卡森國際控股有限公司

KASEN INTERNATIONAL HOLDINGS LIMITED

(an exempted company incorporated in the Cayman Islands with limited liability)

stock code : 496

Annual Report 2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHU Zhangjin, Kasen *(Chairman and Chief Executive Officer)*
ZHOU Xiaohong

Independent Non-Executive Directors

CHOW Hiu Tung
ZHOU Lingqiang
ZHANG Yuchuan

COMPANY SECRETARY

YIU Hoi Yan, Kate

STOCK CODE

0496.HK

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Building 1, 236 Haizhou Road West
Haining City
Zhejiang Province 314400
China

PLACE OF BUSINESS IN HONG KONG

Unit 1107, 11/F
COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited, Hong Kong Branch
Industrial and Commercial Bank of China, Zhejiang Province Branch
China Construction Bank, Haining Sub branch
Bank of China, Haining Sub branch
Agricultural Bank of China, Haining Sub branch
Communication Bank of China, Haining Sub branch
China Construction Bank, Qionghai Sub branch
Communication Bank of China, Qionghai Sub branch
Bank of China, Yancheng Sub branch
Bank of China (Hong Kong) Limited Phnom Penh Branch

LEGAL ADVISORS

As to Hong Kong law
Sidley Austin

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

Grant Thornton Hong Kong Limited
Certified Public Accountant
Registered Public Interest Entity Auditor
11th Floor, Lee Garden Two,
28 Yun Ping Road, Causeway Bay
Hong Kong

AUTHORISED REPRESENTATIVES

ZHOU Xiaohong
YIU Hoi Yan, Kate

COMPANY WEBSITE

http://www.kasen.com.cn
http://www.irasia.com/listco/hk/kasen/index.htm

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Kasen International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2024.

2024 was a year characterized by the coexistence of opportunities and challenges. The Group actively adapted to the changes in domestic and international political, economic, and trade situations, and intensified its industrial layout in Cambodia. The Group had further transferred sofa manufacturing capacity from mainland China to Cambodia in order to respond to the challenge of ongoing tariff posed by the United States on imports from China, and to consolidate and expand exports to European and American countries. The Koh Kong Zhejiang Special Economic Zone in Cambodia had entered a comprehensive construction phase, with concurrent initiation of investment promotion, which will create new sources of sustainable business growth for the Group. In 2024, the Group's manufacturing and trading of upholstered furniture business, property development, industrial economic zone development and tourism resort-related operations (comprising water parks, hot spring resort, hotels and restaurants, etc.) recorded a consolidated turnover of approximately RMB1,025.7 million in aggregate, representing an increase of approximately 7.2% as compared to the same period in 2023. The consolidated profit attributable to the shareholders was approximately RMB63.5 million, representing a year-on-year decrease of approximately 9.8%.

In 2024, the Group focused on adjusting its layout on industrial structure and increased its investment outside China. Following the launch of its infrastructure construction, the Cambodia Koh Kong Zhejiang Special Economic Zone, serving as a platform for international cooperation in production capacity developed by the Group with full efforts, had achieved satisfactory results in terms of investment promotion, with nearly 100 enterprises signing contracts to purchase or lease land and factory buildings, multiple of which had already commenced production in 2024. The Group gradually transferred the orders from key European and American customers to Cambodia for production, thereby ensuring that the Group's upholstered furniture business maintains a good trend of steady and upward development through leveraging the advantages of Cambodia in tariffs, labor force and taxation. In China, the Group focused on accelerating the sales progress of existing real estate projects, and sought appropriate opportunities to optimize its structure of real estate projects through transfers, cooperation, and other means.

The Group continues to pay attention to the international power and energy development business. The Group also continues to seek opportunities to carry out the power and energy development business in developing countries, and to promote the strategic transformation and upgrading of the Group's future development.

On behalf of the Board, I would like to express my sincere appreciation to my fellow directors, management team, and employees for their contribution and dedication to the Group during the past year and my deep gratitude to our shareholders, customers, suppliers and business partners for their continuing support to the development of the Group.

ZHU Zhangjin, Kasen
Chairman

March 31, 2025

FINANCIAL HIGHLIGHTS

RESULTS

	For the year ended December 31,				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,025,691**	956,757	863,429	1,513,538	1,260,266
Profit before taxation	**125,439**	110,682	77,245	339,795	156,148
Profit attributable to owners of the Company	**63,535**	70,426	68,279	220,039	114,975

FINANCIAL POSITION

	At December 31,				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**301,685**	567,542	460,310	279,567	297,684
Total borrowings	**693,440**	728,211	769,182	804,116	880,568
Total assets	**6,292,614**	5,982,778	5,821,706	5,974,392	6,281,513
Total liabilities	**2,256,648**	2,169,328	2,109,699	2,320,402	2,841,852
Equity attributable to owners of the Company	**3,803,977**	3,752,621	3,681,325	3,622,085	3,401,035

FINANCIAL AND OPERATING RATIOS

	At December 31,				
	2024	2023	2022	2021	2020
Dividend payout ratio (%)[1]	**–**	–	–	–	–
Debt to equity ratio (%)[2]	**17.2%**	19.1%	20.7%	22.0%	25.6%
Net debt to equity ratio (%)[3]	**9.7%**	4.2%	8.3%	14.4%	16.9%
Trade and bills receivable turnover days[4]	**48**	33	24	37	45
Inventory turnover days[5]	**61**	54	54	57	68
Current ratio[6]	**242.0%**	256.9%	292.7%	250.4%	196.8%
Earnings per share *(RMB)*					
Basic	**0.04**	0.05	0.05	0.15	0.08
Diluted	**0.03**	0.05	0.05	0.15	0.08

Notes:

1. The dividend per ordinary share divided by the profit attributable to owners of the Company per ordinary share.
2. Interest-bearing debt divided by total equity as at the end of the year.
3. Interest-bearing debt minus bank balances and cash divided by the total equity as at the end of the year.
4. Trade and bills receivables as at the end of the year divided by turnover and multiplied by 365 days.
5. Inventories as at the end of the year divided by cost of sales and multiplied by 365 days.
6. Current assets divided by current liabilities as at the end of each year.
7. The adoption of new accounting standards (as shown in note 3 to the consolidated financial statements) in 2024 has no material impact on the Group.

DIRECTORS AND MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

ZHU Zhangjin, Kasen (朱張金), aged 59, is the founder of the Group and the chairman of the Company. Mr. Zhu is also an executive director and the chief executive officer of the Company. Before founding the Group in 1995, Mr. Zhu was involved in several business ventures in the areas of textile, leather processing, garment, trading, etc. With over 37 years of experience in the leather manufacturing industry, Mr. Zhu has extensive knowledge in the upholstered furniture industry in the People's Republic of China (the "PRC") and has been a successful entrepreneur in leather manufacturing related businesses. Mr. Zhu is also the vice chairman of the China Leather Association. In recognition of his contribution to promote the development of the leather manufacturing industry, Mr. Zhu was awarded the "Top Ten Businessmen in Zhejiang" in 2004. In 2006, Mr. Zhu was one of the 10 recipients of the prestigious "National May 4th Youth Award (全國五四青年獎章)". In 2007, Mr. Zhu received the National May Day Award (全國五一勞動獎章).

ZHOU Xiaohong (周小紅), aged 56, joined the Group in 1995 and has successively served as cashier, treasury manager, vice president and also acted as the chief financial officer of the Group for the period from September 28, 2020 to March 8, 2021. Ms. Zhou is currently the vice president of the Group in charge of the treasury operation and information centre. Ms. Zhou was appointed as an executive Director with effect from June 30, 2017. Ms. Zhou obtained a diploma in management from China University of Geosciences in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Hiu Tung (周曉東), aged 53, joined the Company as an independent non-executive Director on December 18, 2023. Mr. Chow has over 26 years of experience in accounting and internal control. Mr. Chow has been an independent non-executive director of Reach Energy Berhad, a company listed on the Kuala Lumpur Stock Exchange (KLSE stock code: 5256) since March 2023, and an independent non-executive director of Great Wall Terroir Holdings Limited, a company listed on the Stock Exchange (stock code: 524) since March 2021. Mr. Chow had been an independent non-executive director of State Energy Group International Assets Holdings Limited, a company listed on the Stock Exchange (stock code: 918) from October 2018 to December 2021, an independent non-executive director of Future Bright Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 2212), from December 2014 to September 2018, and an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited), a company listed on the Stock Exchange (stock code: 254), from October 2013 to March 2015. Mr. Chow obtained his bachelor's degree in business administration in finance from The Hong Kong University of Science and Technology in November 1995 and obtained his master's degree in international business in December 2001 from The University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

ZHOU Lingqiang (周玲強), aged 61, joined the Company as an independent non-executive Director on June 1, 2011. Mr. Zhou obtained a bachelor degree in economics from Hangzhou University in 1986, a master degree in economics from Hangzhou University in 1998 and a doctoral degree in management from Zhejiang University in 2005. Mr. Zhou has been working at Zhejiang University since 1986. Mr. Zhou is now the faculty dean of the Faculty of Tourism of Zhejiang University and the Head of the Tourism Research Institute of Zhejiang University. From 2006 to 2007, Mr. Zhou was appointed by the PRC government to serve as the vice president of the Faculty of Tourism and Foreign Language of University of Tibet. Apart from his professional career, Mr. Zhou serves as a member of the Consultant Committee for Master's Degree Education for National Tourism Management under the State Council Academic Degrees Committee, the vice president of the Education Branch of China Tourism Association, the vice president of Zhejiang Tourism Association, the vice president and secretary of Zhejiang Recreation Academy and executive member of the World Leisure Organisation, China branch. Mr. Zhou is also a committee member of the Zhejiang Tourism Standardisation of Technology Committee, Hangzhou Economic Zone Tourism Cooperation and Development Coordination Section, Hangzhou Government Decisionmaking Advisory Committee and Hangzhou Tourism Branding and Marketing Committee. Mr. Zhou has acted as the consultant in relation to the tourism-related matters in various districts in Zhejiang Province and has acted as a government consultant in various districts within the Tibet Autonomous Region.

ZHANG Yuchuan (張玉川), aged 66, joined the Company as an independent non-executive Director on March 1, 2012. Mr. Zhang obtained a bachelor's degree in information management from The School of Information Management, Wuhan University in 1982. From 1982 to 1985, Mr. Zhang worked at the Ministry of Education. From 1985 to 1986, he served as a finance journalist of the China Economic Press. From 1986 to 1987, Mr. Zhang served as an assistant researcher at the China Association for Science and Technology. From 1988 to 1994, Mr. Zhang served as the division chief of The Development Research Centre of the State Council and was later appointed as the deputy chief executive of the centre in 1994 till 2002. Since 1998 up to present, Mr. Zhang has been serving as the director of the Beijing Owen Institute of Public Affairs, responsible for finance public affairs related matters. From 2001 to 2006, Mr. Zhang served as an independent director of Hubei Guangji Pharmaceutical Co., Ltd. From 2001 to 2008, Mr. Zhang served as an independent non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 8301). From 2019 to 2020, Mr. Zhang also served as an independent non-executive director of Huaxun Fangzhou Co. Ltd, a company listed on the Shenzhen Stock Exchange. Apart from his professional career, Mr. Zhang also serves as the vice chairman of China Electronic Commerce Association.

DIRECTORS AND MANAGEMENT PROFILES (cont'd)

SENIOR MANAGEMENT

YUAN Zhigang (袁志剛), aged 44, joined the Group on December 7, 2020 and was appointed as the chief financial officer on March 8, 2021. Prior to joining the Group, Mr. Yuan served as deputy general manager of the capital operation center and deputy general manager of the financing management center in Zhongliang Holdings Group Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 2772), from May 2018 to December 2020. From September 2015 to April 2018, Mr. Yuan served as the general manager of the finance department in Zhonghong Group. From 2004 to 2015, Mr. Yuan successively engaged in finance-related work in Midea Group, a company listed on the Shenzhen Stock Exchange, AUX Group, a company listed on the Shanghai Stock Exchange, and Wanda Group. Mr. Yuan graduated from Jianghan University with a bachelor's degree in financial management in 2004.

ZHOU Xiaohong (周小紅), aged 56, is an executive Director. For the biographical details of Ms. Zhou, please refer to "Executive Directors" in this section.

PAN Yougen (潘幼根), aged 61, the General Manager of Yancheng Sujia Real Estate Development Co., Ltd, a subsidiary of the Group. Mr. Pan joined the Group in 2008 and is responsible for the operation of the property projects in Yancheng, Jiangsu Province. He has years of experience in the property development industry. Before joining the Group, he was the vice president of Jiaxing Zhongfang Design Institute from May 1988 to November 1998, the chairman and general manager of Zhejiang Jingjian Engineering Co., Ltd from November 1998 to September 2000 and the vice president of Zhejiang Sujia Property Development Co., Ltd from September 2000 to April 2006. Mr. Pan graduated from Southwest Jiaotong University with a bachelor degree in Engineering in 1985 and received a master degree in Architecture from Shanghai Tongji University in 1988.

WANG Dong (王冬), aged 57, the General Manager of Hainan Boao Kasen Property Development Co., Ltd and Hainan Sanya Kasen Property Development Co., Ltd, both being subsidiaries of the Group. Mr. Wang joined the Group in 2011 and is responsible for the operation of projects in Hainan Province. He has years of experience in the property development industry. Before joining the Group, Mr. Wang worked in Sichuan Zigong City Planning and Designing Institute from 1989 to 1993, in Hainan International Tourism Investment and Development Co. Ltd from March 1993 to November 1999, in Shenzhen Heneng Group from November 1999 to April 2006. From April 2006 to August 2009, he was the general manager of Chengdu Jiashida Property Development Co. Ltd. From August 2009 to June 2011, he took the position of general manager of Chengdu Longteng Shoes Market Development Co., Ltd. Mr. Wang graduated from Chongqing Institute of Architecture and Engineering with a bachelor degree in Architecture in 1989.

COMPANY SECRETARY

YIU Hoi Yan, Kate (姚凱欣), aged 52, joined the Company as an accountant in April 2004 and was later promoted as the company secretary and finance manager of the Company. She has over 29 years of experience in auditing and accounting. She is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Yiu obtained a Bachelor of Arts (Honors) in Accountancy from the City University of Hong Kong in 1995.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board and members of senior management, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2024, the Group recorded a consolidated turnover of RMB1,025.7 million (2023: RMB956.8 million), representing an increase of approximately 7.2% when compared with the year 2023. The increase in revenue was mainly attributable to (1) the increase of approximately RMB26.3 million in revenue from the properties development segment since there was an increase in the delivery of properties for the Group's properties development projects, (2) the increase of approximately RMB22.2 million in revenue from the manufacturing segment due to the increase in furniture sales order received, and (3) approximately RMB59.8 million of revenue derived from the special economic zone segment newly operated during the year ended December 31, 2024 as compared to the year 2023.

The Group's gross profit for the year ended December 31, 2024 was RMB400.8 million (2023: RMB349.7 million), representing an increase of approximately RMB51.1 million or approximately 14.6% when compared with the year 2023. The Group's gross profit margin for the year ended December 31, 2024 was approximately 39.1% (2023: 36.5%).

Profit after income tax for the year slightly increased by approximately RMB3.8 million or approximately 5.7%, from RMB65.9 million to RMB69.7 million, as compared with the year 2023. However, after sharing profits to the non-controlling interests, the net profit attributable to owners of the Company was approximately RMB63.5 million for the year ended December 31, 2024 (2023: RMB70.4 million), representing a decrease of approximately RMB6.9 million or approximately 9.8% as compared with the year 2023. Further discussions are set out in the following contents within this section.

Review by Business Segments

The Group's reportable business segments in 2024 principally consist of manufacturing and trading of upholstered furniture, properties development, special economic zone and others (comprising mainly travel and related services, catering and entertainment services and property management services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2024 together with the comparative figures for the year ended December 31, 2023:

	2024		2023		**Year-on-year Change**
	RMB'Million	**%**	RMB'Million	%	*%*
Manufacturing and Trading of Upholstered Furniture	**551.9**	**53.8**	529.7	55.4	4.2
Properties Development	**327.2**	**31.9**	300.9	31.4	8.7
Special Economic Zone *(note)*	**59.8**	**5.8**	–	–	N/A
Others	**86.8**	**8.5**	126.2	13.2	(31.2)
Total	**1,025.7**	**100.0**	956.8	100.0	7.2

Note: The Special Economic Zone in Cambodia is a new reporting segment in year 2024.

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the year ended December 31, 2024, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB551.9 million, representing an increase of approximately 4.2% as compared to the total turnover of approximately RMB529.7 million in the corresponding period of 2023. The Group recorded a net profit of approximately RMB44.1 million from manufacturing and trading of upholstered furniture business in 2024, representing a decrease of approximately 10.2% as compared to the net profit of approximately RMB49.1 million in the corresponding period of 2023. The Group further expanded its production base in Cambodia and gradually shifted the orders of its major United States customers to Cambodia for production, in order to mitigate the adverse impact of ongoing tariffs posed by the United States on imports from China and maintain a good relationship with key customers from the United States, thereby ensuring a steady increase in the sales volume of its upholstered furniture business. The continuous enhancement in the production and delivery capacity of its furniture export base in Cambodia and the gradual improvement of the supply chain have also contributed to the reduction of production costs, which has further strengthened the Group's competitiveness in the upholstered furniture market.

Properties Development Business

As at December 31, 2024, the Group had in total seven property projects under different stages of development or held for sale in mainland China and Cambodia. The turnover from the properties development segment was RMB327.2 million in 2024, representing an increase of approximately 8.7% as compared to RMB300.9 million in 2023. The increase in sales was mainly due to the increase in delivery of properties in 2024 as compared to that in the corresponding period of last year. Operating gain generated from this segment in 2024 was RMB2.8 million (2023: an operating gain of RMB9.8 million (restated)).

The Group's property project portfolio as at December 31, 2024 is set out below.

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (square meters ("sq.m."))	Status	Estimated year/actual year of completion *(Note)*	Usage
1	Asia Bay	Boao. Asia Bay, Binhai Avenue, Boao Town, Qionghai City, Hainan Province	92%	590,165	Under development	2027	Residential and tourism resort
2	Sanya Project	Dream Water Park, Shibu Nongchang Road, Tianya District, Sanya City, Hainan Province	80.5%	1,423,987	Under development	2028	Residential, hotel and tourism resort
3	Qianjiang Continent	No.66 Middle Dongjin Road, Tinghu District, Yancheng City, Jiangsu Province	100%	335,822	Completed	2015	Residential and commercial
4	Kasen Star City	No. 1 Haiyun Road, Haining City, Zhejiang Province	100%	469,867	Completed	2019	Residential and commercial
5	Changbai Paradise	Baihe Town, Er Dao, Antu County, Yanji City, Jilin Province	89%	118,195	Completed	2015	Residential and hotel
6	Qianjiang Oasis	No.29 Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province	55%	108,138	Completed	2021	Residential and commercial
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	291,035	Under development	2027	Residential
Total				3,337,209			

Note: The estimated year of completion is derived based on the present situation and progress of each project, and is subject to change and adjustment as and when necessary.

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Properties Development Business (cont'd)

The table below sets out an analysis of the properties under development or held for sale as at December 31, 2024.

No.	Project Name	Total gross floor area ("GFA") (sq.m.)	GFA under development /completed (sq.m.)	Total saleable GFA (sq.m.)	Accumulated GFA sold as at December 31, 2024 (sq.m.)	Accumulated GFA delivered as at December 31, 2024 (sq.m.)	Average selling price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	224,331	211,289	20,277
2	Qianjiang Continent	775,292	775,292	670,065	670,065	670,065	–*
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	–*
4	Changbai Paradise	122,412	122,412	122,010	51,598	44,353	2,662
5	Qianjiang Oasis	334,899	334,899	260,296	254,276	254,161	5,927
6	Phnom Penh Kasen Garden (Phase 1)	64,527	64,527	63,782	37,974	13,021	11,013
Total		2,973,019	2,659,063	2,415,048	1,946,974	1,901,619	

* These projects were completed and all properties were delivered.

Special Economic Zone Operation Business

In August 2023, the Group obtained control of Zhejiang Special Economic Zone located in Koh Kong, Cambodia by way of equity acquisition. Approved by the Cambodian government, Koh Kong Zhejiang Special Economic Zone is an industrial special economic zone featuring eco-manufacturing, circular economy, industrial clusters, green and low-carbon development, and its development objective is to become a demonstration zone for Sino-Cambodian cooperation in production capacity. The special economic zone has a strong capacity to absorb industries, and its industrial clusters cover light industry, heavy industry, chemical industry, renewable energy processing industry, etc. The Group regards the operation of the special economic zone as a major strategic initiative for the transformation and upgrading of its industrial structure. In 2024, the Group has fully launched its infrastructure construction and investment promotion work in the special economic zone. During the year under review, nearly 100 enterprises have signed contracts to purchase or lease land and factory buildings, achieving revenue recognised from the sale/lease of land and factory buildings in this new segment of RMB59.8 million.

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (square meters ("sq.m."))	Status	Estimated year/actual year of completion *(Note)*	Usage
1	Koh Kong Zhejiang SEZ (Phase I)	Zhejiang Special Economic Zone, Cambodia	49%	8,294,968	Under development	2025	Industrial

RESULTS OVERVIEW (cont'd)

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the year ended December 31, 2024 decreased to approximately RMB62.2 million, representing a decrease of approximately 10.9% as compared to approximately RMB69.8 million in 2023. The decrease was mainly due to the decrease in the staff costs and marketing expenses in the property development segment in 2024 as compared with 2023. The Group's selling and distribution costs to turnover in 2024 decreased to approximately 6.0% as compared to approximately 7.3% in 2023.

The administrative expenses in 2024 was approximately RMB173.5 million, representing a small decrease of approximately 2.0% as compared to approximately RMB177.1 million in 2023. The administrative expenses maintained at a relatively stable level as compared with 2023.

The Group's impairment loss on financial assets changed from the reversal of impairment loss of approximately RMB3.0 million in 2023 to approximately RMB7.5 million of impairment loss provided in 2024 under the relevant accounting policies of the Group adopted in accordance with IFRS 9. Further details are disclosed in note 46.5 to the consolidated financial statements.

The Group's finance cost in 2024 was approximately RMB54.3 million, representing an increase of approximately RMB11.6 million, as compared to approximately RMB42.7 million in 2023. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings and interest expense on lease liabilities as well as interest charges on convertible bonds. The increase in finance cost was mainly due to (1) interest capitalization to property projects during the year under review, and (2) approximately RMB4.6 million of interest charges on the new convertible bonds issued in 2024. Further details of the new convertible bonds, please refer to the paragraph headed "Issue of Convertible Bonds" of "Directors' Report" on pages 29 to 32 of this annual report.

The Group recorded a net gain of approximately RMB14.2 million in other gains and losses in 2024, while it recorded a net gain of approximately RMB32.8 million in 2023. For details of the other gains and losses, please refer to note 7 to the consolidated financial statements.

The Group's income tax in 2024 was approximately RMB55.8 million, representing an increase of approximately RMB11.0 million, as compared to approximately RMB44.8 million in 2023. The increase was mainly resulted from an increase in PRC income tax of approximately RMB11.6 million mainly due to an increase in taxable profits of the subsidiaries in the PRC.

Based on the aforesaid factors, profit after income tax for the year slightly increased by approximately RMB3.8 million or approximately 5.7%, from RMB65.9 million to RMB69.7 million, as compared with the year 2023. However, after sharing profits to the non-controlling interests, the net profit attributable to owners of the Company in 2024 decreased by approximately 9.8% to approximately RMB63.5 million (2023: RMB70.4 million).

