSE – Continued

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

	Twelve months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit before income tax expense	<u>(1,680,105)</u>	<u>249,345</u>
Tax calculated at the PRC EIT statutory tax rate of 25%	34,843	62,336
Revenue not taxable for tax purposes	–	(2,076)
Expenses not deductible for tax purposes	30	1,313
Effect of tax preferential rates granted to the eligible PRC subsidiaries	(11,787)	(25,336)
Different tax rates applied to relevant tax laws	(5,377)	(2,552)
Utilisation of unrecognised temporary difference	–	–
Tax losses/temporary difference not recognised	(1,446)	13,758
Utilisation of unrecognised tax losses	(14,502)	(1,188)
Under/(over) provision in respect of prior periods	<u>645</u>	<u>83</u>
	<u>2,406</u>	<u>46,338</u>

9. DIVIDENDS

No interim dividend in respect of the twelve months ended 31 December 2024 has been proposed by the Board (2023: Nil).

10. EARNINGS PER SHARE

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

	Twelve months ended 31 December	
	2024	2023
	(Unaudited)	(Audited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic and diluted earnings per share (<i>RMB'000</i>)	<u>(1,706,770)</u>	<u>207,103</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<u>3,682,908,000</u>	<u>3,069,090,000</u>
Basic and diluted earnings per share (<i>RMB cents</i>)	<u>(46.34)</u>	<u>6.75</u>

10. EARNINGS PER SHARE– Continued

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

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

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

Diluted earnings per share was the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the twelve months ended 31 December 2024.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB241,884,520 during the Reporting Period on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.

12. RIGHT-OF-USE ASSETS

	Land use right <i>RMB'000</i>	Showroom and warehouse <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2023 (audited)	53,202	7,016	60,218
Additions	–	–	–
Depreciation for the year	(1,201)	(3,967)	(5,168)
As at 31 December 2023 (audited)	52,001	3,049	55,050
Disposal	–	(2,248)	(2,248)
Depreciation for the period	(2,776)	(801)	(3,577)
As at 31 December 2024 (unaudited)	49,225	–	49,225

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

13. INVENTORIES

	As at 31 December 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Raw materials	526,283	382,850
Work-in-progress	–	8,974
Finished goods	984	485,933
	<u>527,267</u>	<u>877,757</u>
Less: Provision for impairment of inventories	<u>–</u>	<u>–</u>
	<u><u>527,267</u></u>	<u><u>877,757</u></u>

14. TRADE RECEIVABLES

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

	As at 31 December 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 1 month	24,580	390,985
1 to 2 months	25,614	346,570
2 to 3 months	24,632	323,516
Over 3 months	831,776	525,242
	<u>906,602</u>	<u>1,586,313</u>
Less: Allowance for doubtful debts	<u>(59,126)</u>	<u>(59,788)</u>
	<u><u>847,476</u></u>	<u><u>1,526,625</u></u>

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 31 December 2024	As at 31 December 2023
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
Current			
Prepayments		63,864	4,017
Value added tax recoverable		304,792	243,336
Interest receivables		–	111
Other receivables	(b)	171	274
		<u>368,827</u>	<u>247,738</u>
Non-current			
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment		55,600	339,824
		<u>55,600</u>	<u>339,824</u>
	(a)	<u>424,427</u>	<u>587,562</u>

Notes:

- (a) The carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date. There was no provision for impairment on prepayments, deposits and other receivables (31 December 2023: Nil).
- (b) Other receivables were neither past due nor impaired for whom there is no recent history of default. These balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

16. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS

	As at 31 December 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	125,018	263,071
Bill payables	30,000	171,000
	<u>155,018</u>	<u>434,071</u>

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

	As at 31 December 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 6 months	52,603	434,071
Over 6 months	102,415	—
	<u>155,018</u>	<u>434,071</u>

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

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

Other payables and accruals as at 31 December 2024 represented other payables of RMB351,034,000 (31 December 2023: RMB35,456,000), accruals of RMB7,637,000 (31 December 2023: RMB39,595,000), and other tax payables of RMB5,719,000 (31 December 2023: RMB8,906,000).