CAPITAL EXPENDITURE

Capital expenditure in 2024 increased to approximately RMB167.3 million (including construction in progress of approximately RMB122.3 million) from approximately RMB48.9 million in 2023. The capital expenditure mainly comprised the amount of approximately RMB167.3 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year ended December 31, 2024.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Bank Borrowings

As at December 31, 2024, the Group's bank borrowings amounted to approximately RMB693.4 million (in which approximately 17.8% (2023: 9.5%) was denominated in USD and approximately 82.2% (2023: 90.5%) was denominated in RMB), representing a decrease of approximately 4.8% from approximately RMB728.2 million as at December 31, 2023. As at December 31, 2024, the Group had outstanding bank borrowings amounted to approximately RMB184.4 million repayable within one year and approximately RMB509.0 million repayable after one year (2023: approximately RMB284.1 million repayable within one year and approximately RMB444.1 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2024, the inventory turnover period increased to 61 days (2023: 54 days).

In 2024, the Group continued to maintain a strict credit policy. The account and bills receivables turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 48 days in 2024 (2023: 33 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 64 days in 2024 (2023: 53 days).

As at December 31, 2024, the Group's current ratio was 2.42 (December 31, 2023: 2.6). The Group's cash and cash equivalent balance was approximately RMB301.7 million as at December 31, 2024 (December 31, 2023: approximately RMB567.5 million). As at December 31, 2024, cash and cash equivalent balance of the Group was approximately 80.4% (2023: 89.4%) denominated in RMB, approximately 18.8% (2023: 10.1%) denominated in USD, approximately 0.7% (2023: 0.4%) denominated in HKD and Japanese Yen, and less than 0.1% (2023: 0.1%) denominated in other currencies. This represents a gearing ratio of 18.2% as at December 31, 2024 (December 31, 2023: 19.4%) and a net debt-to-equity ratio of 10.3% as at December 31, 2024 (December 31, 2023: 4.3%). The gearing ratio is based on bank borrowings to owners' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to owners' equity. In 2024, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the year ended December 31, 2024.

Capital Structure

The capital structure of the Group consists of debts, which includes bank borrowings and advances from a director of the Company and a related company, and equity attributable to owners of the Company, comprising issued share capital and reserves.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions or disposals of its subsidiaries, associates or joint ventures during the year ended December 31, 2024.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Saved as disclosed in "Future Plans and Prospects" section, the Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary businesses of properties development and special economic zone.

SIGNIFICANT INVESTMENTS

Save as disclosed, the Company had no other significant investments held during the year ended December 31, 2024.

CONTINGENT LIABILITIES

As at December 31, 2024, the Group had certain contingent liabilities. For details, please refer to note 45 "FINANCIAL GUARANTEE CONTRACTS" to the consolidated financial statements.

PLEDGE OF ASSETS

Some of the Group's assets have been pledged to secure the bank borrowings and the bank facilities granted to the Group. For details, please refer to note 44 to the consolidated financial statements.

CAPITAL AND OTHER COMMITMENTS

As at December 31, 2024, the Group had contracted, but not provided for, total capital and other expenditure of RMB2,936.2 million (2023: RMB2,732.3 million), in which an amount of RMB465.9 million (2023: RMB159.2 million) was in respect of properties under development. For details, please refer to note 43 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) was mainly denominated in U.S. dollars, and trade receivables may be exposed to exchange rate fluctuation. During the year ended December 31, 2024, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group had cash or cash equivalent denominated in US dollars of approximately US$7.9 million as at December 31, 2024. The Group did not implement any hedging activities but will continue to closely monitor the situation and make necessary arrangement as and when appropriate.

EMPLOYEES AND EMOLUMENT POLICIES

As at December 31, 2024, the Group employed a total of approximately 2,431 full time employees (December 31, 2023: approximately 2,285), including management staff, technicians, salespersons and workers. In 2024, the Group's total expense on the remuneration of employees was approximately RMB177.0 million (2023: approximately RMB176.2 million), representing approximately 17.3% (2023: 18.4%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly on an annual basis. Apart from contributions to the provident fund scheme (for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

The Group's emolument policies of the employees are formulated by the Board with reference to their respective qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for executives of similar position. The emoluments of the Directors are decided by the Board, the shareholders of the Company and/or the remuneration committee of the Company (the "Remuneration Committee"), who are authorised by the shareholders of the Company (the "Shareholders") in the annual general meeting, in accordance with the Articles of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has also adopted share option schemes for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the schemes are set out in the "Directors' Report" section of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FUTURE PLANS AND PROSPECTS

By assessing the development of the international economic situation, the Group will intensify the efforts in adjusting and upgrading the industrial structure and layout to achieve high-quality development. On the basis of existing industrial sectors, we will enhance the newly launched business of construction and operation of industrial special economic zones, as well as add new international power and energy development business, which will be regarded as strategic emerging industries and receive substantial resource investment. The Group is confident that, after 3-5 years of nurturing and business development, these new industries will become important drivers for the growth of the Group's business and the improvement of its financial performance. Leveraging on its advantageous geographical location, comprehensive supporting infrastructure and efficient and convenient services, Cambodia Koh Kong Zhejiang Special Economic Zone is certain to attract more enterprises to settle in. The sale/lease of land and plants and infrastructure services will open up new profit growth points for the Group. The Group will look for chances to develop power and energy business in Asian and African developing countries.

In the field of upholstered furniture business, the Group will further expedite the transfer of production capacity to Cambodia, creating a layout where the Cambodian production base is primary and the production base in mainland China is secondary. Taking full advantage of Cambodia's benefits in tariffs, labor, and emerging markets, the Group will continue to enhance the overall competitiveness of its upholstered furniture products, maintaining the Group's advantageous stance among international upholstered furniture original equipment manufacturing ("OEM") manufacturers.

In the field of property development, the Group will accelerate the sales of projects, recover funds and dispose of inefficient property assets in China. Meanwhile, more resources will be allocated to the real estate projects in Phnom Penh, Cambodia, to meet the increasing local demand for property purchase in Cambodia, with an aim to become a highly influential real estate developer in the country.

In the field of tourism resort business, with the robust development of the domestic tourism market, consumers' demand for tourism and vacation products is also becoming more vigorous. The Group will further improve its existing service facilities and enhance its service quality, endeavoring to achieve better performance in the business field.

The Company will continue to closely monitor the funding need for its future plans. As at the date of this report, the Directors believe the Group has sufficient internal sources of funding for the future plans but will also consider short term loans from banks or financial institutions in the future.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended December 31, 2024.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 20, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of upholstered furniture; (ii) properties development; (iii) special economic zone; and (iv) travel and related operations.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year ended December 31, 2024 and a discussion on the Group's future business development and outlook of the Company's business and important events affecting the Company occurred during the year ended December 31, 2024 and since the end of the reporting period are provided in the section headed "Chairman's Statement" on page 3 and the section headed "Management Discussion and Analysis" on pages 8 to 14 of this annual report. A summary of the principal risks and uncertainties that the Group may be facing is set forth in the paragraph headed "Principal Risks and Uncertainties" of this section of this annual report. An analysis of the Group's performance during the year ended December 31, 2024 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 14 of this annual report.

An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of this section of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The Group is a contract manufacturer for its customers; accordingly, sales volume of the Group depends on the success of the businesses of its customers, over which the Group does not have any control. Further, the Group's business is subject to fierce competition, including price and costs of its products. The business of the Group may also be affected by seasonal factors, such as weather and holidays.

PRINCIPAL RISKS AND UNCERTAINTIES (cont'd)

Environmental Risk

In conducting its business, the Group must comply with a variety of environmental protection laws and regulation, including laws and regulations regarding discharge and disposal of waste materials. These laws and regulations stipulate specific quotas for the discharge of waste products, permit the levy of fines and payment of damages for serious environmental offences, and permit the national or local authorities, at their discretion, to require companies to rectify non-compliance within a mandatory period, or suspend their operations if they fail to comply with such relevant laws and regulations. As at the date of this annual report and to the best of the knowledge of the Directors, the Company has in all material respects complied with the relevant rules and regulations that are significant to the operations of the Group. However, environmental laws and regulations applicable to the Group are constantly evolving. The Group may not be able to always quantify the costs of complying with such laws and regulations, and any further changes may also lead to a substantial increase in the operational costs of the Group.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing relevant liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 91 to 92.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2024 (2023: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company to be held on May 30, 2025, the register of members of the Company will be closed from May 27, 2025 to May 30, 2025 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on May 26, 2025.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to Shareholders as at December 31, 2024, calculated in accordance with International Financial Reporting Standards, was approximately RMB1,529.9 million.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 4.

PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2024, the Group had acquired property, plant and equipment of approximately RMB167.3 million (including construction in progress of approximately RMB122.3 million) for operational purpose.

Details of these and other movements in the property, plant and equipment of the Group during the year ended December 31, 2024 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2024, the aggregate sales attributable to the Group's five largest customers comprised approximately 91.2% of the Group's manufacturing and trading of upholstered furniture segment's sales and the sales attributable to the Group's largest customer were approximately 39.0% of the Group's manufacturing and trading of upholstered furniture segment's sales.

The aggregate purchases during the year ended December 31, 2024 attributable to the Group's five largest suppliers were approximately 16.3% of the Group's manufacturing and trading of upholstered furniture segment's purchases and the purchases attributable to the Group's largest supplier were approximately 4.4% of the Group's manufacturing and trading of upholstered furniture segment's purchases.

None of the Directors, their close associates or any Shareholders who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers and suppliers of the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that the employees, customers and suppliers are the key to corporate sustainability and are keen on developing long-term relationships with these stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also provides adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS (cont'd)

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's businesses. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a manufacturer and property developer in the PRC and Cambodia, the Group is subject to various environmental laws and regulations set by the PRC and Cambodia national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended December 31, 2024, the Group had in all material respects complied with relevant environmental laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable environmental laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The audit committee of the Company (the "Audit Committee") is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time, including but not limited to, environment and labour laws.

As far as the Company is aware of, the Group has in all material respects complied with all relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds relevant required licences for provision of its services. The Group's management strives to ensure that the conduct of business is in conformity with the applicable laws and regulations.

WORKPLACE QUALITY

The Group is an equal opportunities employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. The Group establishes and implements policies that promote a harmonic and respectful workplace.

WORKPLACE QUALITY (cont'd)

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. It will continue to provide on-the-job training and development opportunities to enhance its employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, which are vital to promote staff relationship and physical fitness.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programs.

DIRECTORS

The Directors during the year of 2024 and up to the date of this annual report are:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman)*
ZHOU Xiaohong

Independent Non-executive Directors

CHOW Hiu Tung
ZHOU Lingqiang
ZHANG Yuchuan

In accordance with article 87 of the Company's articles of association (the "Articles"), Ms. Zhou Xiaohong and Mr. Zhang Yuchuan will retire from the office of Directors by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

None of the Directors, including the Directors being proposed for re-election at the forthcoming AGM, has a service contract or an appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Confirmation from Directors under Rule 3.09D

There is no appointment of Director during the year ended 31 December 2024.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of the Directors during the year ended December 31, 2024 and subsequent period up to the date of this report required to be disclosed, are set out below:

Name of Director	Details of changes
Mr. Zhu Zhangjin	From January 1, 2025 onwards, the annual remuneration of Mr. Zhu Zhangjin has been changed from HK$600,000 to HK$360,000.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief details of Directors and senior management are set out in the section headed "Directors and Management Profiles" section on pages 5 to 7 of this annual report. The existing Directors (including the independent non-executive Directors) were appointed for a term of three years commenced from September 26, 2023 for Mr. Zhu Zhangjin; June 30, 2023 for Ms. Zhou Xiaohong; January 1, 2024 for Mr. Zhou Lingqiang; March 1, 2024 for Mr. Zhang Yuchuan and December 18, 2023 for Mr. Chow Hiu Tung respectively and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. Particulars regarding Directors' emoluments are set out in note 10 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2024, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix C3 to the Listing Rules are as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Long Positions in Shares and Underlying Shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest: Directly beneficially owned	Founder of a discretionary trust	Total number of shares interested	Percentage of the Company's issued share capital *(Note 3)*
Zhu Zhangjin ("Mr. Zhu") *(Note 1)*	13,360,000	949,044,584	962,404,584	66.69%
Zhou Xiaohong *(Note 2)*	12,514,561	–	12,514,561	0.87%

Notes:

1. Mr. Zhu is the settlor of a Bermuda purpose trust ("Trust"), of which the family members of Mr. Zhu are beneficiaries, and Prosperity and Wealth Limited (a Bermuda private trust company) is the trustee. The entire issued share capital of Joyview Enterprises Limited ("Joyview") is held by Prosperity and Wealth Limited as trustee of the Trust. As at December 31, 2024, Joyview held (i) 555,645,113 Shares; and (ii) convertible bonds issued by the Company (the terms and conditions of which are set out in the Company's circular dated November 23, 2023) in the aggregate principal amount of HK$141,623,810, which were convertible into 393,399,471 Shares at the conversion price of HK$0.36 per Share (subject to adjustment). Mr. Zhu was deemed to be interested in all the Shares and underlying Shares in which Joyview had interest by virtue of the SFO. Mr. Zhu was also personally and directly interested in (i) 12,360,000 Shares and (ii) share options under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme") to subscribe for 1,000,000 Shares as at December 31, 2024.

2. Ms. Zhou Xiaohong was personally and directly interested in (i) 9,514,561 Shares and (ii) share options under the 2005 Share Option Scheme to subscribe for 3,000,000 shares as at December 31, 2024.

3. Calculated on the basis of 1,443,141,881 Shares in issue as at December 31, 2024.

Save as disclosed herein, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at December 31, 2024.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 42 to the consolidated financial statements.

The 2005 Share Option Scheme was adopted for the primary purpose of providing incentives to Directors, eligible employees and third party services providers. The 2005 Share Option Scheme became effective on October 20, 2005 and the options issued pursuant to the 2005 Share Option Scheme will expire no later than 10 years from the date of grant of the option. Under the 2005 Share Option Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company. The 2005 Share Option Scheme was terminated on May 29, 2015. As at December 31, 2024, the Company had 10,850,000 outstanding options granted pursuant to the 2005 Share Option Scheme.

On the same date of the termination of the 2005 Share Option Scheme, a new share option scheme was adopted by the Company pursuant to a shareholders resolution passed on May 29, 2015 (the "2015 Share Option Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The eligible participants includes any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries. The 2015 Share Option Scheme became effective on May 29, 2015 and the options issued pursuant to the 2015 Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at the date of this annual report, no options have been granted by the Company under the 2015 Share Option Scheme.

For any options granted to Directors, chief executives or substantial shareholders of the Company, options to be granted shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed grantee of options).

The total number of shares in respect of which options may be granted under the 2005 Share Option Scheme is not permitted to exceed 10% of the issued shares of the Company on October 20, 2005 (i.e. 101,404,536 shares of the Company) and the total number of shares in respect of which options may be granted under the 2015 Share Option Scheme is not permitted to exceed 10% of the issued shares of the Company on May 29, 2015 (i.e. 116,232,298 shares of the Company) without prior approval from the Shareholders. The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total shares of the Company in issue at any point of time, without prior approval from the Shareholders.

The amount payable on acceptance of an option is HK$1.00. In relation to any options granted under both the 2005 Share Option Scheme and the 2015 Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Each grantee shall pay a consideration of HK$1.00 at the time the option is granted.

SHARE OPTION SCHEMES (cont'd)

Both the 2005 Share Option Scheme and the 2015 Share Option Scheme do not contain any minimum period(s) for which an option must be held before it can be exercised or period within which the option may be exercised. However, at the time of granting of the options, the Company may specify any such minimum period(s).

Unless otherwise terminated by the Board or the Shareholders in general meeting in accordance with the terms of the 2015 Share Option Scheme, the 2015 Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional which was May 29, 2015, after which no further options will be granted or offered but the provisions of the 2015 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the 2015 Share Option Scheme.

As at January 1, 2024, the number of options available for grant under the 2015 Share Option Scheme was 116,232,298 shares. As at 1 January 2024 and December 31, 2024, the total number of shares available for issue (including the outstanding options already granted under the 2005 Share Option Scheme) and the 2015 Share Option Scheme was 127,082,298 shares, which represented 8.8% of the shares in issue as at the date of this annual report. As at the date of this annual report, the remaining life of 2015 Share Option Scheme is approximately two months.

Details of movement of the share options during the year ended December 31, 2024, being share options granted pursuant to the 2005 Share Option Scheme on May 26, 2015, were as follows:

		Number of share options							
Name of Director	Exercise price *HK$*	Outstanding as at January 1, 2024	Vested from January 1, 2024 to December 31, 2024	Exercised from January 1, 2024 to December 31, 2024	Lapsed or cancelled from January 1, 2024 to December 31, 2024	Outstanding as at December 31, 2024	Percentage of total issued share capital	Exercisable period	Notes
Zhu Zhangjin	1.37	1,000,000	–	–	–	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3
Zhou Xiaohong	1.37	3,000,000	–	–	–	3,000,000	0.21%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	–	–	–	4,000,000	0.28%		
Other employees in aggregate	1.37	6,850,000	–	–	–	6,850,000	0.47%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	–	–	–	10,850,000	0.75%		

Notes:

1. These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 and are then vested and exercisable at HK$1.37 per Share from January 1, 2016 to May 25, 2025. The closing price of shares of the Company immediately before the date of grant of share options was HK$1.38.

2. These share options represent personal interest held by the relevant participants as beneficial owner.

3. During the year ended December 31, 2024, none of these share options were exercised, lapsed nor cancelled.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2024, the following persons (other than Directors or chief executives of the Company stated in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this section of the annual report) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Short position	Long position	Percentage of the Company's issued share capital[4]
Joyview[1]	Beneficial owner	–	949,044,584	65.76%
Prosperity and Wealth Limited[1]	Trustee	–	949,044,584	65.76%
Team Ease Limited[2]	Beneficial owner	–	235,043,057	16.29%
Xu Helin[2]	Interest in controlled corporation	–	235,043,057	16.29%
Zhu Jiayun[3]	Beneficial owner	–	123,267,194	8.54%

Notes:

1. Mr. Zhu is the settlor of the Trust, of which the family members of Mr. Zhu are beneficiaries, and Prosperity and Wealth Limited (a Bermuda private trust company) is the trustee. The entire issued share capital of Joyview is held by Prosperity and Wealth Limited as trustee of the Trust. As at December 31, 2024, Joyview held (i) 555,645,113 Shares; and (ii) convertible bonds issued by the Company (the terms and conditions of which are set out in the Company's circular dated November 23, 2023) (the "Convertible Bonds") in the aggregate principal amount of HK$141,623,810, which were convertible into 393,399,471 Shares at the conversion price of HK$0.36 per Share (subject to adjustment).

2. Team Ease Limited is a company beneficially owned by Xu Helin.

3. Ms. Zhu Jiayun is the daughter of Mr. Zhu. Pursuant to the terms and conditions of the sale and purchase agreement dated September 29, 2023 entered into between Ms. Zhu Jiayun, the Company and a subsidiary of the Company (details of which are set out in the Company's circular dated November 23, 2023), the Company would (upon fulfillment of certain conditions) issue to Ms. Zhu Jiayun (or her nominee(s)) a further batch of the Convertible Bonds in aggregate principal amount of HK$44,376,190, which would be convertible into 123,267,194 Shares at the conversion price of HK$0.36 per Share (subject to adjustment). As at December 31, 2024, the issuance of such further batch of the Convertible Bonds was still pending.

4. Calculated on the basis of 1,443,141,881 Shares in issue as at December 31, 2024.

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at December 31, 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option schemes disclosed in the section "Share Option Schemes" of this annual report, at no time during the year ended December 31, 2024 was the Company or any of its subsidiaries a party to any arrangements which enables any Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

CONNECTED TRANSACTION

On July 23, 2024, a wholly-owned subsidiary of the Company, namely Zhejiang Hainix Sofa Co., Ltd. ("Zhejiang Hainix") entered into the Lease Agreement with a non-wholly owned subsidiary of the Company, namely Koh Kong Zhejiang Sez Co., Ltd. ("Koh Kong Zhejiang"), pursuant to which Zhejiang Hainix agreed to lease the land from Koh Kong Zhejiang for a total rent payable of US$1,983,735 for renewable terms of ninety-nine years each from 23 July 2024. The land will be used by Zhejiang Hainix for the construction and operation of a factory complex for the manufacturing of upholstered furniture in Cambodia. Koh Kong Zhejiang is owned as to 51% by Ms. Zhu Jiayun who is the daughter of Mr. Zhu Zhangjin, an executive Director. Thus, Koh Kong Zhejiang is a connected person of the Company.

Saved as disclosed above and the continuing connected transactions set forth below, the Group did not enter into any transactions which constituted connected transactions of the Company under the Listing Rules with its connected persons during the year ended December 31, 2024.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2024, the following transactions were entered into by the Group with its connected persons, or subsisted during the year ended December 31, 2024. The transactions constituted continuing connected transactions for the Company under the Listing Rules, details of which are disclosed in compliance with the requirement of Chapter 14A of the Listing Rules.

(1) Agreement for Sale of Production Wastes to Haining Yujie Material Recycling Co., Ltd. ("Yujie")

On November 17, 2021, Yujie entered into a renewal agreement with the Group (the "2021 Yujie Renewal Agreement") for a term of 3 years which will expire on December 31, 2024.

Pursuant to the 2021 Yujie Renewal Agreement, the Company agreed to sell certain production wastes (including materials such as residue leather, used tubs, hair and fat) to Yujie (the "Haining Yujie Transactions"). Yujie is one of the largest recycling companies in Haining and is located near many of the Group's production facilities. The Company believes that by selling wastes to Yujie, the Group will achieve an efficient management of disposal logistics and an effective supervision of its employees in its sale of production wastes. Given that no direct comparable price from the market is available, it was then agreed that the price with Yujie will be made with reference to Yujie's price from collecting similar production waste from independent third parties. Since Haining Yujie Transactions have been made for many years, price movement had been regularly monitored by the Group. The pricing under this agreement was determined with reference to, among others, (i) comparable market prices based on the type of waste involved, in the case of cowhides, whether the cowhides are processed or not; and (ii) the expected costs to be incurred by the Group in providing such products.

During the year ended December 31, 2024, the aggregate amount of the transactions under the 2021 Yujie Renewal Agreement was approximately RMB824,000 and the actual transaction amount did not exceed the annual cap amount of RMB5,000,000.

CONTINUING CONNECTED TRANSACTIONS (cont'd)

(1) Agreement for Sale of Production Wastes to Haining Yujie Material Recycling Co., Ltd. ("Yujie") (cont'd)

Yujie is a subsidiary of Zhejiang Sunbridge Industrial (Group) Co., Ltd. ("Sunbridge") and Sunbridge is a company in which Mr. Zhu Zhangjin, a Director and the controlling shareholder of the Company. Accordingly, Yujie is a connected person of the Company and transactions between the Group and Yujie constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

For further details of the 2021 Yujie Renewal Agreement, please refer to the announcement of the Company dated November 17, 2021.

(2) Agreement for providing guarantee to the CCT Group

On November 17, 2021, Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren, Haining Lingjia New Material Technology Company Limited ("Lingjia New Material"), Haining Kasen Leather Company Limited ("Haining Kasen Leather"), Haining Schinder Leather Company Limited ("Haining Schinder") and Yancheng Dafeng Huasheng Leather Company Limited ("Dafeng Huasheng") entered into an agreement with the Group for a term of 3 years which will expire on December 31, 2024 (the "2021 CCT Master Agreement").

Pursuant to the 2021 CCT Master Agreement, the Group agreed to provide the guarantee to Haining Kasen Leather, Haining Schinder and Dafeng Huasheng (collectively referred to as the "CCT Group"); and each of Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material (collectively referred to as the "CCT Counter Guarantors") agreed to jointly and severally provide the counter guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group up to the amount of the annual caps, subject to the terms and conditions of the relevant agreement.

During the year ended December 31, 2022, the aggregate value of bank facilities guaranteed by the Group to the CCT Group and the associated costs under the 2021 CCT Master Agreement with the maximum amount of approximately RMB393,000,000, and subsequently in May and June 2022, the CCT Group had repaid the bank facilities and related interests in the amount of approximately RMB85,000,000 under the CCT Master Guarantee to the relevant commercial bank(s) in the PRC. As a result, the maximum amount of the existing bank facilities (including the associated costs) guaranteed by the Group to the CCT Group has been reduced from an amount of up to RMB393,000,000 to an amount of up to approximately RMB308,000,000. During the year ended December 31, 2024, the actual transaction amount did not exceed the reduced annual cap amount of RMB308,000,000.

Mr. Zhu Zhangjin is a Director and the controlling shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu Zhangjin and wholly own Lingjia New Material. Therefore, Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under the Listing Rules and transactions under the 2021 CCT Master Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

For further details of the 2021 CCT Master Agreement, please refer to the announcements of the Company dated November 17, 2021, December 3, 2021 and June 30, 2022, and the circular dated December 13, 2021.

CONTINUING CONNECTED TRANSACTIONS (cont'd)

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the Board that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions set out as above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the relevant annual caps as disclosed.

The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor.

In the opinion of the independent non-executive Directors, the continuing connected transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are no less favorable to the Group than terms to or from independent third parties; and

(iii) in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than disclosed above, there was no other transaction which needs to be disclosed as connected transaction in accordance with the requirements of the Listing Rules during the year ended December 31, 2024.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2024, the Group had certain transactions with "related parties" as defined under the applicable accounting standards. Except for the connected transaction and continuing connected transactions as set forth in the section headed "Connected Transaction" and "Continuing Connected Transactions" on pages 25 to 27 of this annual report, none constitutes a connected transaction as defined under Chapter 14A of the Listing Rules. The Company confirms it has complied with all disclosure requirements under the Chapter 14A under the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Connected Transaction" and "Continuing Connected Transactions" of this annual report, and save for the interests of Joyview and Ms. Zhu Jiayun in the Convertible Bonds (details of which are disclosed in the sections headed "Substantial Shareholders" above and "Issue of Convertible Bonds" below), there were no transaction, arrangement or contracts of significance in which a Director had a material interest, whether directly and indirectly, and subsisted at the end of the year or at any time during the year ended December 31, 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2024.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2024.

INDEMNITY AND INSURANCE PROVISIONS

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the section headed "Issue of Convertible Bonds" below, at no time during the year under review, did the Company or any of its subsidiaries purchase, sell or redeem any of the Company's listed securities (including sales of treasury shares). As at December 31, 2024, the Company did not hold any treasury shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year ended December 31, 2024.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests, whether directly or indirectly, in any business, which competes or is likely to compete, against the Company or any of its subsidiaries for the year ended December 31, 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DONATIONS

During the year ended December 31, 2024, the Group had made charitable donations of approximately RMB185,000 in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of its independent non-executive Directors, namely Mr. Chow Hiu Tung, Mr. Zhou Lingqiang and Mr. Zhang Yuchuan, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

EVENTS AFTER THE REPORTING DATE

The Company had certain event(s) after the reporting date December 31, 2024. For details, please refer to note 48 to the consolidated financial statements.

ISSUE OF CONVERTIBLE BONDS

On September 29, 2023, Ms. Zhu Jiayun (as Seller), Kasen International Company Limited (as Purchaser) and the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Purchaser conditionally agreed to acquire, and Ms. Zhu Jiayun conditionally agreed to sell, the 49% of equity interest of Koh Kong Zhejiang Sez Co., Ltd., a company incorporated in Cambodia, at the consideration of HK$338,000,000, to be satisfied by cash and the issue of the convertible bonds in four batches.

For the background, principal terms, adjustment to conversion price and other details of the abovementioned convertible bonds, please refer to the announcements of the Company dated September 29, 2023 and December 12, 2023 and December 14, 2023, and the circular of the Company dated November 23, 2023. Further details of the convertible bonds are set out in note 32 to the consolidated financial statements.

ISSUE OF CONVERTIBLE BONDS (cont'd)

On January 3, 2024, the Company issued the first batch convertible bonds in the principal amount of HK$49,810,229 to the bondholder (the "Bondholder"), i.e. Joyview Enterprises Limited which was nominated by Ms. Zhu Jiayun) pursuant to the specific mandate (the "Specific Mandate") passed by way of poll at the extraordinary general meeting held on December 12, 2023. Ms. Zhu Jiayun is the daughter of Mr. Zhu Zhangjin and is a connected person of the Company. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and has been/shall be payable semi-annually in arrears by the Company to the Bondholder at the close of business on July 2, 2024, January 2, 2025 and the bond maturity date on July 2, 2025. Upon full conversion of the first batch convertible bonds at the initial conversion price of HK$0.36 per conversion share, a maximum of 138,361,747 conversion shares will be issued representing approximately 9.59% of the issued share capital of the Company on December 31, 2024 and approximately 8.75% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding first batch convertible bonds.

On March 18, 2024, the Company issued the second batch convertible bonds in the principal amount of HK$33,800,353 to the Bondholder. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and has been/shall be payable semi-annually in arrears by the Company to the Bondholder at the close of business on September 17, 2024, March 17, 2025 and the bond maturity date on September 17, 2025. Upon full conversion of the second batch convertible bonds at the initial conversion price of HK$0.36 per conversion share, a maximum of 93,889,869 conversion shares will be issued representing approximately 6.50% of the issued share capital of the Company on December 31, 2024 and approximately 6.11% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding second batch convertible bonds.

On December 11, 2024, the Company issued the third batch convertible bonds in the principal amount of HK$58,013,228 to the Bondholder. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and shall be payable semi-annually in arrears by the Company to the Bondholder at the close of business on June 10, 2025, December 10, 2025 and the bond maturity date on June 10, 2026. Upon full conversion of the third batch convertible bonds at the initial conversion price of HK$0.36 per conversion share, a maximum of 161,147,855 conversion shares will be issued representing approximately 11.17% of the issued share capital of the Company on December 31, 2024 and approximately 10.04% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding third batch convertible bonds.

ISSUE OF CONVERTIBLE BONDS (cont'd)

Impact of the Convertible Bonds on Earnings per Share and Share Dilution

As at December 31, 2024, no conversion into shares had occurred for the above convertible bonds. If the first batch, the second batch and the third batch convertible bonds are fully converted into shares at the initial conversion price of HK$0.36 per conversion share, a maximum of 393,399,471 conversion shares in aggregate will be issued representing approximately 27.26% of the issued share capital of the Company on December 31, 2024 and approximately 21.42% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

The table below sets forth the dilution impact of the full conversion of the above convertible bonds on the shareholding of the substantial shareholders of the Company (assuming that there will be no other change in the issued share capital of the Company save for the issuance of such conversion shares):

	As at December 31, 2024		Immediately after the issuance of the conversion shares upon full conversion of the first batch, second batch and third batch of convertible bonds	
	Number of Shares	*Approx %*	*Number of Shares*	*Approx %*
Joyview and parties acting in concert with it				
Joyview *(Note 1)*	555,645,113	38.50	949,044,584	51.68
Mr. Zhu *(Note 1)*	12,360,000	0.86	12,360,000	0.67
Subtotal	**568,005,113**	**39.36**	**961,404,584**	**52.35**
Other Shareholders				
Team Ease Limited *(Note 2)*	235,043,057	16.29	235,043,057	12.80
Ms. Zhou Xiaohong *(Note 3)*	9,514,561	0.66	9,514,561	0.52
Public Shareholders	630,579,150	43.69	630,579,150	34.33
Subtotal	**875,136,768**	**60.64**	**875,136,768**	**47.65**
Total	**1,443,141,881**	**100.00**	**1,836,541,352**	**100.00**

ISSUE OF CONVERTIBLE BONDS (cont'd)

Impact of the Convertible Bonds on Earnings per Share and Share Dilution (cont'd)

Notes:

1. Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). Mr. Zhu is also interested in share options under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme") to subscribe for 1,000,000 Shares as at December 31, 2024. Pursuant to the terms and conditions of the convertible bonds (the "Convertible Bonds") issued by the Company as disclosed in the circular dated November 23, 2023, as at December 31, 2024, the Convertible Bonds entitling the holders to convert into 393,399,471 Shares has been issued to Joyview.

   Joyview (being the nominee of Ms. Zhu Jiayun) is the holder of the convertible bonds. Therefore, the conversion shares will be issued to Joyview accordingly.

2. Team Ease Limited is a company beneficially owned by Mr. Xu Helin.

3. Ms. Zhou Xiaohong is an executive Director.

In relation to the dilutive impact on earnings per share, please refer to note 13 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee was established by the Company to review and monitor the Company's financial reporting and internal control. The Audit Committee comprises all the independent non-executive Directors. Mr. Chow Hiu Tung is the chairman of the Audit Committee.

The annual results of the Company for the year ended December 31, 2024 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

A remuneration committee of the Company (the "Remuneration Committee") was established by the Company to establish policies, review and determine the remuneration of the Directors and the senior management of the Company. The Remuneration Committee comprises two independent non-executive Directors and an executive Director. Mr. Zhou Lingqiang is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

A nomination committee of the Company (the "Nomination Committee") was established by the Company to make recommendations to the Board on nominations, appointment or reappointment of Directors and Board succession. The Nomination Committee comprises two independent non-executive Directors and an executive Director. Mr. Chow Hiu Tung is the chairman of the Nomination Committee.

AUDITOR

On December 9, 2022, BDO Limited tendered its resignation as the auditor of the Group with effect from December 9, 2022 as BDO Limited and the Company could not reach a consensus in respect of the audit fee of the Company for the year ended December 31, 2022. BDO Limited confirmed in writing that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company. With the recommendation from the Audit Committee, Grant Thornton Hong Kong Limited was appointed by the Board as the auditor of the Company with effect from December 9, 2022 to fill the casual vacancy following the resignation of BDO Limited. Save as disclosed above, there was no change in the auditor of the Company for the three years preceding the date of this annual report.

A resolution will be proposed at the AGM to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company.

On behalf of the Board

ZHU Zhangjin, Kasen
Director

March 31, 2025

CORPORATE GOVERNANCE REPORT

The Board and the management team of the Company are committed to maintain a high standard of corporate governance, holding the beliefs of transparency, independence, honesty and accountability. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. Therefore the Company continuously review and improve its corporate governance standards to ensure maximum compliance with the relevant laws and codes.

The Company has complied with code provisions (the "CG Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix C1 of the Listing Rules throughout the year ended December 31, 2024, except for the following deviation:

CODE PROVISION C.2.1

Under CG Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the year under review, the Company did not separate the roles of chairman and chief executive. Mr. Zhu Zhangjin assumed the role as both the chairman and CEO of the Company responsible for overseeing the operations of the Group during the year ended December 31, 2024. Despite of the deviation from the CG Code Provision C.2.1, Mr. Zhu Zhangjin provides solid and continuous leadership to the Group with his extensive experience and knowledge in management and maintain the continuous operation of business of the Group. Moreover, under the supervision of other existing members of the Board including the independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interest of the Company and its shareholders. As such, the Board considers that the deviation from CG Code Provision C.2.1 is appropriate in the current situation. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

The Board will keep this matter under review. Following sustained development and growth of the Company, the Company will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies can meet the general rules and standards required by the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended December 31, 2024, each of them has complied with the provisions with the required standards as set out in the Model Code.

BOARD OF DIRECTORS

The primary responsibilities of the Board are to establish long term strategies, administrate and oversee the operations and financial policies and set up and regularly review the Company's performance. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board from time to time. As at the year ended December 31, 2024, the Board comprised five members, including two executive Directors and three independent non-executive Directors. The Board members for the year ended December 31, 2024 and up to the date of this annual report are shown below:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman and Chief Executive Officer)*
ZHOU Xiaohong

Independent Non-executive Directors

CHOW Hiu Tung
ZHOU Lingqiang
ZHANG Yuchuan

The biographical details of all Directors and the relationships between them are set out in the "Directors and Management Profiles" section on pages 5 to 7 of this annual report, the Company's website: http://www.kasen.com.cn, and http://www.irasia.com/listco/hk/kasen/index.htm. None of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors have brought a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors have made various contributions to the Company.

During the year ended December 31, 2024, the Company has purchased Directors & Officers Liability and Company Reimbursement Insurance for all of its Directors and some of its senior management.

NON-EXECUTIVE DIRECTOR

The existing non-executive Directors (all being independent non-executive Directors) were appointed for a term of three years which respectively commenced from January 1, 2024 (for Mr. Zhou Lingqiang), March 1, 2024 (for Mr. Zhang Yuchuan) and December 18, 2023 (for Mr. Chow Hiu Tung) and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

The Company has put in place an on-going training and professional development programme for Directors. During the year ended December 31, 2024, all Directors of the Company namely, Mr. Zhu Zhangjin, Ms. Zhou Xiaohong, Mr. Chow Hiu Tung, Mr. Zhou Lingqiang and Mr. Zhang Yuchuan received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Furthermore, all of the Directors attended in-house seminars conducted which covers the topics of disclosure requirements under the Listing Rules and SFO during the year ended December 31, 2024. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

BOARD COMMITTEES

As an integral part of good corporate governance, the following committees have been set up:

Audit Committee

The Audit Committee comprises all the independent non-executive Directors:

Mr. CHOW Hiu Tung *(Chairman of the Audit Committee)*
Mr. ZHOU Lingqiang
Mr. ZHANG Yuchuan

The Audit Committee was set up in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference prepared based on "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and the CG Code adopted. The primary duties of the Audit Committee are to review and monitor the Company's financial reporting, internal control principles and risk management effectiveness of the Company and to assist the Board to fulfill its responsibilities over audit. The members of the Audit Committee meet regularly with the external auditors and the Company's senior management to review, supervise and discuss the Company's financial reporting, internal control procedures and risk management effectiveness and to make recommendations to improve the Company's internal control, and to ensure that management has discharged its duty to have an effective internal control system.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

BOARD COMMITTEES (cont'd)

Audit Committee (cont'd)

During the year ended December 31, 2024, the Audit Committee performed the following Company's corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

During the year ended December 31, 2024, the Audit Committee held three meetings to review the annual and interim results, and to make recommendations to improve the Company's internal control. The chief financial officer, internal audit officer and representatives of the external auditors attended the meetings.

Remuneration Committee

The Remuneration Committee comprises three members, the majority of which are independent non-executive Directors:

Mr. ZHOU Lingqiang *(Chairman of the Remuneration Committee)*
Ms. ZHOU Xiaohong
Mr. ZHANG Yuchuan

The Remuneration Committee has adopted written terms of reference prepared by reference to the suggested terms of reference stated under the CG Code Provision E.1.2.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee has been delegated with the powers and authorities to implement the share option scheme of the Company and to deal with all compensation matters regarding the Directors and senior management of the Company in accordance with the terms and conditions of their respective agreement/contract with the relevant member of the Group.

During the year ended December 31, 2024, the Remuneration Committee held one meeting to review and approve the remuneration package of the Board members and the senior management.

BOARD COMMITTEES (cont'd)

Remuneration Committee (cont'd)

The remuneration of Directors and the members of the senior management by band for the year ended December 31, 2024 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	–
Over HK$2,000,000	–

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix C1 to the Listing Rules are set out in note 10 to the consolidated financial statements. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2024.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee"), comprises of three members, the majority of which are independent non-executive Directors:

Mr. CHOW Hiu Tung *(Chairman of the Nomination Committee)*
Mr. ZHOU Lingqiang
Ms. ZHOU Xiaohong

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointment or reappointment of Directors and Board succession. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, diversity and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Director. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee adopted the "Board Diversity Policy" in relation to the nomination and appointment of new directors, and selects board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. It considered that the Board has achieved board members diversity in many aspects but is relatively homogeneous in terms of gender (only one female director out of five). As such, the Nomination Committee considered setting a measurable objective on gender diversity, namely, to appoint at least one more female director within the next five years. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level of the Group so that it will have a pipeline of female senior management and potential successors to the Board in the future.

During the year ended December 31, 2024, the Nomination Committee held one meeting to discuss about the appointment of directors.

Gender Diversity of Employees

As at 31 December 2024, the Group has a total of 2,431 employees, and the ratio of male to female employees is approximately 1: 0.69 (As at 31 December 2023: 1: 0.70). The ratio of male to female senior management is approximately 1: 0.33 (As at 31 December 2023: 1: 0.33). Considering that the Group is mainly engaged in manufacturing and trading of upholstered furniture; land and property development; and tourism resort-related operations, the employees mainly consist of general workers, most of them are generally male, as a result, the Nomination Committee considered that the current ratio of male and female employees is relatively balanced.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and Nomination Committee as well as general meeting of the Company during the year ended December 31, 2024 is set out below:

	Attendance/Number of Meetings					
Name of Directors	**Board Meetings**	**Remuneration Committee Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Extraordinary General Meeting held on December 27, 2024**	**Annual General Meeting held on May 31, 2024**
Executive Directors						
Mr. ZHU Zhangjin, Kasen *(Chairman)*	4/4	N/A	N/A	N/A	1/1	1/1
Ms. ZHOU Xiaohong *(Member of Remuneration Committee and Member of Nomination Committee)*	4/4	1/1	N/A	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. CHOW Hiu Tung *(Chairman of Audit Committee and Chairman of Nomination Committee)*	4/4	N/A	3/3	1/1	1/1	1/1
Mr. ZHOU Lingqiang *(Member of Audit Committee, Member of Nomination Committee and Chairman of Remuneration Committee)*	4/4	1/1	3/3	1/1	1/1	1/1
Mr. ZHANG Yuchuan *(Member of Audit Committee and Remuneration Committee)*	4/4	1/1	3/3	N/A	1/1	1/1

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (cont'd)

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2024, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended December 31, 2024 and were properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). Subject to the Companies Act of the Cayman Islands and the Articles of the Company, the Company may from time to time declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. The Board may also from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. Declaration of dividends is subject to the discretion of the Board, taking into consideration of, among others, (i) the Group's financial performance; (ii) the Group's capital requirements and debt level; (iii) the Group's liquidity position; (iv) retained earnings and distributable reserves of the Group; (v) the Group's business operations, business strategies and future development needs; (vi) any contractual, statutory and regulatory restrictions; and (vii) the general economic conditions and other factors that may have an impact on the performance and position of the Group. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2024 amounted to approximately RMB2.4 million and RMB0.9 million, respectively. The non-audit services included services in interim review and the reporting accountant service in respect of the Company's continuing connected transaction performed by the external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a sound risk management and internal control system which will be reviewed annually by the Board. The Board is responsible for assessing, maintaining and improving the effectiveness of our internal control system to safeguard Shareholders' investments and Company's assets. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board, so as to ensure strict compliance with relevant rules and regulations.

To facilitate and support the Audit Committee and the Board in the maintenance of a good risk management and internal control system, the internal control department has been established and delegated to implement the Company's risk management and internal control systems specifically, to report to the Audit Committee and the Board about any internal control issues, as well as to evaluate and improve our internal control policy continually.

As the principal business of the Company is located in the Mainland China, the Company has formulated its risk management and internal control system based on the Standards for Enterprise Internal Control and the Complementary Guidelines for Enterprises Internal Control promulgated by China's Ministry of Finance. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

During the year ended December 31, 2024, the Company implemented risk management and internal control based on five indicators including internal environment, risk assessment, information and communication and internal oversight. Under the guidance of the Board and the Audit Committee, the internal control department has developed annual internal audit plans and targets to oversee and evaluate the operations of each business segment, including financial data review, economic obligation of management, fund functioning condition, execution of material contracts, financial budgets review as well as business risk oversight. At the beginning of the year, the Board and the Audit Committee, based on a comprehensive assessment of the risks arising from the previous year's operation, have determined the significant risks of the Company faced with and prepared a risk warning report according to a review on the Group's strategic objectives, operation objectives and conditions of each business segment. Under the guidance of the risk warning report, the internal control department implemented significant risk control plans for the purpose of assessing the effectiveness of the risk management and the internal control of the Group, so as to ensure an effective management has been conducted on those identified risks. During the internal monitoring process, the internal control department conducts an independent periodic audit every month to test whether the internal monitoring procedures are valid. The internal control department conducts a comprehensive annual audit in each year to review and assess whether the risk is effectively managed and whether the internal control system is functioning effectively. The internal control department shall investigate, discover and evaluate the significant risks in the operation of the Company promptly, report to the Audit Committee and the Board in a timely manner, and take effective measures to correct and improve the internal control in the business activities. During the year, the internal control department has conducted internal audits on the financial data, compliance operations, fund management, information systems and human resources involved in the Group's business activities. In addition, the Group's business segments are required to assess the effectiveness of their risk management and internal control systems on a monthly basis based on the five elements stated in the Basic Internal Control Norms for Enterprises, to review the risks identified and to report to the Board. The Board and the Audit Committee continue to monitor the effectiveness of the Group's risk management and internal control systems through monthly reports, annual reports submitted by the internal control department and review reports from business segments. For the year ended December 31, 2024, the Audit Committee and the Board were not aware of any significant internal control deficiencies and considered that the Company's risk management and internal control systems were effective, adequate and fully operational.

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company formulated its own policy and procedure on disclosure of inside information in accordance with the Guidelines on Disclosure of Inside Information and other relevant regulations issued by the Securities and Futures Commission, and conducted regular review to ensure the properly implementation on mechanisms of the handling and dissemination of inside information. For the year ended December 31, 2024, the Company made disclosure of its inside information in compliance with its own inside information policies and the applicable laws and regulations.

MECHANISM FOR INDEPENDENT VIEWS

The Board has resolved to adopt a Board Independence Evaluation Mechanism, to ensure independent view and input are available to the Board. The Board Independence Evaluation Mechanism includes various measures to ensure independent views and input are available to the Board. The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. Each independent non-executive Director is required to provide an annual confirmation of his/her independence to the Company and the nomination committee of the Company is responsible to assess the independence of each independent non-executive Director at least annually.

MECHANISM FOR INDEPENDENT VIEWS (cont'd)

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting. The Board has reviewed and considered that the Board Independence Evaluation Mechanism is effective in ensuring that independent views and input are provided to the Board during the year ended December 31, 2024.

CHANGE IN CONSTITUTIONAL DOCUMENTS

Amendments to the Constitutional Documents

During the year ended December 31, 2024, amendments had been made to the Articles of Association of the Company (the "Second Amended and Restated Articles") with the approval from the Shareholders in the annual general meeting held on May 31, 2024 in order to conform to with the new requirements under the amendments to the Listing Rules in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and incorporate certain housekeeping amendments. Details of the amendments were set out in the circular of the Company dated March 28, 2024.

The latest version of the Second Amended and Restated Articles is available on the Stock Exchange's website and the Company's website at http://www.irasia.com/listco/hk/kasen/index.htm.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), on a one vote per share basis, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") and signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, such Requisition should state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting and the proposed agenda.