17. BORROWINGS

	Notes	As at 31 December 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current			
Bank loans due for repayment within one year		645,840	733,596
Other loans		—	—
		<u>645,840</u>	<u>733,596</u>
Non-current			
Bank loans		88,875	90,000
		<u>88,875</u>	<u>90,000</u>
Total borrowings		<u>734,715</u>	<u>823,596</u>

18. SHARE CAPITAL

	Number <i>'000</i>	Amount <i>HK\$'000</i>	Amount <i>RMB'000</i>
Ordinary shares of par value of HK\$0.1 each			
Authorised			
As at 1 January 2023 (audited),			
31 December 2023 (audited) and			
31 December 2024 (unaudited)	10,000,000	1,000,000	854,634
Issued and fully paid			
As at 1 January 2023 (audited) and			
31 December 2023 (audited)	3,069,090	306,909	262,295
Subscription for shares pursuant to a general			
mandate	613,818	61,381	52,458
31 December 2024 (unaudited)	3,682,908	368,290	314,753

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Trade tariffs between China and United States continue to affect the Group's profit. Despite the impact of the global economic downturn, we are still firmly optimistic of the industry, stabilizing existing clients, exploring new markets outside the United States, and identifying potential clients to make better plans for the future.

As the global economy is showing a continuous downturn, the weakness in external demand has directly impacted the Group's exports. Meanwhile, intensified international competition, rising protectionism in overseas trade and exchange rate fluctuations have also exerted significant pressure on the Group's performance.

Business Review

The furniture industry, as an important sub-sector of our Country's light industry, is a traditional advantageous industry in our national economy, an essential livelihood industry, and an industry with strong international competitiveness.

Against the backdrop of an overall industry downturn, the Group's performance continues to be impacted, with an unstable customer base. The Group remains steadfast in its strategic positioning, continuously strengthening its core competitiveness. To further enhance product competitiveness, we will closely monitor market conditions and take necessary measures to improve operational performance, aiming to increase profitability in the future. The Group is actively expanding its export business, striving to seek new customers, diversifying the Group's products, and continuing to maintain close cooperation with customers from multiple countries to promote sustainable and stable business development. On one hand, we satisfy the core needs of customers by focusing on market demands and consumer scenarios, and enhance consumer product experience and customer loyalty through the production of differentiated products and comprehensive product services.

During the Reporting Period, the Group adhered to the philosophy of nurturing talent, taking the cultivation of versatile talents within the Company as its responsibility, with a focus on enhancing the overall professionalism and professional ethics of company personnel, mastering modern management knowledge and skills, and injecting vitality into our development.

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

During the Reporting Period, the Group continued to strengthen its original design capability and launch more original design manufacturing ("ODM") products. The sales of ODM products accounted for more than 90% of the Group's revenue during the Reporting Period and the proportion of sales of ODM products accounted for over 80% for many years.

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

Financial Review

During the Reporting Period, the revenue of the Group amounted to RMB1.008 billion, representing a decrease of 72.3% as compared to the corresponding period of 2023, while the net loss was RMB1,682.5 million, representing a decrease of 928.79% as compared to the corresponding period of 2023. The decrease in revenue was mainly due to the continued economic downturn in Europe and America and the impact of tariffs, nactive real estate market, decreased demand for furniture products, and a reduction in the selling price of certain furniture products.