The rights of Shareholders and the procedures for them to demand a poll on resolutions at shareholders' meetings are contained in the Articles. Details of such rights to demand a poll and the poll procedures are included in all circulars to Shareholders and will be explained during the proceedings of meetings. Poll results, if any, will be posted on both the websites of the Stock Exchange and the Company no later than 30 minutes before the earlier of the morning session or any pre-opening session on the next business day of the shareholders' meeting.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS (cont'd)

The general meetings of the Company provide a platform for communication between the Shareholders and the Board. The chairman of the Board as well as chairman of the Remuneration Committee and Audit Committee or if, in their absence, other members of the respective committees, and where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner.

Taking advantages of various resources, the Company keeps communicating with its Shareholders regularly and properly to ensure that Shareholders are adequately aware of any important issues during the course of the Company's operation, and then exercise their rights as shareholders with sufficient knowledge. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications. Thus the Board is of the view that the shareholders' communication policy are conducted effectively during the year ended December 31, 2024. Shareholders may send their enquiries and concern and investors are welcome to write directly to the Company at its place of business in Hong Kong for any inquiries through the following means:

Telephone number:	(852) 2359 9329
By post:	Unit 1107, 11/F., COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong
Attention:	Company Secretary
By email:	kasen@kasen.imsbiz.com.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Kasen International Holdings Limited (the "Company" or "Kasen") is a comprehensive multinational enterprise with over 30 subsidiaries (collectively, the "Group", "we" or "our") worldwide. Our business layout includes development of power energy infrastructure, operation of industrial economic zones, real estate development, as well as the manufacturing of leather and furniture. Kasen has over 20 years of experience in furniture manufacturing, specialising in upholstered furniture and also the vice-chairman of the China Furniture Associate as the leading exporter in the domestic furniture market.

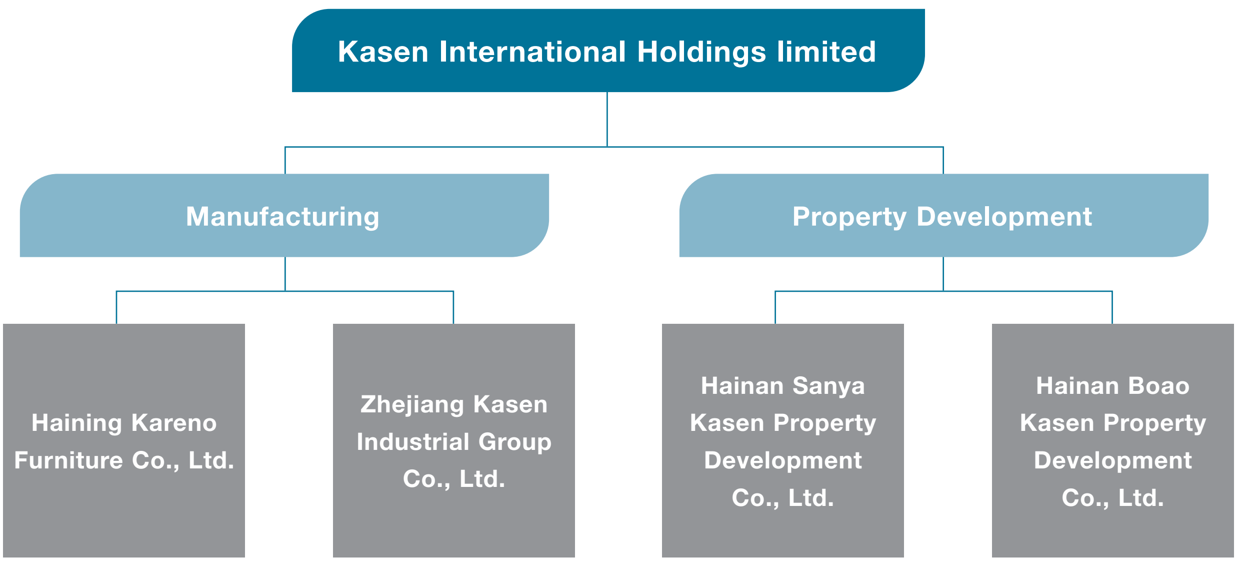
Kasen actively supports the Belt and Road Initiative by leveraging its extensive experience in international markets to invest in economic zones in countries along the Belt and Road. The Company focuses on building economic zones characterised by ecological manufacturing, circular economy, industrial clusters, and green low-carbon development.

As a developer of high-quality energy infrastructure and green low-carbon industrial parks, Kasen is committed to sustainable practices. Currently, Kasen has successfully established and is operating the first phase of the Zhejiang Economic Zone in Cambodia, with comprehensive plans for further development of the project. Additionally, we promote the coordinated development of traditional and renewable energy while advancing international power projects both domestically and abroad.

We are dedicated to building long-term trusted relationship with our stakeholders in the industry and community. It is our pleasure to present the ninth Environmental, Social and Governance ("ESG") report (the "Report") outlining our ESG initiatives and our ongoing commitment to operate responsibly.

Scope of the Report

The Report examines the Group's ESG management approaches, and corresponding performance within our operational boundaries, which mainly include our manufacturing businesses of upholstered furniture in Zhejiang and property development in Hainan of the People's Republic of China ("PRC" or "China") during the period from 1 January 2024 to 31 December 2024 (the "Reporting Period" or "2024"). Unless otherwise specified, the data includes the following subsidiaries and scope of the Report remains the same as last year.



ABOUT THE REPORT (cont'd)

Reporting Standard

The Report has been prepared in accordance with the "Comply or Explain" provisions of the ESG Reporting Guide (the "ESG Reporting Guide"), under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). The Report has been reviewed and approved by the board of directors (the "Board") of the Company. Throughout the Report, we adopt the reporting principles of Materiality, Quantitative, Balance, and Consistency, as described below:

Reporting principles	Description
Materiality	Through internal discussions and engagement with key stakeholders as summarised in "Materiality Assessment" section, we have identified the material topics relevant to our operation.
Quantitative	The disclosed data and key performance indicators ("KPIs") related to environment and social aspects in the Report are organised and calculated in accordance with a series of standardised methodologies, as detailed in the relevant sections.
Balance	We have computed and presented the environmental and social KPIs with reference to the ESG Reporting Guide. Robust methodologies are adopted as detailed in the relevant sections of the Report. Additionally, we have included year-to-year data comparisons to provide an unbiased comparison of our ESG performance, avoiding any selections or omissions that could unduly influence report reader judgement.
Consistency	The Report has been prepared based on the same methodologies, standards and reporting scope as compared to the previous year allowing comparisons of ESG data.

Contact and Feedback

The Group is committed to building a trusted relationship with the community. We develop our business strategies for the best interests of our stakeholders, and we treasure your feedback on this Report and our sustainability efforts. If you have any comments or suggestions, please do not hesitate to send us your written enquiries or feedback by email at kasen@kasen.imsbiz.com.hk.

VALUES AND MISSIONS

Kasen's logo consists of the five letters of "Kasen", with the "k" and "n" extending into upward horns that symbolise the Company's prosperous growth. The green colour represents its commitment to environmental sustainability. The name "Kasen" reflects unity between leadership and employees, while the Chinese character "Sen" is composed of three "Tree" elements, symbolising growth similar to a thriving forest. Originating from leather production, particularly cowhide, Kasen embodies a unique "Cow Culture" that signifies both confidence and hard work, represented by the image of a running ox.

To create a peaceful atmosphere where workers, businesses, and the community can all thrive together, we are steadfastly dedicated to carrying out our corporate social responsibility and giving back to society. In accordance with our ESG missions, vision, and values, we have developed a long-term plan on ESG concerns to direct our progress. Regarding important ESG problems, our strategic focuses are:

Environment

Kasen emphasises green manufacturing and aims to be a pioneer in environmental protection, striving for domestic leadership and global excellence in sustainability.

Social

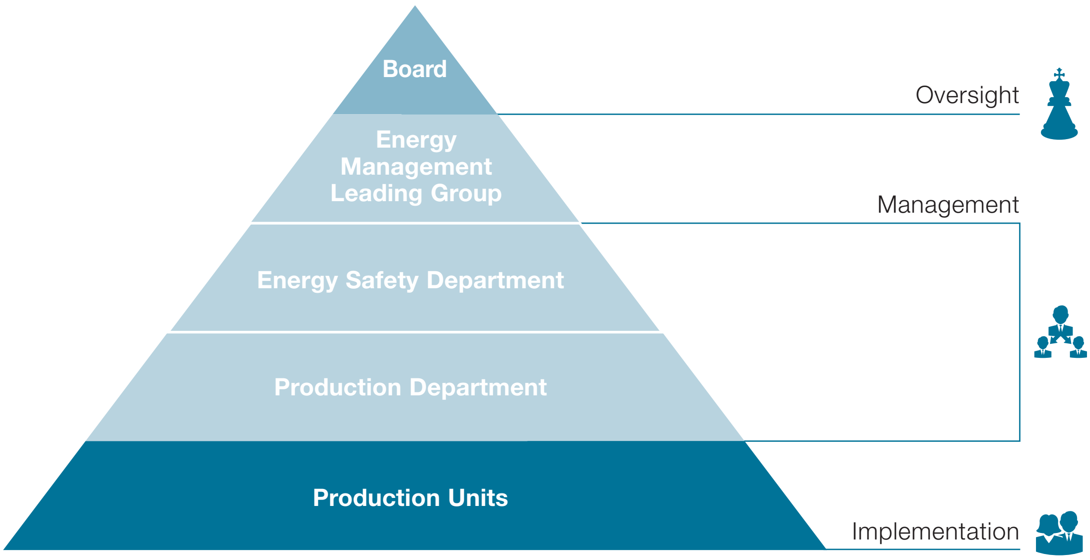
Kasen promotes a spirit of unity and collaboration among employees, focusing on social responsibility and community engagement to create a harmonious environment.

Governance

Kasen's governance philosophy prioritises proactive market strategies, employee welfare, safety over production, and a commitment to quality, ensuring that all stakeholders' interests are harmoniously developed.

ESG GOVERNANCE

Kasen has established a three-tier governance structure to systematically access and manage the material ESG issues. Our Board maintains oversight of the Group's ESG governance and performance at the highest level. The ESG plans, initiative and implementation procedures are reviewed by the Board. We have designated several function groups and departments at the management level to oversee the key aspects of ESG implementation and decision-making, particularly with regards to energy management. An overview of our ESG governance structure is shown below, outlining the roles and accountabilities of each body:



This organised approach enables robust stewardship and alignment of ESG priorities across all levels. It also promotes continuous improvement by establishing well-defined information flows, oversight and execution towards our sustainability goals.

ESG GOVERNANCE (cont'd)

The Board

- Oversees the Group's ESG planning and implementation
- Monitors the overall ESG management of the Group, especially in the energy aspect
- Reviews and approves the Report

Energy Management Leading Group

- Performs decision making in energy management
- Ensures the Group complies with national energy regulations and policies
- Formulates an energy management system and energy saving plans
- Sets up energy saving goals and incentive plans
- Monitors the energy consumption
- Coordinates energy saving training and promotion

Energy Safety Department

- Coordinates the implementation of suggestions raised by the Energy Management Leading Group
- Verifies the energy consumption data of the production units and reports to management

Production Department

- Formulates the energy management plan with production units and monitors the implementation
- Analyses the energy consumption of production units and proposes suggestions
- Promotes the use of new production technology to save energy and reports to management

Production Unit

- Formulates the energy management plan with production units and monitors the implementation of the energy plans and strives to meet the energy saving goals
- Ensures the accuracy of energy consumption data

ESG Risk Management

Kasen recognises the importance of proactively managing ESG-related risks to protect long-term value and stakeholder interests. A robust risk management system has been developed to identify any ESG issues that would pose risk and opportunities.

An independent consultant was engaged to assist in identifying and evaluating material ESG-related risks throughout our activities and value chain, including assessing the likelihood and potential impacts of each risk factors. Significant ESG-related risks are actively monitored, and appropriate mitigation strategies or precautionary measures are adopted. Regular reviews of the ESG risk assessment are also reported to the Board for oversight and continuous enhancement of our management approach.

STAKEHOLDER ENGAGEMENT

To comprehend our stakeholders' expectations and concerns about the Group's ESG issues and related social and environmental effects on our operations, Kasen kept a close relationship with our stakeholders throughout the reporting period. We can improve our ESG performance over time by refining our management strategies and approaches and developing a plan to address ESG issues after getting input from stakeholders and comprehending their concerns. Effective communication with our key stakeholder groups has allowed us to collect their thoughts and concerns, which are displayed in the table below:

Types of stakeholder groups	Concerned topics	Communication channels
Investors and shareholders	• Returns • Risk management • Legal compliance	• Company website • Company's announcements • Annual general meeting • Annual and interim reports
Customers	• Product quality • Customer satisfaction • Customer privacy protection	• Company website • Customer direct communication • Customer feedback and complaints
Employees	• Remuneration and welfare • Diversity, equity, and inclusion • Training and development • Health and safety	• Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers and business partners	• Business integrity • Financial position	• Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g. emails, meetings, on-site visit etc.)
Government authorities and regulators	• Legal compliance • Corporate governance and internal controls • Operational issues	• Documented information submission • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops

STAKEHOLDER ENGAGEMENT (cont'd)

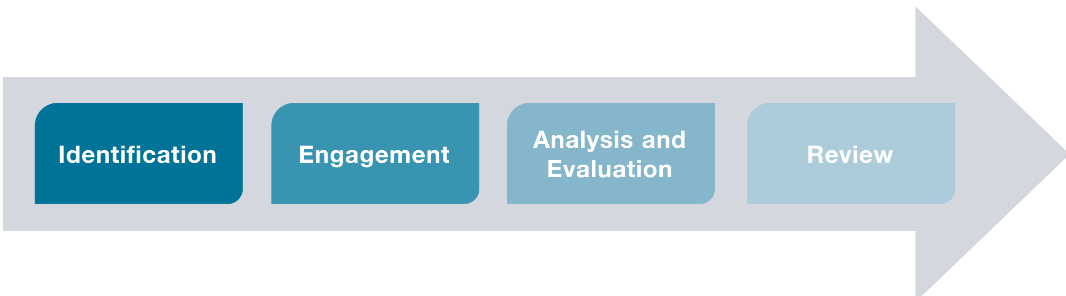
Types of stakeholder groups	Concerned topics	Communication channels
Non-governmental organisations	• Environmental protection • Increasing the input in community public welfare	• Email • Phone calls • Charity donations and voluntary services
Community	• Supporting local economic development • Participating in charity work	• Company website • Community activities

MATERIALITY ASSESSMENT

To achieve a balance understanding of the material ESG-related topics, the Group engaged an independent consultant to conduct a formal materiality assessment.

Initially, a comprehensive list of potential ESG topics was developed by categorising common ESG issues. We also identified key stakeholder groups for engagement, including representatives of the Board and top management, employees, customers, investors and shareholders, suppliers and business partners, and community. These stakeholders were invited to participate in a survey, in which 34 ESG topics were rated based on relevance to our business operations and importance to stakeholders. The results were compiled and validated by the management to reflect in our continuous ESG report and strategies addressing significant areas of concern.

We aim to focus our effort on ESG priority that creates shared value.



Steps to conduct a materiality assessment

MATERIALITY ASSESSMENT (cont'd)

The ESG-related topics are prioritised and presented in the materiality matrix below.

The topics located at the upper right corner of the matrix were defined as most material – indicating they are the most prioritised to the Group's business operations and our stakeholders are most concerned about. The priorities are as follows:

Environment

1. Air emission
2. Greenhouse gas emission
3. Decarbonisation
4. Conversion of ecosystem
5. Nature-related risk and opportunity management
6. Circular economy
7. Environmental data management
8. Climate change mitigation
9. Climate risk management
10. Energy efficiency
11. Water and effluents
12. Use of materials
13. Waste Management
14. Environmental compliance

Social

Employment

15. Labour rights
16. Labour/Management relations
17. Employee retention
18. Diversity and equal opportunity
19. Non-discrimination
20. Occupational health and safety
21. Employee training
22. Employee development
23. Prevention of child labour and forced labour

Operation

24. Customer satisfaction
25. Customer service quality and complaints handling
26. Customer health and safety
27. Marketing and product and service labelling compliance
28. Intellectual property
29. Customer privacy and data protection
30. Responsible supply chain management
31. Fair operating practices on supplier
32. Ethical business
33. Socio-economic compliance

Community

34. Community involvement

MATERIALITY ASSESSMENT (cont'd)

Key concerns from stakeholders	Our responses	Section
Environmental compliance	We are committed to our mission of "Green Production, Environmental Pioneer". To achieve this, we have implemented green production strategies that focus on reducing air emissions, electricity consumption, paper usage, waste, and water in accordance with our Waste Disposal Policy and Green Office Policies. Additionally, we have established various environmental targets related to greenhouse gas emissions, energy conservation, and water savings.	Green Production
Socio-economic compliance	We are dedicated to ensuring the highest standards of product quality and customer satisfaction. To assess our performance, we conduct an annual customer satisfaction survey and implement a comprehensive quality management system. Our commitment to social responsibility is reflected in our efforts to protect customer privacy, maintain a resilient supply chain, establish an effective whistleblowing system, and uphold fair employment practices. Additionally, we actively participate in community initiatives to support and uplift our local community.	Sustainable Operations
Labour rights	Our Child Labour Policy and Forced Labour Policy establish clear guidelines to prevent child and forced labour during the recruitment process. We are committed to safeguarding labour rights through continuous reviews and prompt responses to any issues in accordance with our policies. The Employee Handbook highlights our dedication to protecting labour rights and underscores the essential role of trade unions in overseeing and promoting these rights. By ensuring each individual's right to freely consent, we strive to build trust through ethical and dignified job opportunities, empowering individuals to achieve their full potential.	Employment Conditions

SUSTAINABLE OPERATIONS

At Kasen, we are dedicated to prioritising the best interests of the Group and its stakeholders, including our customers, our suppliers and the local community. This commitment includes continuously improving product quality and ensuring fairness and effectiveness within our supply chain. We have proven the capability of delivering high quality products through a comprehensive quality management system, alongside a resilient supply chain support by our robust supplier selection system. It is important for us that each part of our business operations, from sourcing material to shipping final products, providing services and creating benefit for all people whom we engage with in the community. We aim to achieve environmental friendliness, social harmony, and efficient governance, thereby promoting its sustainable development.

Customer Satisfaction Enhancement

Kasen prioritises product quality and customer satisfaction. We are dedicated to delivering upholstered furniture products of the finest quality standards and providing upmost service. On an annual basis, we conduct customer satisfactory survey to access key performance metrics, such as product quality, delivery timeliness and customer service. To capture a comprehensive evaluation, we maintain a survey response rate of at least 80%.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations pertaining to health and product safety, advertising and labelling or redress related to our products and services.

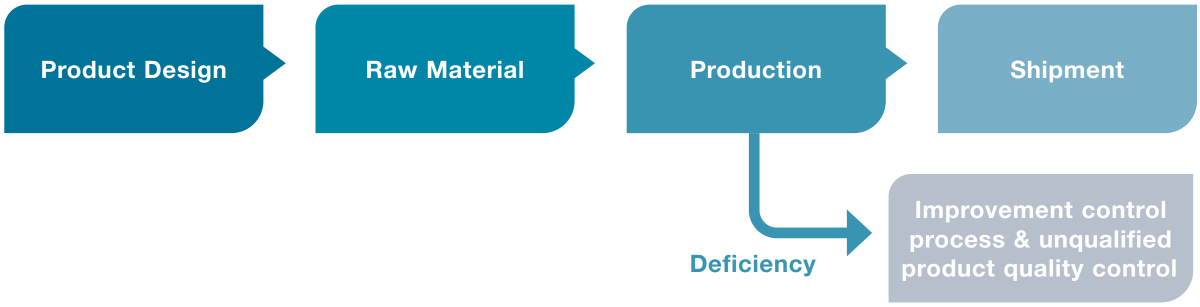
To improve our services, the Group has established a set of customer feedback procedures to systematically collect customers opinions. Channels include in-person meetings, online surveys, emails and telephone interactions. Any complaints or suggestions arising during regular communications are properly recorded and documented before they are forwarded to relevant departments. Our Quality Control Department is responsible for the formulation and implementation corrective measures in response to issues raised. Throughout the Reporting Period, we did not receive any complaints related to our products or services.

We value all feedback as an opportunity to enhance our performance. By prioritising transparency and effective resolution, we maintain the highest possible standards of customer satisfaction and quality assurance.

Quality Management System

For our upholstered furniture line, the Group has implemented a quality management system accredited by the international standard ISO9001:2015. This accreditation indicates our commitment to measurable goals around product safety, durability, customer satisfaction etc.

Product Life Cycle:



SUSTAINABLE OPERATIONS (cont'd)

Customer Satisfaction Enhancement (cont'd)

Quality Management System (cont'd)

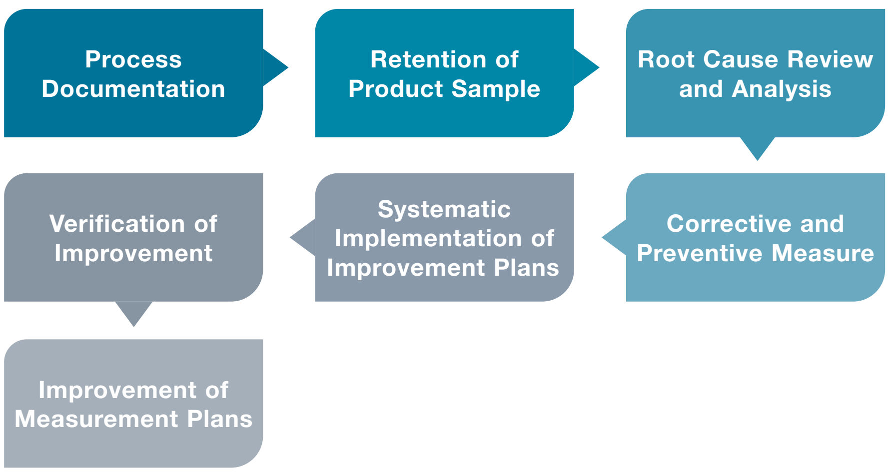
Kasen establishes our quality goals with ISO9001:2015 as a guiding framework, ensuring that our objectives align with our business direction. We periodically review these targets to confirm they remain relevant and effective. The ISO accreditation signifies that we have implemented the necessary processes to consistently deliver high-quality products.

We maintain stringent quality standards and controls throughout the entire product life cycle, from design to shipment. The Quality Management Department, led by the Department Manager, is responsible for comprehensive control, covering the full process from product raw material development, design to manufacturing and transportation. This process involves a dedicated team of 15 quality inspection team, including 3-4 incoming material inspection staff, 6 production process and semi-finished product inspection staff, 2-3 final product inspection staff, 2-3 quality overall inspection staff. Additionally, technical development, sewing, final product production, basic level management and supervisory personnel are also active in this process.

During product design process, we identify potential safety risks and implement preventative measures based on end users. Our safety risk prevention measures aligned with the Standards of Light Industry in PRC (Upholstered Furniture Sofas) and ISO9001 Quality Management System Standards. The heads of the Technology Department and Quality Management Department are responsible for ensuring these measures are effectively executed.

Our experienced quality control team conducts regular inspections of raw materials, work-in-progress, and finished goods according to our quality protocols. Specifications cover parameters such as strength, durability, aesthetics and safety.

In the production phase, scheduled maintenance of equipment are implemented to ensure reliability and consistency. If defects emerge, our improvement control process and unqualified product quality control processes guide us in identifying root causes, formulating corrective actions, and addressing issues promptly. Guidance details are as follows:



SUSTAINABLE OPERATIONS (cont'd)

Customer Satisfaction Enhancement (cont'd)

Quality Management System (cont'd)

Additionally, we stand behind our products through a one-year limited warranty, demonstrating our confidence in their performance and our commitment to customers satisfaction. This assurance reflects our customer-centric approach and dedication to quality. The entire process is reviewed by the General Manager to ensure continuous improvement and adherence to our high standards.

During the Reporting Period, no products sold or shipped were subject to recalls for safety and health reasons.

Intellectual Property ("IP") and Privacy Protection

We recognise the importance of respecting IP rights in maintaining stakeholder trust. To safeguard proprietary information, the Group has implemented effective practices.

Our Trademark Management Practice establishes guidelines for proper use of company trademarks. Use of trademarks must seek approval from the Company's legal department before new trademarks are adopted.

Confidentiality is also emphasised in our Employee Handbook. Sample production details and financial data from clients or partners require prior consent to disclose. Additionally, we comply with applicable IP laws and regulations governing our operations. This includes the Patent Law and Trademark Law of China.

During the Reporting Period, the Group was not subject to any legal actions or non-compliance regarding intellectual property infringements related to our products/services.

We remain committed to ethical operations and protection of stakeholder interests with strong IP stewardship. Ongoing awareness programmes help staff understand their roles upholding our strict protocols, helping us maintain high governance standards.

Supply Chain Management

Kasen is committed to implementing responsible and sustainable practices throughout our supply chain. We actively encourage suppliers to improve quality standards, social responsibility awareness, and management standards while maintaining long-term partnership.

Robust supply chain governance is essential to ensure consistent product quality, operational efficiency, and sustainable value creation. We place strong emphasis on suppliers' integrity, research and development capabilities, pricing competitiveness, product reliability, and quality when selecting partners. Our Procurement Centre conducts regular reviews for the supply chain management.

During the Reporting Period, we collaborated and sourced with 126 suppliers, mainly from local communities. This localised sourcing strategy aims to support regional economic development and create job opportunities.

SUSTAINABLE OPERATIONS (cont'd)

Supply Chain Management (cont'd)

Supplier Selection and Evaluation

To foster a responsible supply chain, we implement robust procurement processes that are reviewed by the Procurement Centre. The Procurement Procedure Policy outlines our commitment to fair dealings and integrity in all supplier interactions.

We maintain an Approved Supplier List, which is developed through thorough evaluations of suppliers. When a minimum of two quotations are obtained with equivalent standards, we prioritise suppliers who are certified to recognise quality management standards. The Approved Supplier List will be regularly reviewed by the Procurement Centre to ensure its accuracy and relevance.

Evaluation of Suppliers

- Production capabilities
- Quality management system
- Operational standard
- Sample testing
- Performance history

We establish proper raw material specifications to ensure stable and high-quality manufacturing. We closely monitor suppliers throughout procurement process, enable us to implement corrective and follow-up actions swiftly in response to any non-conformances. Suppliers may be removed from the Approved Supplier List if quality of the material does not meet the specifications.

The Procurement Centre conducts regular performance evaluations to ensure compliance with our policies and to drive progress in supplier performance. All suppliers are required to sign our Partnership Pledge of Integrity, which affirms their commitment to ethical business practices.

Social Responsibility Criteria: Our evaluation process includes assessing suppliers on their labour practices, including fair wages, safe working conditions, and adherence to human rights standards. We prioritise suppliers who promote diversity and inclusion within their workforce.

By integrating these ESG considerations into our Supplier Selection and Evaluation process, we aim to strengthen our commitment to sustainability, enhance supplier relationships, and contribute positively to the communities in which we operate.

SUSTAINABLE OPERATIONS (cont'd)

Upholding of Highest Business Ethics

We recognise sound governance and ethical business practices are essential for maintaining the trust of our stakeholders. The Group strictly complies with the applicable laws and regulations regarding anti-corruption, including the Prevention of Bribery Ordinance of Hong Kong.

During the Reporting Period, we were not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering. There was no concluded legal case regarding corrupt practices brought against the Group or its employees.

Kasen adopts a zero-tolerance approach towards all forms of corruption, bribery, and fraud as outlined in our Anti-corruption, Anti-bribery and Anti-fraud regulations. We established the Staff Handbook to provide a set of guidelines to our employees, such as conflict of interest, confidential information protection, and accepting or offering gifts, entertainment or facilitation payment. Additionally, all employees are required to sign our Integrity Pledge, affirming their commitment to uphold high standards of integrity and comply with all applicable laws and regulations.

We conduct regular training sessions, including seminars and lectures to help raise ongoing awareness of integrity-related topics among our workplaces. This ongoing education reinforces our anti-corruption programme and supports the long-term integrity of our operations. Moreover, we have established oversight mechanisms to ensure adherence to business ethics, with supervision provided by the Company's Discipline Inspection Commission.

Whistleblowing System

To uphold the highest ethical standards, Kasen has established a Whistleblowing Policy and mechanisms that facilitate the confidential reporting of any conduct deemed non-compliant with our Anti-corruption Regulations.

Both employees and external stakeholders can report concerns via channels: letter or through our Whistleblowing Hotline. Report can be submitted via a designated email address, where our anti-corruption personnel are responsible for promptly and thoroughly investigating all reported cases. Investigations followed by formal protocols maintain impartiality and due process to ensure fair treatment for both the complainant and the accused during investigation.

Where violations are confirmed, we take appropriate disciplinary actions corresponding to the severity of the issue. potential consequences include written warnings, loss of supervisory responsibilities, or termination of employment. During the Reporting Period, there were no incidents reported.

By promoting transparency and accountability among our workforce and partners through open grievance channels, we strengthen our governance framework and reinforce our commitment to ethical operation. Our aim is to cultivate a culture valuing integrity above all else.

RESPONSIBLE EMPLOYMENT

At Kasen, we value our team of professional and experienced employees as our most valuable asset and the driving force behind our success. We aim to establish an engaging and attractive workplace that offers rewarding career development opportunities and ensure our employees feel their contributions are appreciated. Kasen is firmly committed to fostering a people-orientated culture as outlined in our Human Resources Policy.

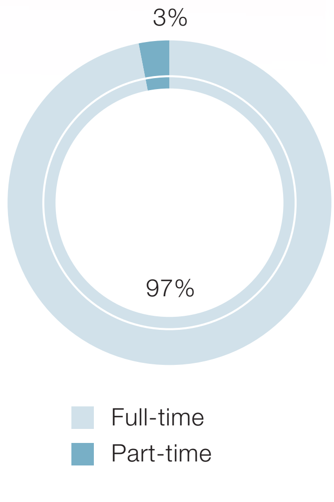
During the Reporting Period, there was no incident of material non-compliance identified related to relevant laws and regulations in China and Hong Kong, including among others the Labour Law and Labour Contract Law of the PRC, and the Employment Ordinance (Cap. 57) of Hong Kong. Key compliance area includes fair compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other benefits, and the prohibition of child and forced labour.

As of 31 December 2024, there were a total of 195 employees. The information on our total workforce and turnover rated by different categories are illustrated below:

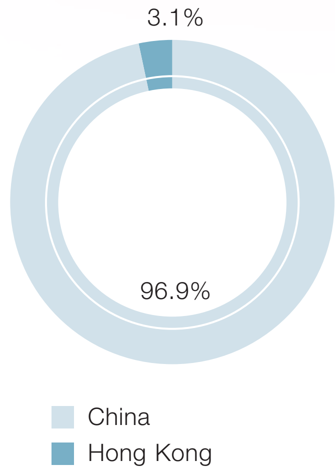
Staff Information	**2024**	2023
Total number of employees	**195**	274
By employment type		
Full-time	**189**	274
Part-time	**6**	0
By employment category		
General Staff	**109**	223
Management/Supervisor	**60**	33
Senior Management	**26**	18
By age group		
Below 30	**6**	53
30-50	**128**	188
Over 50	**61**	33
By gender		
Male	**117**	197
Female	**78**	77
By geographical region		
PRC	**189**	269
Hong Kong	**6**	5

RESPONSIBLE EMPLOYMENT (cont'd)

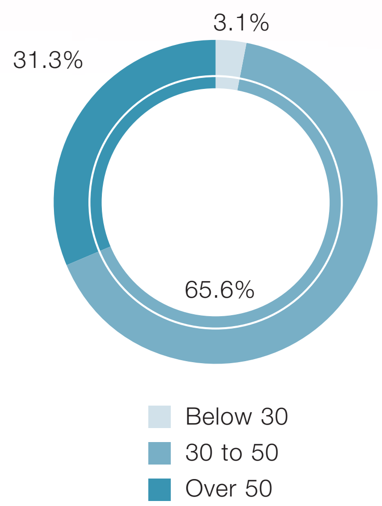
Total Workforce by Employment Type



Total Workforce by Geographical Region



Total Workforce by Age Group



During the Reporting Period, the overall turnover rate of employees was 50.26%.

Turnover	2024	2023
Employee turnover rate[1]	**50.26%**	61.31%
By age group		
Below 30	**116.67%**	56.60%
30-50	**41.41%**	48.94%
Over 50	**62.30%**	139.39%
By gender		
Male	**46.15%**	39.09%
Female	**56.41%**	118.18%
By geographical region		
PRC	**51.85%**	62.45%
Hong Kong	**0.00%**	0.00%

1 The turnover rate is calculated by using the formula below:

$$\text{Turnover rate} = \frac{\textit{The total number of employees who left during the Financial Year}}{\textit{The total number of employees as of the Financial Year End}} \times 100\%$$

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions

At Kasen, we recognised that our people are essential to our success. The Group aims to promote an equitable work environment where employees feel invested in our collective progress. Our Human Resources Policy and Employee Handbook provide guidance framework for employment management to enhance our employment practices. We offer competitive remuneration and benefits packages, which composed basic salary, discretionary bonuses, medical insurance and allowance for housing, meals and transportation to attract and retain top talent. In addition to statutory holidays, employees are entitled to additional paid leaves, such as marriage leave, maternity leave, compassionate leave and family visiting leave.

Looking forward, we will continue refining our value proposition through engaging feedback and benchmarking against emerging global standards to maximise employee experience.

Fair Employment

The Group implements a fair employment system that rewards employees based on their contributions and capabilities, ensuring all talent decisions are merit-based and non-discriminatory. Annual appraisal are conducted to assess the performance of employees and incentivise top performers with discretionary bonuses and/or salary increments. Our clear documented promotion procedures ensure all decisions made during recruitment and promotion are based on factors relevant to the positions, including qualifications, abilities, and experience. Internal candidates are prioritised for promotions when qualifications are equal to external hires. In addition, we signed the "Economic Responsibility Assessment Agreement".

Diversity, Equity and Inclusion

As an equal opportunity employer, Kasen is committed to cultivating an inclusive work environment where all employees are valued and supported. We have zero tolerance to discrimination, unfair treatment and harassment of any kinds, as outlined in our Employee Handbook. Our goal is to respect and accommodate individuals from all background. The Employee Handbook emphasises the wellbeing and empowerment of women, including special arrangements such as adjusted working hours and arrangement for expecting or new mother.

Maintaining a respectful, equitable and fulfilling environment for all staff members remains integral to Kasen's ongoing success and social mission.

Labour Standard

The Group believes respecting the rights of all workers is fundamental. Kasen takes reference to the standards established by the International Council of Toy Industries, the Provisions of Prohibition of Child Labour and the Provisions on Special Protection for Juvenile Workers of the PRC. We have implemented robust policies and controls throughout our operations and supply chain to prevent exploitative practices. We regularly engage with our suppliers to reinforce our zero-tolerance stance against child and forced labour.

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions (cont'd)

Labour Standard (cont'd)

Our child labour policies provide clear guidelines on preventing child labour during recruitment process. Comprehensive screening procedure verifies identification documents to ensure full compliance with minimum hiring ages for each role. A valid identification should be submitted by all job applicants to verify their age and legal eligibility to work locally. The Group forbids young workers aged 16 to 18 to work that pose high health and safety risk and they receive additional regular medical check-ups.

To protect the labour rights of our employees, we remain vigilant through ongoing reviews and will respond promptly to any issues in accordance with our policies. If child labour is found, we will take immediate remedial actions according to the policies, including escorting them back to home and providing them with any necessary education and medical support. During the Reporting Period, there were no incidents reported related to child labour and forced labour.

Apart from child labour, Kasen strictly prohibits forced labour in any form, including prison labour, indentured labour, bonded labour, and slave labour. Employees have complete autonomy to report any worries of forced labour to their supervisors. As outlined in our Forced labour policy, we guarantee the freedom and rights of the workers, including their freedom of employment, resignation, movement and not to work overtime. Besides, the Employee Handbook clearly stipulates the protection of labour rights, and emphasises the role of trade unions in supervising and promoting the rights.

By safeguarding each individual's right to freely consent, we aim to establish trust through ethical and dignified job opportunities, enabling individuals to achieve their full potential.

Workplace Safety and Health

Occupational safety and health ("OSH") is our prime priority in Kasen. We are firmly committed to providing a safe and healthy working environment across all operation. To achieve this, we have implemented a robust OSH Management System aligned with relevant regulations such as the Law of the PRC on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. Additionally, we have developed contingency plans to effectively manage workplace risks.

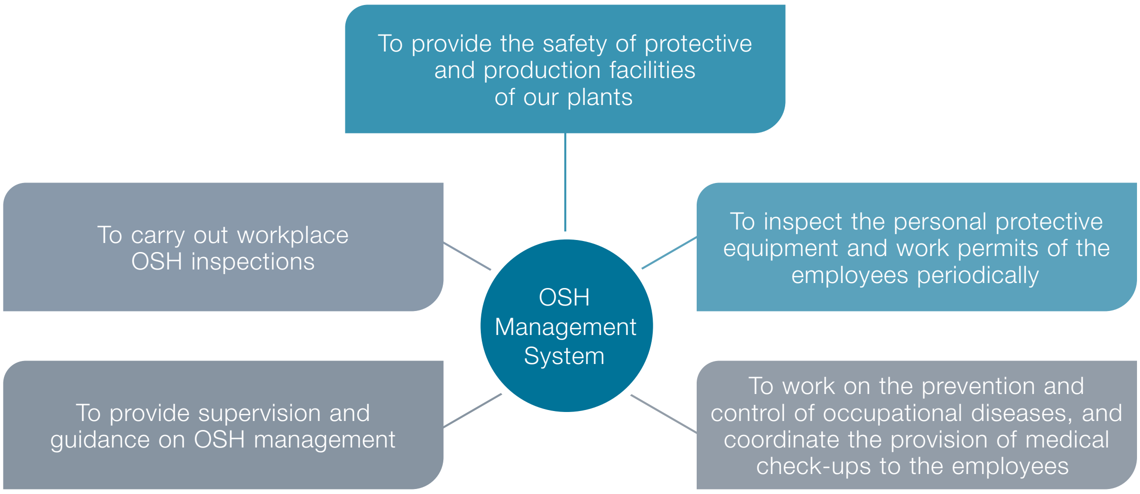
During the Reporting Period, there were no reported incidents of non-compliance regarding the provision of a safe work environment or protection from hazards. From 2021-2024, our KPIs remained strong with zero lost workdays due to job-related injuries and no work-related fatalities.

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

OSH Management System

Kasen upholds a rigorous OSH Management System designed to protect employee wellbeing. The system outlines our objectives, framework and governing principles for continuous improvement, which enhances our OSH management with an aim to reduce the number of incidents through diligent oversight. Employees are encouraged to submit their concerns or suggestions on OSH via the grievance and suggestion handling form, the input will be reviewed and consider, corrective measures will be taken if necessary. The OSH Management System includes a set of practices, highlighting the key aspects below:



The Group is dedicated to achieve performance in OSH performance. A key part of this effort involves conducting regular self-assessments of OSH operations through an OSH Committee, which is responsible for overseeing compliance monitoring and evaluation.

We utilise a variety of performance metrics to track adhere to environmental, health and safety standards. Noise levels, wastewater discharges, and exhaust emissions are all maintain in accordance to the relevant national regulations for industrial operations. Proper disposal of all solid waste streams is conducted in accordance with applicable regulations to prevent stockpiling. Additionally, safety incident rates remained low, with no reported fires, serious injuries, or major casualties over the past year. The fire safety incident rate and general accident rate also remained below targets. Most importantly, there were no reported cases of occupational diseases among employees during the Reporting Period. By maintaining robust compliance across these important OSH indicators, the Group aims to continuously enhance environmental and safety protections for our workers.

Guided by the principle of "Safety First, Prevention First", Kasen ensures all employees receive annual OSH training to increase their awareness of safety responsibilities and standards. We believe that everyone should be accountability for protecting both themselves and their colleagues. In 2024, our focus was on the preventative practices for OSH incidents, attaining our goal of zero-incident and reflecting our commitment to continuous OSH performance enhancement. Besides, annual emergency fire drill helps employees to develop evacuation, emergency response skills and a coordinated team mindset in the event of a fire.

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

OSH Management System (cont'd)

To maintain a safe and secure working environment, we ensure that all our employees are provided with the appropriate personal protective equipment ("PPE") tailored to their job requirements. For instance, workers exposed to high noise levels are equipped with earplugs and earmuffs, while welders are supplied with face shields, insulating footwear, protective clothing and welding gloves.

Kasen performs periodic inspections and offers training on the correct use of PPE. Additionally, trained first responders and emergency medication are always standby given our use of certain chemical, specialised handling precautions and first aid protocols. The Group has also implemented a chemical safety contingency plan that outline the first aid procedures to follow in potential chemical incident.

We conduct annual health screening for employees who are exposed to chemicals, allowing us to proactively identify and address any potential issues. Any irregularities that discovered are managed promptly and sensitively through appropriate measures like temporary role adjustment.

The Group has established a comprehensive set of goals to guide its OSH performance. Key environmental targets include ensuring noise levels, wastewater discharges, and exhaust emissions from operations comply with all applicable regulatory standards. Another important goal is the proper disposal of all solid waste streams in accordance with relevant regulations. Regarding safety, we prioritise the prevention of fire accidents and workplace injuries. The target for general accidents per year is kept to two or fewer. Moreover, a fundamental strategic goal demonstrates our commitment to the workers' well-being: the elimination of occupational diseases through sustained health and safety efforts. Regular performance evaluations are conducted to track important OSH objectives, addressing issues across environmental, accident prevention, and disease control areas.

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

Work-life Balance

At Kasen, we prioritise enabling our employees to maintain a healthy work-life balance. Our policies aim to minimise excessive overtime, ensuring any work beyond standard hours must receive prior approval from management.

In celebration of the 75th anniversary of our great nation, we reaffirm our commitment to our core values and aspirations. We sincerely hope for the swift recovery and prosperity of our homeland. On 26 October 2024, our party members and leaders paid their respects by visiting the birthplace of our esteemed leader.

During the Mid-Autumn Festival, our headquarters organised an employee garden party theme "A Full Moon Reunion Welcomes the Mid-Autumn Festival and Celebrates National Day" on 14 September 2024. The event featured nine traditional games and one intangible cultural heritage experience, including activities such as lantern riddles, fun pot throwing, ring toss, dart throwing, bead picking, shuttlecock kicking, jumping rope, ball blowing across a river, hula hooping, and a paint-dipped bookmark experience.

Additionally, this year, Kasen hosted an annual dinner in Cambodia under the theme "One Belt, One Road", further promoting our commitment to cultural exchange and community engagement.

We foster a vibrant workplace culture that values community engagement and employee well-being. As we continue to prioritise these efforts, we aim to create a sustainable and inclusive environment that supports the growth and satisfaction of all employees.

RESPONSIBLE EMPLOYMENT (cont'd)

Training and Development

Kasen recognises employee development is essential to long-term success. A skilled workforce enables us to adopt changes. An annual training plan includes orientation training, technical training and on-job training are established. It is tailored to meet specific needs and align with role of the employee to support strategic and individual goals. Training topics include procurement management, quality management, digitalisation, as well as the prevention of OSH incidents. Our promotion pathway framework reward employee career progressions fairly and transparently based on periodic review, with top performers receiving promotion, salary increment and additional benefits.

Our Training and Development Policy provides a framework to better facilitate employee training management. In addition to the mandatory training, we offer learning credit tickets to employee to self-direct the courses that suit their needs. The Group may reimburse expenses for external training opportunities if staff achieve satisfactory attendance. This supplements options available through our in-house trainings. To ensure continuous evaluation, we also gather feedback post-training to access effectiveness and enhancement. As of 31 December 2024, the employees' training profiles are illustrated below:

	2024		2023	
Training profile	**Number of staff trained (percentage)**	**Average training hours (hours)**	Number of staff trained (percentage)	Average training hours (hours)
Staff training	**43 (22.05%)**	**0.19**	73 (26.64%)	1.19
By employment category				
General staff	**20 (18.35%)**	**0.16**	47 (21.08%)	0.92
Management/Supervisor	**15 (25.00%)**	**0.20**	18 (54.55%)	2.67
Senior management	**8 (30.77%)**	**0.31**	8 (44.44%)	2.06
By gender				
Male	**32 (27.35%)**	**0.21**	56 (28.43%)	1.28
Female	**11 (14.10%)**	**0.15**	17 (22.08%)	0.95

RESPONSIBLE EMPLOYMENT (cont'd)

Training and Development (cont'd)

In 2024, our training initiatives focused on enhancing the skills and competencies of our workforce across various management and operational areas. These programmes aimed to equip employees with practical knowledge and tools necessary for effective performance in their roles. By emphasising continuous learning and development, we fostered a culture of growth and adaptability, ensuring that our teams are well-prepared to meet the evolving demands of the industry. The training sessions were listed below:

- Daily Management Skills Enhancement for Frontline Supervisors
- Comprehensive Quality Management: Quality Control Before, During, and After
- Empowering Warehouse Management through Information Technology and Intelligence
- Procurement Cost Control and Real Case Negotiation Practical Training
- Practical Financial Management Course
- Excellence in PMC: Agile Production Planning and Precise Material Control
- Lean6S and Visual Management

COMMUNITY ENGAGEMENT

The Group is committed to actively fulfilling our corporate social responsibility by adding value to the communities where we operate through conscientious business practices and philanthropic initiatives. Our corporate goals are to achieve environmental friendliness, social harmony and efficient governance, thereby promoting the sustainable development of the enterprise.

Community activities

On 2 August 2024, we donated 10 sofas to the Xie Qiao Zhen Service Centre, marking it an occasion with a donation ceremony. This event was complemented by collaborative activities between two organisations to strengthen community ties.

Additionally, a previously idle public building in Huafeng Village was transformed into a smart reading room, equipped with modern reading devices that have attracted significant interest from residents. This initiative, themed around "Spiritual Civilization Construction", aims to enhance the community's reading experience and promote a culture of literacy. For over twenty years, we have partnered with Huafeng Village in initiatives aimed at fostering economic, cultural, educational, technological, and ecological development, contributing to the construction of a new rural community while also driving the high-quality growth of the enterprise.

Furthermore, on 23 October 2024, the Group organised a blood donation event to support the Haining Central Blood Bank and the Xie Qiao Town People's Government. This collaboration facilitated the donation process, allowing employees to contribute to a vital cause without disrupting their work schedules. Among 70 participated employees, a total of 41 individuals successfully donated blood, collectively providing 15,800 mL of fresh blood to the community, showcasing our commitment to social responsibility and community health.