Revenue and Gross Profit Margin by Product Types

	For the twelve months ended 31 December 2024			For the twelve months ended 31 December 2023			Change in Revenue
	Revenue (RMB'000)	Percentage (%)	Gross Profit Margin (%)	Revenue (RMB'000)	Percentage (%)	Gross Profit Margin (%)	
Panel-type furniture	717,399	71.1	(26.4)	3,434,603	94.3	13.2	(79.1)
Upholstered furniture	231,486	23.0	(16.8)	95,640	2.6	11.3	142.0
Sport-type furniture and customised furniture	10,354	1.0	(40.6)	95,648	2.7	9.4	(89.2)
Smart furniture	21,797	2.2	(3.8)	–	–	–	100.0
Information technology solution services	27,489	2.7	63.2	14,821	0.4	65.4	85.5
Total	<u>1,008,525</u>	<u>100.0</u>	<u>(19.9)</u>	<u>3,640,712</u>	<u>100.0</u>	<u>13.3</u>	<u>(72.3)</u>

Note: Others refer to the trading of furniture products.

Panel-type Furniture

The Group's panel-type furniture products include television cabinets, bookshelves, shelves, desks, and coffee tables. Panel-type furniture has always been the core revenue driver of the Group. During the Reporting Period, the decrease in demand from overseas markets such as the U.S. led to a decrease in revenue of panel-type furniture from approximately RMB3.435 billion to approximately RMB0.717 billion for the Reporting Period, representing a decrease of 79.1%. The decrease in gross profit margin was mainly attributable to the reduction in average selling price for some of the panel-type furniture.

Upholstered Furniture

The Group's upholstered furniture mainly includes sofas. During the Reporting Period, the revenue from upholstered furniture recorded an increase of approximately 142.0%. During the Reporting Period, the average selling price for some of the upholstered furniture has been reduced, leading to an overall decrease in the gross profit margin of the upholstered furniture.

Financial Review – Continued

Sport-type Furniture and Customised Furniture

Sport-type furniture and customised furniture mainly includes table tennis tables and pool tables. During the Reporting Period, the revenue amounted to RMB10.35 million, representing a decrease of 89.2% from the corresponding period of 2023, mainly due to the decrease in orders during the Reporting Period. The decrease in the gross profit margin of sport-type furniture was mainly due to the reduction in the selling price of some of the products.

Sales by Geographical Regions

Region	For the twelve months ended 31 December 2024		For the twelve months ended 31 December 2023		Change in Revenue (%)
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)	
United States	460,776	45.7	2,290,770	62.9	(79.9)
PRC	85,120	8.4	244,574	6.7	(65.2)
Canada	29,324	2.9	100,538	2.8	(70.8)
Singapore	25,040	2.5	103,961	2.9	(75.9)
Vietnam	25,048	2.5	99,718	2.7	(74.9)
Malaysia	23,141	2.3	99,196	2.7	(76.7)
Others	360,076	35.7	701,955	19.3	(48.7)
Total	<u>1,008,525</u>	<u>100.0</u>	<u>3,640,712</u>	<u>100.0</u>	<u>(72.3)</u>

During the Reporting Period, the furniture products of the Group were mainly sold to the U.S. and the sales from the U.S. accounted for the largest portion of the revenue of the Group. The revenue derived from the sales to the U.S. decreased by 79.9% in 2024 compared to the corresponding period of 2023, and the proportion has been decreased from 62.9% in 2023 to 45.7% in 2024, representing a decrease of approximately 17%, mainly due to the fact that the Group actively expanded the sales to downstream markets such as mainland China and other regions. The Group strived to expand sales outside of the U.S. to reduce reliance on the U.S. market.