COMMUNITY ENGAGEMENT (cont'd)

Supporting the Belt and Road Initiative through Strategic Investments

Kasen has strategically positioned itself as an operator of economic zones under China's Belt and Road Initiative, guiding our future growth. As part of this strategic direction, we are dedicated to developing markets along the Belt and Road in countries like Cambodia, with a specific emphasis on energy industry and infrastructure projects.

Through the establishment and operation of overseas economic zones, we aim to catalyse job creation, enhance skills development, and support the growth of local businesses. These initiatives are designed to make meaningful socioeconomic contributions by boosting stability and inclusive development in our partner nations.

In addition, these zone initiatives will help strengthen cross-border connectivity through investments that expand transport, logistics, and digital infrastructure, thereby strengthen regional ties and facilitating economic collaboration.

GREEN PRODUCTION

Kasen is dedicated to its mission of "Green Production, Environmental Pioneer" and recognising the significance of environmental protection in our long-term growth. As a manufacturer of upholstered furniture, we are committed to minimise emissions and improving production efficiency by optimising our manufacturing processes. To mitigate our environmental impact, the Group has implemented a range of green production strategies.

A key initiative includes the installation of a mobile gas collecting hood in our glue spraying workshop. This system effectively captures air pollutants, which are then treated by a plasma purification device before being released into the atmosphere. Additionally, exhaust gas from our oil fume are processed through a fume purification device prior to its discharge.

These initiatives reflect our ongoing commitment to environmentally responsible practices and highlight our efforts to reduce our ecological footprint.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, generation of waste and use of resources, including among others the Environmental Protection Law of the PRC and the Law of the PRC on the Prevention and Control of Atmospheric Pollution. Furthermore, the Group was not aware of any issue in sourcing water that meet our operation needs.

GREEN PRODUCTION (cont'd)

Emission Management

Air emissions are an inherent part of the furniture manufacturing process. Within our Group, the main sources of air pollutants include the glue spraying workshop, as well as the oil fume generated by our staff canteen and vehicles. To address this, we have established the Air Emission Control Policy and implemented a range of measures to redirect polluting exhaust from our manufacturing facilities to a centralised purification system for treatment.

We have taken specific actions to reduce the impact of air emissions. Our glue spraying workshop is strategically located in a designated area, ensuring a minimum distance of 50 meters from residential and agricultural zones. Additionally, we have installed additional ventilation devices to improve air circulation and reduce the concentration of exhaust gases within the workshop.

To uphold our high standards, we conduct regular inspections and maintenance of our production equipment and facilities. This proactive approach not only helps prevent accidental air emissions but also reinforces our commitment to responsible environmental practices.

Through the implementation of these control measures and a comprehensive approach for managing air emissions, we aim to minimise the environmental impact associated with our manufacturing processes and contribute to a cleaner and healthier environment.

GHG Emissions

Acknowledging climate change as one of the most significant challenges in our era, the Group recognises its role as a leader in the furniture manufacturing and property development industry. We embrace the responsibility to safeguard the environment and actively work towards reducing GHG emissions.

In 2024, the Group generated 1,181 tonnes of carbon dioxide equivalent ("tCO_2e").

Air Emissions Compliance

Our production process complies with the second-class standard in the Ambient Air Quality Standard (GB3095-2012). The glue spraying process complies with the second-class standard in the Comprehensive Emission Standard of Air Pollutants (GB16297-1996). The oil fume emission of the staff canteen complies with the Food Fume Emission Standard for the Catering Industry (GB18483-2001).

Over 78% of our GHG emission came from Scope 2 emission, which is the consumption of purchased electricity. Kasen strives to lower the carbon footprint by reducing electricity consumption. Please refer to "Resource Conservation" for more information on our energy conservation measures.

GREEN PRODUCTION (cont'd)

Emission Management (cont'd)

Greenhouse Gas Emissions (cont'd)

GHG Emissions[2]	Unit	2024	2023
Scope 1[3]	tCO_2e	**255**	299
Scope 2[4]	tCO_2e	**923**	1,582
Scope 3[5]	tCO_2e	**3**	13
Total GHG emission	tCO_2e	**1,181**	1,894
Intensity	tCO_2e/Full-time Employee ("FTE")	**6.05**	6.91
	tCO_2e/Revenue (Million RMB)	**5.17**	4.42

Our Targets on GHG Emissions

Environmental Targets (Base year FY2021)	GHG emission 2024	GHG emission 2021
By 2025, reduce absolute Scopes 1 and 2 GHG emissions by 35% By 2030, reduce absolute Scopes 1 and 2 GHG emissions by 50%	**1,181**	2,479

As of the Reporting Period, Scope 1 and 2 GHG emissions have decreased by 52% from the 2021 base year, successfully achieving both targets ahead of schedule.

2 The calculation was done according to GHG Protocol – Emission Factors from Cross-Sector Tools and the published emission factors of the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

3 Scope 1 represents direct GHG emissions generated from the use of unleaded petrol and diesel oil by company vehicles.

4 Scope 2 represents indirect GHG emissions generated from the use of purchased electricity.

5 Scope 3 represents other indirect GHG emissions generated from paper disposal and business air travels by employees.

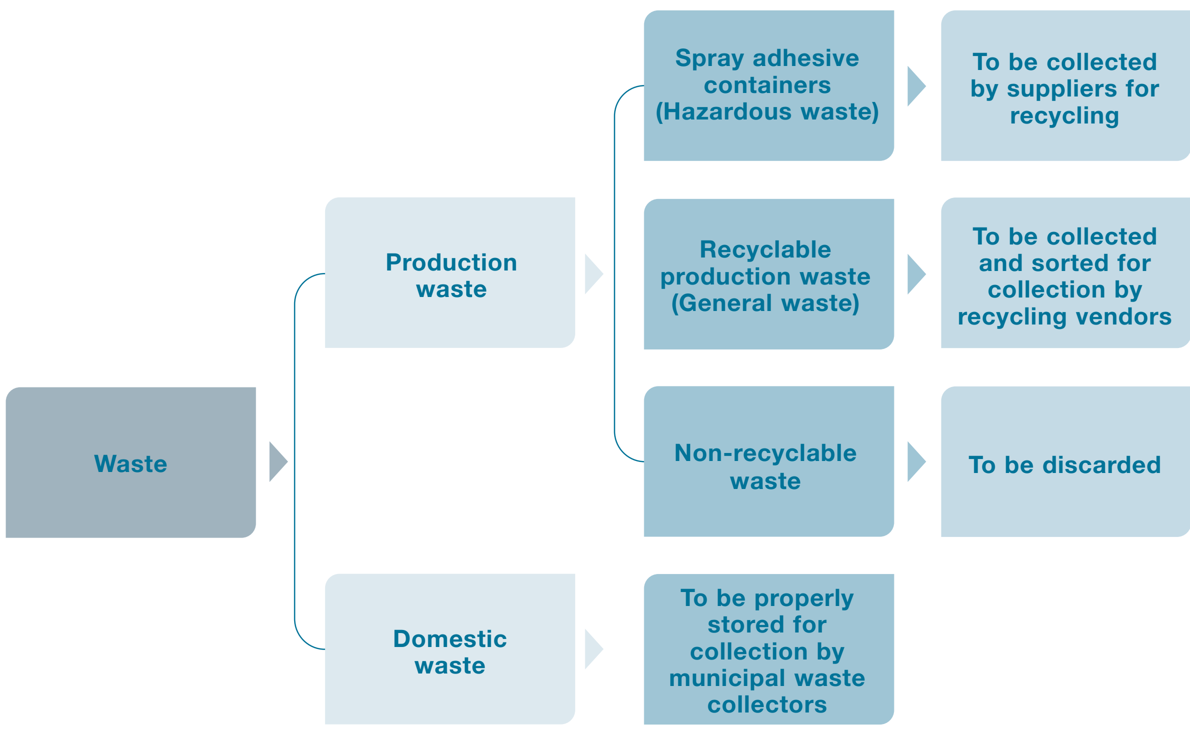
GREEN PRODUCTION (cont'd)

Waste Management

The Group showcases its commitment to waste reduction by implementing a robust waste management system. To support this goal, we have developed a Waste Disposal Policy that outlines clear guidelines for handling of different waste types in accordance with applicable laws and regulations, including the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste and the Regulation on Zhejiang Province on the Prevention and Control of Environmental Pollution by Solid Waste. Our commitment to responsible waste management is in harmony with our commitment to environmental sustainability.

Our business operation involves the generation of hazardous production waste, which largely consists of spray adhesive containers. Non-hazardous waste includes recyclable production waste and domestic waste generated by employees.

During the Reporting Period, no wasted materials were generated from production processes. All scrap materials created were successfully recycled back into production, resulting in zero waste being sent for disposal.



There is no generation of industrial wastewater in the production of furniture. Domestic wastewater from toilets and canteens is the primary source of our emissions. To guarantee that the wastewater quality complies with the regulatory requirements, the Group implements the Sewage Discharge Policy. The wastewater from toilets must pass through septic tanks for treatment, while the wastewater from the canteen is treated by the grease trap in compliance with the third-class discharge standard of the Comprehensive Sewage Discharge Standard (GB8978-1996) before being discharged.

GREEN PRODUCTION (cont'd)

Resource Conservation

Raising environmental awareness among our workforce and cultivating a culture of sustainability across our operations are important priorities for the Group. Our Green Office Policy establishes directives and procedures governing initiatives to judiciously manage electricity, water, paper and vehicles usage.

Electricity

- Maintain the air conditioners/heaters at the optimal temperature
- Turn off idle lights and electrical appliances
- Select energy-efficient light bulbs as far as practicable
- Practise mindful lighting usage
- Design workshops to rationally configure the number and position of equipment and lighting, minimising installed capacity while meeting usage and lighting needs
- Avoid oversized equipment and idle running
- Install electricity meters in workshops
- Design power distribution to place facilities close to high-load equipment and use low-loss, high-efficiency reactive power compensators to reduce line losses

Paper

- Save documents in electronic form
- Use email as far as practicable to minimise the use of paper
- Reuse paper or use double-sided printing whenever possible
- Promote paperless offices to reduce paper usage
- Encourage double-sided printing to minimise resource waste

Water

- Turn off the tap immediately after use
- Install water-efficient taps
- Conduct inspections on taps to avoid dripping and leakage

Vehicles

- Limit the size of the company vehicle fleet
- Replace older vehicles with more fuel-efficient vehicles
- Only use the company vehicles when necessary

GREEN PRODUCTION (cont'd)

Resource Conservation(cont'd)

We keep track of the use of energy, water, packaging materials and paper throughout the Reporting Period and the information is summarised in the table below.

Use of Resources	Unit	2024	2023
Electricity	Megawatt-hour ("MWh")	**1,511**	2,592
Intensity	MWh/FTE	**7.75**	9.46
Total energy	Gigajoules ("GJ")	**8,717**	12,971
Direct energy[6]	GJ	**3,276**	3,642
Indirect energy[7]	GJ	**5,441**	9,329
Total energy intensity	GJ/FTE	**44.70**	47.34
	GJ/Revenue (Million RMB)	**38.17**	51.29
Water	m^3	**97,827**	114,788
Intensity	m^3/FTE	**501.68**	418.94
	m^3/Revenue (Million RMB)	**428.34**	453.89
Packaging material[8]	Tonnes	**571**	695
Intensity	Tonnes/product	**0.04**	0.01
Paper	Tonnes	**0.14**	0.86
Intensity	Tonnes/FTE	**0.0007**	0.0031
	Tonnes/Revenue (Million RMB)	**0.0006**	0.0034

Being a manufacturing company, significant amounts of packaging materials are utilised in our production process, among which carton boxes constitute a major component. In 2024, our consumption of packaging materials totalled 571 tonnes. We have set a target to transition our entire packaging portfolio to renewable, reusable, recyclable or compostable options by 2025.

6 Direct energy use includes the fuel consumption (petrol and diesel) by the company vehicles.

7 Indirect energy consumption includes the electricity use.

8 It includes the packaging material used in the upholstered furniture manufacturing business.

GREEN PRODUCTION (cont'd)

Resource Conservation(cont'd)

Our Targets on energy and water saving

Environmental Targets (Base year FY2020)		**Intensity**	
		2024	2020
Energy Saving By 2025, reduce energy intensity by 13%	GJ/FTE	**44.7**	35.16
	GJ/Revenue (Million RMB)	**38.17**	27.28
Water Saving By 2025, reduce water consumption intensity by 10%	m^3/FTE	**501.68**	527.21
	m^3/Revenue (Million RMB)	**428.34**	409.04

As of the Reporting Period, the energy intensity should be reduced by 32% for GJ/FTE and 38% for GJ/Revenue in order to achieve the energy saving targets in 2025. Furthermore, the water consumption intensity target for m^3/FTE is 48% in progress, while the m^3/Revenue must be reduced by 14% in order to achieve the water saving target in 2025.

Besides, Kasen has developed the following medium-long term targets on resource conservation:

By 2030:
1. Reduce energy intensity by 38% from a 2020 base year.
2. Reduce water consumption intensity by 25% from a 2020 base year.

GREEN PRODUCTION (cont'd)

Climate Risk Preparedness

The rapid pace of climate change that we are currently experiencing is driven from unprecedented levels of greenhouse gas emissions. As extreme weather events are anticipated to increase in frequency and severity due to human-induced climate change, we have taken proactive measures to enhance resilience against climate impacts. Certain locations of the Group's operations potentially face acute physical risks from extreme weather. Events such as floods and cyclones could significantly endanger employee safety and disrupt our work. With this in view, we have formulated a business contingency plan aimed at minimising adverse impacts. Responsible personnel have been assigned to closely monitor weather warnings from authorities and maintain close communication with staff regarding safety arrangements. The plan also outlines handling of chemicals properly during severe weather to curb hazards from potential leakage.

In alignment with the Chinese government's "Dual Carbon Goals", which peaking carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, the Group recognises the importance of carbon reduction in limiting global temperature rise. We have set a carbon reduction target using 2021 as our baseline year, aiming to slash absolute Scope 1 and 2 greenhouse gas emissions 35% by 2025 and 50% by 2030 compared to baseline levels. Effective management of electricity usage is crucial for reducing our carbon footprint. To spearhead the development and implementation of energy effective initiatives, Energy Management Leading Group and Energy Conservation Department have been established.

HKEx ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	GREEN PRODUCTION
KPI A1.1	The types of emissions and respective emissions data.	GREEN PRODUCTION – Emission Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Emission Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Waste Management

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	GREEN PRODUCTION – Emission Management, Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GREEN PRODUCTION – Waste Management
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	GREEN PRODUCTION
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Resource Conservation
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Resource Conservation
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GREEN PRODUCTION – Resource Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GREEN PRODUCTION – Resource Conservation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	GREEN PRODUCTION – Resource Conservation
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	GREEN PRODUCTION
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GREEN PRODUCTION
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GREEN PRODUCTION – Climate Risk Preparedness
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	GREEN PRODUCTION – Climate Risk Preparedness

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	RESPONSIBLE EMPLOYMENT
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	RESPONSIBLE EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	RESPONSIBLE EMPLOYMENT
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	RESPONSIBLE EMPLOYMENT – Workplace Safety and Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	RESPONSIBLE EMPLOYMENT – Workplace Safety and Health
KPI B2.2	Lost days due to work injury.	RESPONSIBLE EMPLOYMENT – Workplace Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	RESPONSIBLE EMPLOYMENT – Workplace Safety and Health

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	RESPONSIBLE EMPLOYMENT – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	RESPONSIBLE EMPLOYMENT – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	RESPONSIBLE EMPLOYMENT – Training and Development
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	RESPONSIBLE EMPLOYMENT – Employment Conditions
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	RESPONSIBLE EMPLOYMENT – Employment Conditions
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	RESPONSIBLE EMPLOYMENT – Employment Conditions

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement
KPI B6.4	Description of quality assurance process and recall procedures.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Customer Satisfaction Enhancement
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	SUSTAINABLE OPERATIONS – Upholding Highest Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	SUSTAINABLE OPERATIONS – Upholding of Highest Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Upholding of Highest Business Ethics

HKEx ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
KPI B7.3	Description of anti-corruption training provided to directors and staff.	SUSTAINABLE OPERATIONS – Upholding of Highest Business Ethics
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY ENGAGEMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY ENGAGEMENT
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	COMMUNITY ENGAGEMENT

Grant Thornton
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To the members of Kasen International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kasen International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 91 to 196, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (cont'd)

Impairment of lands held for development or sale, properties under development and properties held for sale

Refer to notes 2.13, 4(b) and 21 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2024, the Group had lands held for development or sale, properties under development and properties held for sales amounting to RMB674,585,000, RMB1,773,645,000 and RMB850,485,000, respectively, which represented approximately 52.4% of the total assets of the Group. For impairment assessment purposes, the management determined the net realisable value of lands held for development or sale, properties under development and properties held for sale by reference to estimates of the selling prices based on prevailing and forecasted market conditions in the PRC and Cambodia, estimated costs necessary to make the sale including variable selling expenses and anticipated costs to completion. We identified the impairment of lands held for development or sale, properties under development and properties held for sale as key audit matter due to the determination of net realizable value involves significant degree of judgements by the management.	Our audit procedures in relation to the impairment assessment of lands held for development or sale, properties under development and properties held for sale included: • obtaining and evaluating management's procedures on identifying lands held for development or sale, properties under development and properties held for sale for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values; • testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions by comparing the estimated selling price to the recent market transactions with the reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location; • assessing future costs to be incurred to completion on a sample basis; • comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; • Evaluating the competency, capabilities and objectivities of the independent professional valuers and assessing their valuation methodology and the appropriateness of the key assumptions used in the valuation model; and • testing the calculation for the impairment assessment performed by the management.

KEY AUDIT MATTERS (cont'd)

Expected credit loss ("ECL") allowance on trade, bills and other receivables

Refer to notes 2.11, 4(b), 23 and 46.5 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2024, the Group had trade, bills and other receivables amounting to RMB1,070,378,000, net of ECL allowance amounting to RMB101,529,000. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. We identified the measurement of ECL on trade, bills and other receivables as a key audit matter due to the estimation of ECL involves significant estimates and judgements by the management.	Our audit procedures in relation to the ECL allowance included: • obtaining understanding on management's assessment on the ECL model of trade, bills and other receivables, assessing its reasonableness by considering the historical payment records and ageing profile, evaluating adjustment made to the historical loss rates based on current market conditions and forward-looking information with reference to our industry knowledge and market information; • assessing on a sample basis, the management's forecast of future repayments and understanding of the debtor's financial condition for receivables which are under individual ECL assessment; • assessing the management's judgement on significant increase in credit risk for other receivables; • testing, on a sample basis, the accuracy of ageing analysis of trade and bill receivables prepared by the management to supporting documents; and • checking the mathematical accuracy of the calculation of the ECL allowance.

KEY AUDIT MATTERS (cont'd)

Impairment of property, plant and equipment

Refer to notes 2.22, 4(b) and 14 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2024, the Group had property, plant and equipment amounting to RMB1,073,694,000. The estimation of impairment of property, plant and equipment requires the management to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. We identified the measurement of impairment of property, plant and equipment as a key audit matter due to the estimation of impairment involves significant estimates and judgements by the management.	Our audit procedures in relation to the impairment of property, plant and equipment included: • obtaining the management's procedures on identifying property, plant and equipment with impairment indicators; • discussing indicators of impairment of property, plant and equipment in cash generating units; • assessing the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; and • evaluating the key assumptions adopted in the preparation of the financial forecasts, including projected future growth rates for income and expenses and discount rates with reference to our understanding of the business, historical trends and available industry information and market data.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2024 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

March 31, 2025

Lam Kam Fung
Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**1,025,691**	956,757
Cost of sales		**(624,918)**	(607,100)
Gross profit		**400,773**	349,657
Other income	6	**6,225**	9,179
Other gains and losses, net	7	**14,238**	32,800
Share of result of an associate	17	**1,684**	5,589
Selling and distribution costs		**(62,224)**	(69,816)
Administrative expenses		**(173,474)**	(177,116)
(Provision for)/Reversal of impairment loss on financial assets, net		**(7,515)**	3,044
Finance costs	8	**(54,268)**	(42,655)
Profit before income tax	9	**125,439**	110,682
Income tax expense	11	**(55,755)**	(44,773)
Profit for the year		**69,684**	65,909
Other comprehensive income, including reclassification adjustments			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income		**–**	(1,086)
Income tax relating to fair value change of financial asset through other comprehensive income		**–**	271
		–	(815)
Item that will be reclassified subsequently to profit or loss:			
Exchange profit on translation of financial statements of foreign operations		**2,580**	1,685
Other comprehensive income for the year, including reclassification adjustments and net of tax		**2,580**	870
Total comprehensive income for the year		**72,264**	66,779

for the year ended December 31, 2024

	Note	2024 RMB'000	2023 RMB'000
Profit for the year attributable to:			
– Owners of the Company		**63,535**	70,426
– Non-controlling interests		**6,149**	(4,517)
		69,684	65,909
Profit and total comprehensive income attributable to:			
– Owners of the Company		**65,389**	71,296
– Non-controlling interests		**6,875**	(4,517)
		72,264	66,779
Earnings per share attributable to the owners of the Company (expressed in RMB per share)	*13*		
Basic		**4.40 cents**	4.88 cents
Diluted		**3.39 cents**	4.88 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,073,694**	967,535
Right-of-use assets	15	**137,058**	134,705
Investment properties	16	**9,190**	–
Interests in associates	17	**25,078**	23,394
Intangible assets	18	**18**	26
Financial asset at fair value through profit or loss	19	**20,389**	21,355
Prepayment for acquisition of freehold land	20	**129,391**	127,004
Prepayment for acquisition of property, plant and equipment		**10,780**	503
Lands held for development or sale	21	**674,585**	262,138
Deferred tax assets	33	**76,313**	75,931
		2,156,496	1,612,591
Current assets			
Inventories	22	**68,654**	63,963
Properties under development for sale	21	**1,773,645**	1,681,827
Properties held for sale	21	**850,485**	998,636
Trade, bills and other receivables	23	**1,070,378**	952,093
Prepaid income tax	24	**20,915**	14,711
Prepaid land appreciation tax	25	**6,672**	6,494
Pledged bank deposits	26	**40,000**	81,650
Restricted bank deposit for property development business	26	**3,684**	3,271
Cash and cash equivalents	26	**301,685**	567,542
		4,136,118	4,370,187
Current liabilities			
Trade, bills and other payables	27	**492,582**	404,181
Lease liabilities	28	**18,113**	20,176
Contract liabilities	29	**539,076**	546,371
Bank borrowings	30	**184,453**	284,128
Tax payable		**240,219**	219,059
Amounts due to non-controlling interests of subsidiaries	31	**83,162**	227,364
Convertible bonds	32	**131,881**	–
Derivative financial instruments	32	**19,693**	–
		1,709,179	1,701,279
Net current assets		**2,426,939**	2,668,908
Total assets less current liabilities		**4,583,435**	4,281,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

as at December 31, 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	28	**23,462**	10,821
Bank borrowings	30	**508,987**	444,083
Deferred tax liabilities	33	**15,020**	13,145
		547,469	468,049
Net assets		**4,035,966**	3,813,450
CAPITAL AND RESERVES			
Share capital	34	**1,654**	1,654
Reserves	35	**3,802,323**	3,750,967
Equity attributable to the owners of the Company		**3,803,977**	3,752,621
Non-controlling interests		**231,989**	60,829
Total equity		**4,035,966**	3,813,450

The consolidated financial statements on pages 91 to 196 were approved and authorised for issue by the Board of Directors on March 31, 2025 and are signed on its behalf by:

Zhu Zhangjin, Kasen
Director

Zhou Xiaohong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2024

	Attributable to equity holders of the Company											
	Share capital	**Share premium***	**Statutory reserve***	**Special reserve***	**Share option reserve***	**Other reserve***	**FVTOCI reserve***	**Translation reserve***	**Retained earnings***	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	**1,654**	**1,452,456**	**171,276**	**167,983**	**4,618**	**(41,703)**	**–**	**4,226**	**1,992,111**	**3,752,621**	**60,829**	**3,813,450**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**63,535**	**63,535**	**6,149**	**69,684**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,854**	**–**	**1,854**	**726**	**2,580**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,854**	**63,535**	**65,389**	**6,875**	**72,264**
Capital injection from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**164,285**	**164,285**
Deemed distribution	**–**	**–**	**–**	**(14,033)**	**–**	**–**	**–**	**–**	**–**	**(14,033)**	**–**	**(14,033)**
Balance at December 31, 2024	**1,654**	**1,452,456**	**171,276**	**153,950**	**4,618**	**(41,703)**	**–**	**6,080**	**2,055,646**	**3,803,977**	**231,989**	**4,035,966**

	Attributable to equity holders of the Company											
	Share capital	Share premium*	Statutory reserve*	Special reserve*	Share option reserve*	Other reserve*	FVTOCI reserve*	Translation reserve*	Retained earnings*	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	1,654	1,452,456	171,276	167,983	4,618	(41,703)	10,951	2,541	1,911,549	3,681,325	30,682	3,712,007
Profit for the year	–	–	–	–	–	–	–	–	70,426	70,426	(4,517)	65,909
Other comprehensive income	–	–	–	–	–	–	(815)	1,685	–	870	–	870
Total comprehensive income for the year	–	–	–	–	–	–	(815)	1,685	70,426	71,296	(4,517)	66,779
Disposal of a financial asset at fair value through other comprehensive income	–	–	–	–	–	–	(10,136)	–	10,136	–	–	–
Payment of dividend to a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	(38,250)	(38,250)
Acquisition of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	72,914	72,914
Balance at December 31, 2023	1,654	1,452,456	171,276	167,983	4,618	(41,703)	–	4,226	1,992,111	3,752,621	60,829	3,813,450

* The total of these amounts as at the reporting date represent "Reserves" in the consolidated statement of financial position.