Financial Review – Continued

Sales to Top Five Customers

Customer	For the twelve months ended 31 December 2024		For the twelve months ended 31 December 2023		Change in Revenue (%)
	Revenue (RMB'000)	Proportion (%)	Revenue (RMB'000)	Proportion (%)	
Customer A	221,198	21.9	811,560	22.3	(72.7)
Customer B	138,445	13.7	717,509	19.7	(80.7)
Customer C	94,539	9.4	588,911	16.2	(83.9)
Customer D	67,705	6.7	N/A	N/A	N/A
Customer E	66,397	6.6	489,241	13.4	(86.4)
Customer F	52,067	5.2	N/A	N/A	N/A
Total	<u>640,351</u>	<u>63.5</u>	<u>2,607,211</u>	<u>71.6</u>	<u>(75.4)</u>

The cornerstone of the Group's success lies in maintaining long-term and stable relationships with key customers. Given the Group's competitive advantages in the furniture manufacturing industry such as strong research and development capabilities which allow the Group to offer products of different types and designs and products that suits the overseas market preference, our customers have developed greater reliance on the Group. The aggregate sales to the top five customers accounted for approximately 63.5% of the total sales of the Group for the Reporting Period, representing a decrease of approximately 8.1% from the twelve months ended 31 December 2023.

Financial Review – Continued

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

	For the twelve months ended 31 December 2024		For the twelve months ended 31 December 2023		Change in Revenue
	Revenue RMB’000	Proportion (%)	Revenue RMB’000	Proportion (%)	(%)
ODM	895,734	92.7	3,012,635	83.5	(70.3)
OEM	70,710	7.3	595,311	16.5	(88.1)
Total	966,444	100.0	3,607,946	100.0	(73.2)

The Group always attaches great importance to the improvement of independent R&D capabilities and continues to expand its sales in ODM to increase the customer dependency and our competitiveness. As for the OEM products, we strictly follow the specifications and requirements provided by our customers. Notwithstanding the decrease in market demand during the Reporting Period, the Group still maintained a high level of independent capabilities on design, and the sales of ODM still accounted for more than 90% of the total sales.

Breakdown of the Cost of Sales

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

	For the twelve months ended 31 December 2024 (RMB’000)	For the twelve months ended 31 December 2023 (RMB’000)	Change (%)
Cost of materials consumed	921,287	2,626,545	(64.9)
Overhead costs	162,901	276,114	(41.0)
Direct labour	124,558	219,204	(43.2)
Subcontracting fees	–	35,536	(100.0)
Total	1,208,746	3,157,399	(61.7)

The Group’s cost of sales during the Reporting Period decreased by 61.7% from approximately RMB3.157 billion in 2023 to approximately RMB1.209 billion in 2024. Such decrease was due to the decrease in cost of materials consumed because of the decrease in sales of furniture products. In addition, subcontracting is no longer required, due to the decrease in orders from customers during the Reporting Period.

Financial Review – Continued

Other Gains and Losses

The other gains and losses mainly consist of exchange gains of RMB29.8 million, which primarily arise from the difference between the exchange rates at which the trade receivables denominated in U.S. dollars, a loss on disposal of subsidiaries of RMB64.98 million, a loss on disposal of property, plant and equipment of RMB183.39 million, and an inventory loss of RMB695.4 million.

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

Summary of the Consolidated Statement of Cash Flow

	For the twelve months ended 31 December 2024 (RMB'000)	For the twelve months ended 31 December 2023 (RMB'000)	Change (%)
Operating profits before working capital changes	(1,219,423)	435,877	(379.8)
Change in working capital	909,168	(503,275)	(280.7)
Income tax paid	(17,105)	(26,246)	(34.8)
Net cash (used in)/generated from operating activities	(327,360)	(93,662)	249.5
Net cash used in investing activities	(94,712)	(1,345,201)	(93.0)
Net cash used in financing activities	(35,697)	396,410	(109.0)

As at 31 December 2024, the cash and bank balances of the Group were approximately RMB5.59 million.

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

Financial Review – Continued

Inventory Provision

As of 31 December 2024, the Group has not made any provisions for impairment of inventories (31 December 2023: Nil). The Group estimates whether to make inventory provision based on the inventory turnover days and sales performance of each product.

Impairment of Trade and Other Receivables

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

As of 31 December 2024, our trade receivables (net of impairment provision) amounted to approximately RMB847.48 million. During the Reporting Period, the reversal of impairment provision made for trade receivables was approximately RMB0.6 million.

Pledge of Assets

As of 31 December 2024, the Group's real estate, machineries and equipment with a carrying amount of approximately RMB490.16 million (31 December 2023: RMB567.60 million) were pledged to secure borrowings granted to the Group by financial institutions.

Capital Commitments and Contingent Liabilities

As at 31 December 2024, the Group had no significant capital commitments or contingent liabilities.

Foreign Exchange Exposure

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

Financial Review – Continued

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Significant Investments

During the Reporting Period, the Group did not hold other significant investments and material investments plan, the fair value of which accounted for more than 5% of the Group's total assets.

Future Plans for Material Investments and Capital Assets

During the Reporting Period, save as disclosed under the section headed “Use of Proceeds from Global Offering”, the Group had no other plans for material investment or acquisition of capital assets.

Human Resources and Training

As of 31 December 2024, the Group had a total of 2,186 employees (31 December 2023: 3,028 employees), and the total staff costs were approximately RMB170.65 million (31 December 2023: approximately RMB300.7 million). The remuneration package of all employees is reviewed based on their work performance, experience and current market level.

The Group organises team-building events for its staff regularly and continues to provide training for new and existing staff to enhance technical and safety knowledge as well as knowledge of industry quality standards. We also provide fire safety training to its production staff regularly. The directors of the Company (the “**Directors**”) believe that such initiatives have contributed to the increase in employee productivity and enhanced cohesiveness of the Group.

BUSINESS OUTLOOK

Looking ahead to 2025, as the interest rate hike cycle in Europe, America and other developed countries enters the final stage, the real estate market will stabilize and the furniture market will soon bottom out, thus creating a favorable external environment for the Group.

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

INTERIM DIVIDEND

The Board does not recommend to declare any second interim dividend for the Reporting Period (twelve months ended 31 December 2023; Nil).

EVENTS AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF PROCEEDS FROM GLOBAL OFFERING

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

	Net proceeds (HK\$ million)	Percentage	Amount utilised as of 31 December 2023 (HK\$ million)	Amount utilised as of 31 December 2024 (HK\$ million)	Amount unutilised as at 31 December 2024 (HK\$ million)	Expected time period
Establishing new factory compartments for the manufacturing of panel furniture and upholstered furniture	636	45.4%	636	636	–	N/A
Construction of Phase II project of the factory of the Group located in Nankang, Ganzhou, Jiangxi Province of the PRC	463	33.0%	339	463	–	N/A
Upgrading the production line in the existing production facilities by acquiring more advanced and automated machineries and equipment for the furniture factory of the Group	70	5.0%	70	70	–	N/A
Enhancing the product design, research and development capabilities of the Group	93	6.6%	93	93	–	N/A
General replenishment of working capital and other general corporate purpose	140	10.0%	140	140	–	N/A
Total	<u>1,402</u>	<u>100.0%</u>	<u>1,278</u>	<u>1,402</u>	<u>–</u>	

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

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

An analysis of the use of proceeds utilised during the Reporting Period is set out as follows:

		Amount utilised as of 31 December 2024 (HK\$ million)	Amount unutilised as at 31 December 2024 (HK\$ million)	Expected time period
	Net proceeds (HK\$ million)			
Purchase of raw materials	39.3	39.3	–	N/A
Total	39.3	39.3	–	

Note: As of the date of this announcement, the Board is aware that there has been a delay in the expected timetable for the utilisation of proceeds when compared to that stated in the implementation plan as disclosed in the Prospectus. The delay in the utilisation of proceeds was mainly due to the slow process of negotiation and approval of the land of Nankang Phase II Factory with the PRC government, therefore the construction of Phase II project of the new factory has been delayed.