Note: Special reserve included both arising from reorganization and the deemed contribution/distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit before income tax		**125,439**	110,682
Adjustments for:			
Provision of allowance for inventories, net		**90**	1,545
Amortization of intangible assets		**8**	69
Release of financial guarantees		**(5,425)**	(5,425)
Depreciation of property, plant and equipment		**49,425**	56,081
Depreciation of investment properties		**656**	–
Depreciation of right-of-use assets		**28,812**	28,147
Interest expenses		**54,268**	42,655
Impairment loss recognized in property, plant and equipment		**–**	1,482
Provision for/(Reversal of) impairment loss on financial assets, net		**7,515**	(3,044)
Change in fair value of financial asset at fair value through profit or loss		**1,273**	626
Fair value changes on derivative component of convertible bonds		**(5,799)**	–
Interest income		**(2,188)**	(1,418)
Loss/(Gain) on early termination of right-of-use assets		**2,038**	(224)
Loss/(Gain) on disposal of property, plant and equipment		**1,495**	(2,119)
Share of result of an associate		**(1,684)**	(5,589)
Operating cash flows before working capital changes		**255,923**	223,468
Decrease/(Increase) in properties under development and properties held for sale		**56,333**	(128,246)
Increase in lands held for development or sale		**(181,037)**	–
(Increase)/Decrease in restricted bank deposits		**(413)**	753
(Increase)/Decrease in inventories		**(4,781)**	4,135
(Decrease)/Increase in contract liabilities		**(7,295)**	57,193
(Increase)/Decrease in trade, bills and other receivables		**(125,800)**	243,276
Decrease/(Increase) in trade, bills and other payables		**81,826**	(75,488)
Cash generated from operations		**74,756**	325,091
Land appreciation tax ("LAT") paid		**(19,545)**	(11,100)
Income tax paid		**(19,939)**	(38,562)
Withholding tax paid		**–**	(2,295)
Net cash from operating activities		**35,272**	273,134

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(169,576)**	(48,784)
Decrease of pledged bank deposits		**41,650**	7,100
Payment of subscription of unlisted investment fund		**–**	(1,403)
Repayment received from an associate		**–**	6,492
Increase in amount due to an associate		**12,000**	18,908
Interest received		**2,188**	1,418
Proceeds from disposal of property, plant and equipment		**–**	15,581
Proceeds from disposal of financial asset at fair value through other comprehensive income		**–**	17,677
Proceeds from distribution of unlisted investment fund	*19*	**–**	21,226
Cash inflow from acquisition of a subsidiary	*41*	**–**	456
Net cash (used in)/from investing activities		**(113,738)**	38,671
Cash flows from financing activities			
Proceeds from new bank borrowings	*40*	**263,100**	231,689
Repayment of bank borrowings	*40*	**(298,906)**	(273,287)
Interest paid	*40*	**(49,631)**	(40,849)
Interest elements of lease rentals paid	*40*	**(1,930)**	(1,806)
Capital elements of lease rentals paid	*40*	**(21,425)**	(42,638)
Decrease in amounts due to non-controlling interests of subsidiaries	*40*	**(77,613)**	(40,604)
Dividend paid to non-controlling interest of a subsidiary		**–**	(38,250)
Net cash used in financing activities		**(186,405)**	(205,745)
Net (decrease)/increase in cash and cash equivalents		**(264,871)**	106,060
Cash and cash equivalents at beginning of year		**567,542**	460,310
Effect of foreign exchange rate changes		**(986)**	1,172
Cash and cash equivalents at end of year, represented by bank balances and cash		**301,685**	567,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2024

1. GENERAL INFORMATION

Kasen International Holdings Limited (the "Company") was incorporated in the Cayman Islands on December 19, 2002 as an exempted company with limited liability under the Companies Act Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands and its principal place of business in Hong Kong is located at Unit 1107, 11/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 20, 2005 (the "Listing").

The Company is an investment holding company and its subsidiaries (together referred to as the "Group") are principally engaged in (i) manufacturing and trading of upholstered furniture; (ii) properties development; (iii) special economic zone; and (iv) travel and tourism-related operations.

The consolidated financial statements for the year ended December 31, 2024 were approved for issue by the Board of Directors on March 31, 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards ("IASs") and Interpretations ("IFRS Accounting Standards") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended IFRS Accounting Standards and the impacts on the consolidated financial statement of the Group, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below. The consolidated financial statements are presented in thousands of RMB ("RMB'000") unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are presented separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

2.3 Acquisition of subsidiaries

Asset acquisitions

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.4 Associates (cont'd)

Under the equity method, the Group's interest in associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate and any impairment loss on the investment in associate recognized for the year.

Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in associate.

Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equal or exceed its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable.

After the application of equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at the reporting date whether there is any objective evidence that the investment in the associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying value and recognizes the amount adjacent to share of result from associate in profit or loss.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognized in the profit or loss. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.5 Foreign currency translation

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognized in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rate at the transaction date). When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress and freehold land as described below) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment (cont'd)

Freehold land is not depreciated, and is carried at cost less accumulated impairment loss, if any.

Depreciation on items of property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	20-40 years of the shorter of the term of the land lease
Plant and equipment	10-15 years
Motor vehicles	4-5 years
Fixture and equipment	5-10 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.17.

The assets' depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.7 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields, and is not occupied by the Group.

Investment property is measured at cost, including related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 15 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.8 Intangible assets (other than goodwill)

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific intangible assets. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses (see note 2.22).

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	5 years

The assets' amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.22.

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade and bill receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.9 Financial instruments (cont'd)

***Financial assets** (cont'd)*

Classification and initial measurement of financial assets (cont'd)

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– amortized cost;

– FVTPL; or

– fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "Other income" and "Finance cost", except for reversal of provision/provision for ECL allowance of financial assets which is presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Non-equity investments held by the Group are classified into amortized cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.20).

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in "Other income" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, pledged bank deposit, restricted bank deposits for property development business and trade, bills and other receivables (excluding prepayments, advance payment for purchase of inventories, prepaid other taxes) and the Company's other receivables, amounts due from subsidiaries and cash and cash equivalents fall into this category of financial assets.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.9 Financial instruments (cont'd)

***Financial assets** (cont'd)*

Subsequent measurement of financial assets (cont'd)

Debt investments (cont'd)

Financial assets at FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI and are mandatorily required to be measured at fair value since the contractual cash flows of the financial assets are not solely payments of principal and interest on the principal amount outstanding. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity investments

On initial recognition of an equity investment that is not held for trading and this is not contingent consideration recognized by an acquirer within the scope of "Business Combination" ("IFRS 3"), the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis at initial recognition date of the equity instrument. Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings. Dividends from investments in equity instruments at FVTOCI are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.9 Financial instruments (cont'd)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade, bills and other payables (excluding other tax payable), amounts due to non-controlling interest of subsidiaries, bank borrowings, lease liabilities, convertible bonds and derivative financial instruments. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

All interest-related charges are recognized in accordance with the Group's accounting policy for borrowing costs (see note 2.24).

Accounting policies of lease liabilities is set out in note 2.17.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless as at the end of the reporting period, the Group has a right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Convertible bonds

If the conversion option or any other embedded feature of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component.

On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognized. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.9 Financial instruments (cont'd)

***Financial liabilities** (cont'd)*

Convertible bonds (cont'd)

Subsequently, financial liabilities (other than lease liabilities) are measured at amortized cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

The liability component of the convertible bond is carried at amortized cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities including trade, bills and other payables and amounts due to non-controlling interest of subsidiaries, which are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.11 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognize ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and trade and bill receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.11 Impairment of financial assets (cont'd)

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognized for the Stage 1 category while "lifetime ECL" are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of expected credit losses over the expected life of the financial asset.

Trade and bill receivables

For trade and bill receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at the reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators of the trade and bill receivables with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade and bill receivables have been grouped based on shared credit risk characteristics and the past due status.

Other financial assets measured at amortized cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.11 Impairment of financial assets (cont'd)

Other financial assets measured at amortized cost (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade and bill receivables, other financial assets measured at amortized cost are set out in note 46.5.

Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.13 Lands held for development or sale and properties under development and held for sale

Lands held for development or sale are stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period.

Properties under development for sale represent leasehold and freehold land and building which are developed for future sale in the ordinary course of business. Properties under development for sale are transferred to properties held for sale upon completion of development. Properties under development and properties held for sale are transferred to property, plant and equipment at carrying amount upon commencement of owner-occupation. Properties under development and properties held for sale are stated at the lower of cost and net realisable value. Cost of properties includes the cost of land use rights, development expenditures, borrowing costs capitalised and other direct attributable expenses.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 46.5.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 26.

2.15 Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.16 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within "Trade, bills and other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 as set out in note 2.11 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized over the guarantee period.

2.17 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.17 Leases (cont'd)

(a) Definition of a lease and the Group as a lessee (cont'd)

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.17 Leases (cont'd)

(a) *Definition of a lease and the Group as a lessee (cont'd)*

Measurement and recognition of leases as a lessee (cont'd)

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) *The Group as a lessor*

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group earns rental income from operating lease of its spare production warehouse which is recognized on a straight-line basis over the term of the leases.

2.18 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.20 Revenue recognition

Revenue arises mainly from (i) manufacture and trading of upholstered furniture; (ii) properties development; (iii) special economic zone; and (iv) provision of other services (including travel and tourism-related services, catering and entertainment services and provision of property management services).

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.20 Revenue recognition (cont'd)

The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Manufacture and trading of upholstered furniture

Revenue from sale of upholstered furniture is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product and accepted by the customers. No right of return by customers is allowed based on either contractual terms or in business practices. There is generally only one performance obligation and the consideration includes no variable amount. Invoices are usually payable ranging between 30 and 120 days.

Lands and properties development

Revenue from sale of lands and properties developed for sale in the ordinary course of business is recognized at the point in time when the lands or properties development completed and control of completed lands or properties is transferred to and accepted by the customers, and the Group has present right to payment and the collection of the consideration is probable. No revenue is recognized over time since the contract does not give the Group an enforceable right to payment for performance completed to date.

Deposits and instalments received on lands and properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (note 2.15). There is generally only one performance obligation (which is delivery of completed lands or properties) and the consideration include no variable amount.

Other services

Revenue from provision of travel and tourism-related services (including hotel and resort operated by the Group) and provision of property management services by the Group are recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from catering operation and other services are recognized at the point in time when control of the asset is transferred to the customer, generally on services have been rendered to customers. Invoices for above services are generally issued on completion of services rendered.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.20 Revenue recognition (cont'd)

Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Rental income

Accounting policies for rental income are set out in note 2.17.

2.21 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.22 Impairment of non-financial assets

Property, plant and equipment, investment property, right-of-use assets, intangible assets and investments in subsidiaries in the statement of financial position of the Company are subject to impairment testing.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.23 Employee benefits

Retirement benefit

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contributions retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assure the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independent administrated funds managed by the PRC government.

In addition, the Group operates a Mandatory Provident Fund ("MPF") Scheme for its qualifying employees in Hong Kong. The assets of the MPF scheme are held in funds under the control of trustees separately from those of the Group. Contributions are made based on a percentage of the employees' basic salaries.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. No forfeited contributions may be used by the Group to reduce the existing level of contributions.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable at the reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.24 Borrowing costs

Borrowing costs incurred, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.25 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.25 Accounting for income taxes (cont'd)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") (i.e. executive directors), who is responsible for allocating resources and assessing performance of the operating segments.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.28 Share-based employee compensation

Equity-settled share-based payments transactions

The fair value of services received determined by reference to the fair value of the share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expenses reflect the revised estimate with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

2.29 Related parties

For the purpose of the consolidated financial statements, a party in considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (cont'd)

2.29 Related parties (cont'd)

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS

Amended IFRS Accounting Standards that are effective for annual periods beginning on January 1, 2024

In the current year, the Group has applied for the first time the following amended IFRS Accounting Standards issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on January 1, 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except for the impact mentioned below, the adoption of the amended IFRS Accounting Standards had no material impact on the Group's performance and financial positions for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS (cont'd)

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" ("2020 Amendments") and related amendments and Amendments to IAS 1 "Non-current Liabilities with Covenants"

The amendments clarified the classification of debt and other liabilities as current or non-current, depending on whether an entity has a right to defer settlement of the liability for at least twelve months from the end of the reporting period and this right has to be existed at the end of the reporting period. Any expectations about events after the reporting period do not impact the assessment of the classification of the liabilities make at the end of the reporting period as to the classification of the liability.

Only covenants of a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect such classification at the reporting date.

The amendments also define "settlements" of a liability, which includes transfer of entity's own equity instrument. However, if the holder's conversion option in a convertible bond is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current. If the holder's conversion option is classified as liability, such option must be considered for the determination of current/non-current classification of a convertible bond.

Besides, the amendments required an entity to provide additional disclosure when a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are applied retrospectively.

Based on the Group's outstanding liabilities as at January 1, 2024, the application of amendments did not result in reclassification of the Group's liabilities.

3. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS (cont'd)

Issued but not yet effective IFRS Accounting Standards

The Group has not early applied the following new and amended IFRS Accounting Standards which have been issued but are not yet effective:

IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature dependent Electricity[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[2]

1 Effective for annual periods beginning on or after January 1, 2025
2 Effective for annual periods beginning on or after January 1, 2026
3 Effective for annual periods beginning on or after January 1, 2027
4 Effective date to be determined

The directors anticipate that all of the new and amended IFRS Accounting Standards will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended IFRS Accounting Standards. Information on new and amended IFRS Accounting Standards that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRS Accounting Standards are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS (cont'd)

IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18 replaces IAS 1 "Presentation of Financial Statements" ("IAS 1"). It carries forward many of the existing requirements in IAS 1, with limited changes, and some IAS 1 requirements will be moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures".

IFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the consolidated statement of profit or loss and other comprehensive income;

- Disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and

- enhanced guidance of aggregation and disaggregation of information in the financial statements.

Besides, narrow-scope amendments have been made to IAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and

- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other IFRSs, are effective for annual period beginning on or after January 1, 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are still in the process of assessing the impact of IFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss, the consolidated statement of cash flows and the additional disclosure required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including the terms currently labelled as "other".

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting judgements

Current and deferred income taxes

As detailed in note 11, the Group is subject to corporate income tax in different jurisdictions. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. As at December 31, 2024, the carrying amounts of deferred tax assets are RMB76,313,000 (2023: RMB75,931,000). Details of deferred tax assets are set out in note 33.

As detailed in note 33, deferred tax liabilities have not been recognized as at December 31, 2024 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

PRC land appreciation tax

As detailed in note 25, the Group is subject to LAT in the PRC. However, the implementation and settlement of these taxes various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its LAT calculation and payments with any local tax authorities in the PRC for certain property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognized LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provision in periods in which such taxes have been finalised with local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of lands held for development or sale, properties under development and properties held for sale

As explained in note 21, the Group's lands held for development or sale, properties under development and properties held for sale are stated at the lower of cost and net realisable value.

Based on the Group's recent experience and the nature of the subject properties, the Group's management makes estimates of the selling prices, the costs of completion in cases for properties under development, and the costs necessary to be incurred in selling the properties based on prevailing and forecasted market conditions.

If there is an increase in costs to completion or a decrease in estimated selling prices, the net realisable value will decrease and this may result in impairment loss of the properties under development and properties held for sale. Such impairment loss requires the use of judgement and estimates. Where the expectation is different from the management's original estimates, the carrying value and impairment loss for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the estimates would affect profit or loss in future years.

For lands held for development or sale, the Group engaged independent professional valuer to perform fair value valuation. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors of the Group have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

As at December 31, 2024, the carrying amounts of lands held for development or sale, properties under development and properties held for sale are approximately RMB674,585,000, RMB1,773,645,000 and RMB850,485,000, net of accumulated allowance of RMB Nil, RMB31,636,000 and RMB18,408,000, respectively (2023: RMB262,138,000, RMB1,681,827,000 and RMB998,636,000, net of accumulated allowance of RMB Nil, RMB31,636,000 and RMB18,408,000, respectively).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Key sources of estimation uncertainties (cont'd)

Estimation of impairment of trade, bills and other receivables

The Group follows the guidance of IFRS 9 to makes allowances on items subjects to ECL including trade, bills and other receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 2.9. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade, bills and other receivables and provision for impairment in the periods in which such estimate has been changed.

As at December 31, 2024, the carrying amounts of trade, bills and other receivables is RMB1,070,378,000 (2023: RMB952,093,000), net of accumulated impairment loss allowance of RMB101,529,000 (2023: RMB94,014,000).

Estimation of impairment of property, plant and equipment and right-of-use assets, investment properties and intangible assets

Property, plant and equipment, right-of-use assets, investment properties, and intangible assets are stated at costs less accumulated depreciation or amortization and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections, used in the impairment test. The carrying amounts of property, plant and equipment, right-of-use assets, investment properties, and intangible assets at the reporting date are set out in notes 14, 15, 16 and 18 to the consolidated financial statements respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Key sources of estimation uncertainties (cont'd)

Fair value measurement of financial instruments

Financial asset at FVTPL amounting to RMB20,389,000 (2023: RMB21,355,000) as at December 31, 2024 is measured at fair value with fair value being determined based on significant unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures regarding the fair value measurement of these financial instruments are set out in note 46.7.

Depreciation charges of property, plant and equipment and investment properties

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The carrying amounts of property, plant and equipment and investment properties at each reporting date are set out in note 14 and note 16 to the consolidated financial statements.

Determination of the lease term in lease contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities. During the years ended December 31, 2024 and 2023, all extension options in leases of premises have not been included in the calculation of lease liabilities.

Fair value of derivative financial instruments in relation to convertible bonds

As at December 31, 2024, the Group's derivative financial instruments in relation to convertible bonds are stated at fair value of RMB19,693,000 (2023: RMB Nil) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied binomial option pricing model which involves estimates of certain unobservable inputs, e.g. option-adjusted spread, stock price volatility and discount rate. The fair value of the derivative financial instruments in relation to convertible bonds is sensitive to these estimates. The information about the derivative financial instruments in relation to convertible bonds are disclosed in note 32.

5. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being CODM, who is responsible for allocating resources and assessing performance of the operating segment, has identified the Groups' operating and reportable segments as below and further described in note 2.26:

(i) Manufacturing and trading of upholstered furniture ("Manufacturing");

(ii) Properties development ("Properties development");

(iii) Lands and properties development of Special Economic Zone in Cambodia ("Special Economic Zone"); and

(iv) Others, comprising mainly provision of travel and tourism-related services, catering and entertainment services and provision of property management service ("Others").

During the year ended December 31, 2024, in view of the Group's strategic plan to develop the Special Economic Zone in Cambodia, the CODM have identified "Special Economic Zone" as a new reporting segment as compared to "Manufacturing", "Properties development" and "Others" which have been identified in the prior year. Given the new segment of the Special Economic Zone, certain analysis by reportable segments of the Group for the year ended December 31, 2023 was restated accordingly.