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

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

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

An analysis of the use of proceeds utilized during the Reporting Period is set out as follows:

		Amount utilised as of 31 December 2024 (HK\$ million)	Amount unutilised as at 31 December 2024 (HK\$ million)	Expected time period
	Net proceeds (HK\$ million)			
Purchase of raw materials	40.8	40.8	–	N/A
Total	40.8	40.8	–	

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 to the Listing Rules. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standards set out in the Model Code and the code of conduct of the Company governing the Directors’ securities transactions throughout the Reporting Period.

SUFFICIENT PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has established the Audit Committee which comprises three independent non-executive Directors, namely Ms. Yan Liqiong, Mr. Liu Jiong and Mr. Feng Zhaowei. Ms. Yan Liqiong is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment and renewal of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the interim results with the management of the Company with no disagreement thereon. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed the risk management, internal control and financial reporting matters for the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report for the Reporting Period will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

CLARIFICATION IN RELATION TO THE 2024 INTERIM RESULTS ANNOUNCEMENT AND THE 2024 INTERIM REPORT

The Board of Directors (the “**Directors**”) of the Company (the “**Board**”) hereby announces that the 2024 Interim Results Announcement (the “**Announcement**”) dated 30 August 2024 and the 2024 Interim Report (the “**Report**”) dated 27 September 2024 relating to the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2024 (the “**Reporting Period**”). Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Interim Results Announcement.

The Company would like to clarify that due to an inadvertent error, certain figures in the paragraphs under “CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION” on pages 3 and 4 of the Announcement and pages 23 and 24 of the Report should be revised as follows (with the revisions underlined): Save as disclosed herein, all other information in the Announcement and the Report remains unchanged.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Non-current assets		
Property, plant and equipment	2,951,313	2,593,335
Right-of-use assets	53,667	55,050
Prepayments for acquisition of intangible assets, land use right and property, plant and equipment	84,750	339,824
Deferred tax assets	6,689	6,688
Goodwill	106,122	106,122
Investment properties	158,275	161,162
Intangible assets	59,570	129,730
Total non-current assets	<u>3,420,386</u>	<u>3,391,911</u>
Current assets		
Inventories	921,983	877,757
Trade receivables	1,206,597	1,526,525
Prepayments, deposits and other receivables	539,470	247,738
Pledged bank deposits	–	114,010
Short-term bank deposits	–	13,000
Cash and bank balances	45,468	463,355
Total current assets	<u>2,713,518</u>	<u>3,242,385</u>
Total assets	<u>6,133,904</u>	<u>6,634,296</u>

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current liabilities		
Trade payables	231,869	434,071
Other payables and accruals	236,406	83,957
Borrowings	631,160	733,596
Lease liabilities	2,333	2,920
Income tax payable	7,394	16,362
Total current liabilities	<u>1,109,162</u>	<u>1,270,906</u>
Net current assets	<u>1,604,356</u>	<u>1,971,479</u>
Total assets less current liabilities	<u>5,024,742</u>	<u>5,363,390</u>
Non-current liabilities		
Borrowings	89,250	90,000
Lease liabilities	85	335
Deferred tax liabilities	11,249	18,474
Total non-current liabilities	<u>100,584</u>	<u>108,809</u>
NET ASSETS	<u>4,924,158</u>	<u>5,254,581</u>
Capital and reserves attributable to owners of the Company		
Share capital	314,753	259,018
Reserves	4,609,405	4,997,091
	<u>4,924,158</u>	<u>5,256,109</u>
Non-controlling interests	<u>–</u>	<u>(1,528)</u>
TOTAL EQUITY	<u>4,924,158</u>	<u>5,254,581</u>

By order of the Board
Huisen Shares Group Limited
Wu Runlu
Chairman

Hong Kong, 28 February 2025

As at the date of this announcement, the Board comprises Mr. Wu Runlu and Ms. Zeng Minglan as executive directors, and Ms. Yan Liqiong, Mr. Liu Jiong and Mr. Feng Zhaowei as independent non-executive directors.