The following is an analysis of the Group's revenue by reportable segments:

For the year ended December 31, 2024:

	Manufacturing	**Properties development**	**Special Economic Zone**	**Others**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External sales	**551,891**	**327,164**	**59,802**	**86,834**	**–**	**1,025,691**
Inter-segment sales	**–**	**–**	**14,624**	**3,611**	**(18,235)**	**–**
	551,891	**327,164**	**74,426**	**90,445**	**(18,235)**	**1,025,691**

For the year ended December 31, 2023:

	Manufacturing	Properties development	Special Economic Zone	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	529,668	300,912	–	126,177	–	956,757
Inter-segment sales	–	–	–	2,004	(2,004)	–
	529,668	300,912	–	128,181	(2,004)	956,757

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Disaggregation of revenue from contracts with customers

For the year ended December 31, 2024:

	Manufacturing *RMB'000*	Properties development *RMB'000*	Special Economic Zone *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Primary geographical markets						
United States	341,369	–	–	–	–	341,369
PRC, including Hong Kong	42,030	204,780	–	90,445	(3,611)	333,644
Cambodia	59,628	122,384	74,426	–	(14,624)	241,814
Europe	108,038	–	–	–	–	108,038
Others	826	–	–	–	–	826
	551,891	327,164	74,426	90,445	(18,235)	1,025,691
Major products and services						
Sales of upholstered furniture	551,891	–	–	–	–	551,891
Sales of properties	–	327,164	74,426	–	(14,624)	386,966
Travel & tourism-related services	–	–	–	40,345	–	40,345
Catering & entertainment	–	–	–	35,656	(3,611)	32,045
Property management services	–	–	–	14,444	–	14,444
	551,891	327,164	74,426	90,445	(18,235)	1,025,691
Timing of revenue recognition						
At a point in time	551,891	327,164	74,426	76,001	(18,235)	1,011,247
Transferred over time	–	–	–	14,444	–	14,444
	551,891	327,164	74,426	90,445	(18,235)	1,025,691

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Disaggregation of revenue from contracts with customers (cont'd)

For the year ended December 31, 2023:

	Manufacturing	Properties development	Special Economic Zone	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Primary geographical markets						
United States	416,073	–	–	–	–	416,073
PRC, including Hong Kong	60,749	278,345	–	128,181	(2,004)	465,271
Cambodia	43,327	22,567	–	–	–	65,894
Europe	7,012	–	–	–	–	7,012
Others	2,507	–	–	–	–	2,507
	529,668	300,912	–	128,181	(2,004)	956,757
Major products and services						
Sales of upholstered furniture	529,668	–	–	–	–	529,668
Sales of properties	–	300,912	–	–	–	300,912
Travel & tourism-related services	–	–	–	54,326	–	54,326
Catering & entertainment	–	–	–	56,617	(2,004)	54,613
Property management services	–	–	–	17,238	–	17,238
	529,668	300,912	–	128,181	(2,004)	956,757
Timing of revenue recognition						
At a point in time	529,668	300,912	–	20,254	(2,004)	848,830
Transferred over time	–	–	–	107,927	–	107,927
	529,668	300,912	–	128,181	(2,004)	956,757

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Disaggregation of revenue from contracts with customers (cont'd)

The following is an analysis of the Group's result by reportable segments:

	2024	2023
	RMB'000	*RMB'000*
		(Restated)
Segment profit/(loss)		
– Manufacturing	**44,108**	49,109
– Properties development	**2,807**	9,791
– Special Economic Zone	**20,157**	(980)
– Others	**8,910**	6,922
	75,982	64,842
Unallocated corporate income	**5,283**	2,068
Unallocated other gains and losses	**(11,581)**	(1,001)
	69,684	65,909

The following is an analysis of other segment information of the Group:

For the year ended December 31, 2024

	Manufacturing	**Properties development**	**Special Economic Zone**	**Others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Share of result of an associate	**–**	**1,684**	**–**	**–**	**–**	**1,684**
Interest income	**1,973**	**61**	**–**	**134**	**20**	**2,188**
Depreciation and amortization of non-current assets	**(31,055)**	**(45,207)**	**(31)**	**(1,715)**	**(893)**	**(78,901)**
Finance costs	**(12,354)**	**(36,749)**	**–**	**(529)**	**(4,636)**	**(54,268)**
Income tax (expense)/credit	**(9,897)**	**(46,563)**	**–**	**705**	**–**	**(55,755)**

For the year ended December 31, 2023

	Manufacturing	Properties development	Special Economic Zone	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Share of result of an associate	–	5,589	–	–	–	5,589
Interest income	1,220	119	–	54	25	1,418
Depreciation and amortization of non-current assets	(36,918)	(45,117)	–	(1,446)	(816)	(84,297)
Finance costs	(9,391)	(31,576)	–	(1,635)	(53)	(42,655)
Income tax (expense)/credit	(1,232)	(46,718)	–	3,177	–	(44,773)

5. REVENUE AND SEGMENT INFORMATION (cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2.26. Segment profit/(loss) mainly represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain/(loss). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Unallocated corporate income/(expense) mainly include fair value changes of financial guarantee, financial assets at fair value through profit or loss and derivative component of convertible bonds and interest charges on convertible bonds.

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	2024	2023
	RMB'000	*RMB'000*
		(Restated)
Manufacturing	**1,001,873**	1,453,521
Properties development	**4,154,972**	3,898,767
Special Economic Zone	**703,491**	205,899
Others	**310,498**	301,290
Total segment assets	**6,170,834**	5,859,477
Unallocated	**121,780**	123,301
Consolidated assets	**6,292,614**	5,982,778

Segment liabilities

	2024	2023
	RMB'000	*RMB'000*
		(Restated)
Manufacturing	**273,176**	269,483
Properties development	**1,555,042**	1,632,255
Special Economic Zone	**189,780**	82,245
Others	**72,056**	83,202
Total segment liabilities	**2,090,054**	2,067,185
Unallocated	**166,594**	102,143
Consolidated liabilities	**2,256,648**	2,169,328

5. REVENUE AND SEGMENT INFORMATION (cont'd)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than investments in financial assets, deferred tax assets and head office assets;
- all liabilities are allocated to operating segments other than deferred tax liabilities and head office liabilities (including convertible bonds and derivative financial instruments); and
- all intergroup balances and investment costs have been eliminated in internal reports when presenting segment assets and liabilities to CODM.

Geographical information

The Group's operations are substantively located in the PRC.

The Group's revenue analysis is basically based on the locations of external customers except for revenue from sales of properties and provision of property management services, which are based on location of properties.

The Group's revenue from external customers and information about its non-current assets (excluding financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue from external customers Year ended December, 31		Non-current assets At December, 31	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States	**341,369**	416,073	**–**	–
PRC, including Hong Kong	**333,644**	465,271	**1,036,688**	1,055,145
Cambodia	**241,814**	65,894	**888,483**	459,577
Europe	**108,038**	7,012	**–**	–
Others	**826**	2,507	**134,623**	583
	1,025,691	956,757	**2,059,794**	1,515,305

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2024	2023
	RMB'000	*RMB'000*
Customer A *(note)*	**215,416**	236,282

Note: Revenue from Manufacturing segment.

The following is an analysis of the Group's revenue for the year:

	2024	2023
	RMB'000	*RMB'000*
Sale of goods		
Upholstered furniture	**551,891**	529,668
Lands and properties	**386,966**	300,912
	938,857	830,580
Provision of services		
Others *(note)*	**86,834**	126,177
	1,025,691	956,757

Note: Amounts mainly included income from provision of travel and tourism-related services, catering and entertainment services and provision of property management service.

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (including unsatisfied or partially unsatisfied) as at December 31, 2024 and the expected timing of recognising revenue as follows:

	Properties development	
	2024	2023
	RMB'000	*RMB'000*
More than one year but not more than two years	**1,010,000**	1,010,000

6. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Dividend income from financial asset at fair value through profit or loss	**–**	1,044
Government grants *(note (a))*	**763**	980
Interest income *(note (b))*	**2,188**	1,418
Rental income *(note (c))*	**1,432**	3,330
Others	**1,842**	2,407
	6,225	9,179

Notes:

(a) Government grants represent various incentives received from government for business development. There were no specific conditions attached to the incentives.

(b) Interest income include unwinding impact of loan to an associate of approximately RMB823,000 for the year ended December 31, 2023 (2024: RMB Nil).

(c) Rental income represents leasing of insignificant portion of the Group's spare production warehouse, currently classified as property, plant and equipment, to external parties on a short-term basis and investment properties.

7. OTHER GAINS AND LOSSES

	2024	2023
	RMB'000	*RMB'000*
(Loss)/Gain on early termination of leases	**(2,038)**	224
Net foreign exchange gain	**5,385**	6,174
Donation	**(185)**	–
Change in fair value of financial asset at fair value through profit or loss	**(1,273)**	(626)
Fair value changes on derivative component of convertible bonds *(note 32)*	**5,799**	–
(Loss)/Gain on disposal of property, plant and equipment, net	**(1,495)**	2,119
Release of financial guarantees *(note)*	**5,425**	5,425
Written-back of payables	**–**	17,116
Penalty	**3,607**	430
Others	**(987)**	1,938
	14,238	32,800

Note: The provision of financial guarantees represented the fair value of the financial guarantees recognized at its initial recognition (note 45(b)). The release of financial guarantees recognized in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

8. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest charges on bank borrowings *(note)*	**47,724**	40,849
Interest charges on lease liabilities	**1,930**	1,806
Interest charges on convertible bonds	**4,614**	–
	54,268	42,655

Note: The amounts were offset by interest capitalization of RMB2,031,000 (2023: RMB5,832,000 to property under development) to lands held for development or sale during the year ended December 31, 2024 (note 21(c)).

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2024 RMB'000	2023 RMB'000
Amortization of intangible assets	**8**	69
Depreciation of property, plant and equipment	**49,425**	56,081
Depreciation of right-of-use assets	**28,812**	28,147
Depreciation of investment properties	**656**	–
Total depreciation and amortization	**78,901**	84,297
Auditor's remuneration		
– Audit service	**2,400**	2,400
– Non-audit service	**900**	750
Provision for/(Reversal of) impairment loss on financial assets, net		
– Trade receivables	**2,065**	(280)
– Other receivables	**5,450**	(2,764)
	7,515	(3,044)
Cost of inventories under Manufacturing segment recognized as expenses (including net provision for allowance of inventories of RMB90,000 (2023: RMB1,545,000))	**384,452**	387,499
Development costs under Properties development and Special Economic Zone segments recognized as cost of sales	**199,225**	156,332
Expenses relating to short term leases	**1,558**	5,080
Impairment loss on property, plant and equipment *(note14)*	**–**	1,482
Employee costs (including directors' emoluments)		
– Wages, salaries and other benefits	**163,295**	162,674
– Contributions to defined contribution retirement plans	**13,753**	13,565
	177,048	176,239

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024				
Executive directors:				
Mr. Zhu Zhangjin, Kasen ("Mr. Zhu")	**–**	**545**	**17**	**562**
Ms. Zhou Xiaohong	**–**	**251**	**–**	**251**
	–	**796**	**17**	**813**
Independent non-executive directors:				
Mr. Zhang Yuchuan	**219**	**–**	**–**	**219**
Mr. Zhou Lingqiang	**164**	**–**	**–**	**164**
Mr. Chow Hiu Tung (note)	**109**	**–**	**–**	**109**
	492	**–**	**–**	**492**
Year ended December 31, 2023				
Executive directors:				
Mr. Zhu	–	1,010	11	1,021
Ms. Zhou Xiaohong	–	280	–	280
	–	1,290	11	1,301
Independent non-executive directors:				
Mr. Du Haibo (note)	157	–	–	157
Mr. Zhang Yuchuan	163	–	–	163
Mr. Zhou Lingqiang	163	–	–	163
Mr. Chow Hiu Tung	8	–	–	8
	491	–	–	491

Note: On December 18, 2023, the Company appointed Mr. Chow Hiu Tung as independent non-executive director of the Company. Mr. Du Haibo resigned from the position as independent non-executive director of the Company on the same date.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (cont'd)

(a) Directors' remuneration (cont'd)

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended December 31, 2024 and 2023.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended December 31, 2024 and 2023.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2023: one) director, whose emoluments are reflected in the analysis presented in note 10(a). The emoluments paid to the remaining four (2023: four) individuals during the year are as follows:

	2024	2023
	RMB'000	*RMB'000*
Basic salaries and allowances	**3,344**	2,215
Retirement benefit scheme contributions	**53**	68
	3,397	2,283

The emoluments fell within the following bands:

	2024	2023
	Number of individuals	
Emolument bands		
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**2**	1
	4	4

11. INCOME TAX EXPENSE

	Note	2024 RMB'000	2023 RMB'000
Current income tax			
– PRC Enterprise Income Tax ("EIT")			
– Current year		**23,120**	14,052
– Over-provision in respect of prior years		**(3,085)**	(7,868)
– Withholding tax on dividend		**–**	2,295
		20,035	8,479
– Cambodia corporate tax			
– Current year		**4,004**	5,445
– Over-provision in respect of prior years		**–**	(2,212)
		4,004	3,233
LAT		**30,223**	49,243
Deferred tax	*33*	**1,493**	(16,182)
Total income tax expense		**55,755**	44,773

11. INCOME TAX EXPENSE (cont'd)

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2024 RMB'000	2023 RMB'000
Profit before income tax	**125,439**	110,682
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	**26,363**	22,736
Tax effect of tax preference in tax rule relate to new and high technology enterprise	**(3,460)**	(2,715)
Tax effect on non-deductible expenses	**8,758**	8,208
Tax effect on non-taxable income	**(25,241)**	(24,370)
Tax effect on LAT charges	**30,223**	49,243
Tax effect of tax losses not recognized	**22,147**	13,102
Utilisation of tax losses previously not recognized	**(110)**	(13,646)
Under-provision in respect of prior years	**(3,085)**	(10,080)
Withholding tax on dividend	**–**	2,295
Others	**160**	–
Income tax expense	**55,755**	44,773

Notes:

(a) PRC EIT

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law (the "EIT Law"), other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25%. The PRC EIT Law also allows enterprises to apply for the certificates of "High and New Technology" ("HNTE") which entitled qualified companies to enjoy a preferential income tax rate of 15%. In 2024, two (2023: two) of the Group's PRC subsidiaries are qualified as a HNTE.

11. INCOME TAX EXPENSE (cont'd)

Notes: (cont'd)

(b) PRC LAT

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

(c) Hong Kong profits tax

The provision for Hong Kong profits tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first Hong Kong dollars ("HK$") 2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. For the years ended December 31, 2024 and 2023, Hong Kong profits tax of one of the subsidiaries of the Group is calculated in accordance with the two-tiered profits tax rates regime.

(d) Cayman Islands corporate tax

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any corporate tax in Cayman Islands for the years ended December 31, 2024 and 2023.

(e) British Virgin Islands ("BVI") profit tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended December 31, 2024 and 2023.

(f) Cambodia corporate tax

Statutory tax rate of companies in Cambodia is 20% (2023: 20%). According to the relevant laws and regulations in Cambodia, two (2023: two) subsidiaries of the Group in Cambodia which are within the scope of "Qualified Investment Projects", are entitled to a tax concession of 75% (2023: 75%). In addition, one (2023: Nil) subsidiary of the Group in Cambodia carrying business in "Special Economic Zones" are exempted from Cambodia corporate tax for a period of 6 years.

12. DIVIDEND

The Board does not recommend the payment of a final dividend for the years ended December 31, 2024 and 2023.

13. EARNINGS PER SHARE

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

	2024	2023
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purposes of calculating basic earnings per share		
Effect of dilutive potential ordinary shares:	**63,535**	70,426
– Fair value changes on derivative component of convertible bonds	**(5,799)**	–
– Interest on convertible bonds	**4,614**	–
Profit for the year attributable to owners of the Company for the purpose of calculating diluted earnings per share	**62,350**	70,426

	2024	2023
	Number in thousand	*Number in thousand*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**1,443,142**	1,443,142
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**393,399**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,836,541**	1,443,142

The calculation of diluted earnings per share for the years ended December 31, 2024 and 2023 do not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price of the Company's shares for the years ended December 31, 2024 and 2023.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plant and equipment RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2023	26,356	679,371	187,563	30,573	45,625	517,321	1,486,809
Additions	–	1,696	20,680	2,423	420	23,651	48,870
Disposal	–	(12,562)	(2,080)	(4,822)	(1,271)	–	(20,735)
Reallocation	–	–	(221)	5	216	–	–
Exchange realignment	447	93	59	62	39	–	700
At December 31, 2023	26,803	668,598	206,001	28,241	45,029	540,972	1,515,644
Additions	–	26,302	5,216	3,815	1,533	122,262	159,128
Transfer from lands held for development or sale	8,129	–	–	–	–	–	8,129
Disposal	–	–	(6,012)	(4,924)	(1,053)	–	(11,989)
Transfer to investment properties	–	–	–	–	–	(9,846)	(9,846)
Exchange realignment	–	496	145	33	18	–	692
At December 31, 2024	**34,932**	**695,396**	**205,350**	**27,165**	**45,527**	**653,388**	**1,661,758**
DEPRECIATION AND IMPAIRMENT							
At January 1, 2023	–	286,658	146,359	21,216	43,524	–	497,757
Depreciation expense	–	40,048	13,493	1,331	1,209	–	56,081
Impairment	–	–	–	–	–	1,482	1,482
Disposal	–	(1,298)	(932)	(3,925)	(1,118)	–	(7,273)
Reallocation	–	–	(223)	1	222	–	–
Exchange realignment	–	10	11	14	27	–	62
At December 31, 2023	–	325,418	158,708	18,637	43,864	1,482	548,109
Depreciation expense	–	28,179	19,161	1,255	830	–	49,425
Disposal	–	–	(4,123)	(4,660)	(763)	–	(9,546)
Reallocation	–	–	–	–	–	–	–
Exchange realignment	–	32	19	28	(3)	–	76
At December 31, 2024	**–**	**353,629**	**173,765**	**15,260**	**43,928**	**1,482**	**588,064**
CARRYING AMOUNTS							
At December 31, 2024	**34,932**	**341,767**	**31,585**	**11,905**	**1,599**	**651,906**	**1,073,694**
At December 31, 2023	26,803	343,180	47,293	9,604	1,165	539,490	967,535

The net book value of buildings pledged as security for the bank borrowings and the general banking facilities of the Group and certain connected parties is RMB9,926,000 (2023: RMB11,020,000) (note 44).

Note: As at December 31, 2024, the freehold land with carrying amount of USD4,911,000 (equivalent to approximately RMB34,932,000) (2023: USD3,780,000 (equivalent to approximately RMB26,803,000)) were situated in Cambodia of which the Group has obtained the relevant title deeds.

15. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000* *Note (a)*	**Buildings** *RMB'000* *Note (b)*	**Total** *RMB'000*
At January 1, 2023	89,439	51,469	140,908
Additions	–	12,740	12,740
Early termination	–	(482)	(482)
Depreciation	(2,586)	(25,561)	(28,147)
Lease modification	–	9,143	9,143
Exchange realignment	–	543	543
At December 31, 2023 and January 1, 2024	86,853	47,852	134,705
Additions	503	29,123	29,626
Early termination	–	(13,680)	(13,680)
Depreciation	(2,362)	(26,450)	(28,812)
Lease modification	–	15,103	15,103
Exchange realignment	–	116	116
At December 31, 2024	**84,994**	**52,064**	**137,058**

Notes:

(a) The Group is the registered owner of the land use right in the PRC where the Group's manufacturing facilities and waterpark facilities are located. Lump sum payments were made upfront to acquire these leasehold interests from relevant government authorities. All of these land use right has remaining lease term of between 10 and 50 years respectively.

Other than payments based on rateable values set by the relevant government authorities, there are no ongoing payments to be made under the terms of these land leases. These payments vary from time to time and are payable to the relevant government authorities.

(b) The Group has obtained the right to use certain properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years (2023: 2 to 5 years). None of the leases includes variable lease payments.

16. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2024
	RMB'000
At January 1	**–**
Transfer from property, plant and equipment *(note 14)*	**9,846**
Depreciation	**(656)**
At December 31	**9,190**

17. INTERESTS IN ASSOCIATES

	2024	2023
	RMB'000	*RMB'000*
Unlisted shares, at cost	**17,805**	17,805
Share of result of an associate	**7,273**	5,589
	25,078	23,394

The details of the associates of the Group as at December 31, 2024 and 2023 are set out below:

Name of company*	**Form of business structure**	**Country/place establishment and operation**	**Particulars of registered capital**	**Proportion of effective interest held**	**Principal activities**
Yancheng Urban Investment Kasen Property Development Co., Limited ("Yancheng Kasen") * 鹽城城投卡森置業有限公司	Limited liability company	The PRC	RMB40,000,000	27.27% (2023: 27.27%)	Property development project in Jiangsu Province
Jiaxing Guangsentan Technology Co., Limited ("Jiaxing Guangsentan") * 嘉興廣森碳科技有限公司 *(note)*	Limited liability company	The PRC	RMB1,000,000	50% (2023: 50%)	Provision of technology and application service

Note: The Group has Jiaxing Guangsentan with beneficial interest of 50%. By considering that the Group has no sufficient dominant voting right to direct the relevant activities of Jiaxing Guangsentan unilaterally, the directors of the Company conclude that the Group only has significant influence over Jiaxing Guangsentan and therefore it is classified as an associate of the Group.

* *The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.*

17. INTERESTS IN ASSOCIATES (cont'd)

Set out below are the summarised financial information of the material associate which is accounted for using the equity method:

Yancheng Kasen

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Current assets	**253,815**	253,485
Non-current assets	**62**	149
Current liabilities	**(191,910)**	(197,845)
Net assets	**61,967**	55,789

	For the year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**81,790**	459,115
Profit or loss for the year	**6,178**	20,494

A reconciliation of the above summarized financial information to the carrying amount of each of the interest in Yancheng Kasen is set out below:

	2024	2023
	RMB'000	*RMB'000*
Net assets of Yancheng Kasen	**61,967**	55,789
Proportion of the Group's ownership interest in Yancheng Kasen	**27.27%**	27.27%
The Group's share of net assets of Yancheng Kasen	**16,898**	15,214
Other adjustment *(note)*	**7,680**	7,680
	24,578	22,894

Note: It represents the deemed capital contribution from the interest-free loan provided to Yancheng Kasen on initial recognition.

17. INTERESTS IN ASSOCIATES (cont'd)

Aggregate information of associate that is not individually material:

	2024 *RMB'000*	2023 *RMB'000*
Carrying amount of individually immaterial associate in the consolidated statement of financial position	**500**	500
The Group's share of profit	**–**	–

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

18. INTANGIBLE ASSETS

	Computer software *RMB'000*
COST	
At January 1, 2023	5,194
Disposal	(13)
At December 31, 2023, January 1, 2024 and December 31, 2024	**5,181**
ACCUMULATED AMORTIZATION	
At January 1, 2023	5,098
Provided for the year	69
Disposal	(13)
Exchange realignment	1
At December 31, 2023 and January 1, 2024	5,155
Provided for the year	8
At December 31, 2024	**5,163**
CARRYING AMOUNTS	
At December 31, 2024	**18**
At December 31, 2023	26

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	*RMB'000*
Financial asset at fair value through profit or loss		
– Unlisted investment fund *(note)*	**20,389**	21,355

Notes:

On February 28, 2020, the Company's wholly owned subsidiary, Cardina International Company Limited ("Cardina") entered into a limited partnership agreement which committed to a capital contribution not exceeding US$10,000,000 by instalments (equivalent to approximately RMB70,750,000) in Asia Greentech Fund I LP (the "Greentech Fund"). This Greentech Fund was established principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in green energy sectors with focus on solar, hydro, waste to energy and other green projects that have applications in Asia.

Cardina is a limited partner in this Greentech Fund and the operational and financing decisions of Greentech Fund is responsible by the general partner. Up to December 31, 2024, the Group's capital contribution to the Greentech Fund was US$4,373,000 (equivalent to approximately RMB31,435,000) (2023: US$4,373,000 (equivalent to approximately RMB30,973,000)).

During the year ended December 31, 2023, Greentech Fund made a distribution to the Group, with a cash distribution of approximately US$3,020,000 (equivalent to approximately RMB21,226,000).

20. PREPAYMENT FOR ACQUISITION OF FREEHOLD LAND

	2024	2023
	RMB'000	*RMB'000*
Freehold land in		
– Sihanoukville, Cambodia *(note)*	**129,391**	127,004

Note: Except for US$1,000,000 (equivalent to approximately RMB7,188,000) (2023: US$1,000,000 (equivalent to approximately RMB7,056,000)) which was refundable, the other US$17,000,000 (equivalent to approximately RMB122,203,000) (2023: US$17,000,000 (equivalent to approximately RMB119,948,000)) were non-refundable unless the relevant agreement is terminated or cancelled by the vendor. The freehold land is planned to be used for industrial projects in Cambodia.

21. LANDS HELD FOR DEVELOPMENT OR SALE, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	Lands held for development or sale *RMB'000* *(note (a))*	Properties under development and properties held for sale *RMB'000* *(note (b))*
COST		
At January 1, 2023	–	2,602,261
Addition of development expenditure *(note (c))*	–	281,804
Acquisition of a subsidiary *(note 41)*	262,138	–
Sales of properties	–	(153,558)
At December 31, 2023	**262,138**	**2,730,507**
Addition of development expenditure *(note (c))*	**457,514**	**97,174**
Transfer to property, plant and equipment	**(8,129)**	**–**
Sales of properties	**(40,269)**	**(158,956)**
Exchange realignment	**3,331**	**5,449**
At December 31, 2024	**674,585**	**2,674,174**
IMPAIRMENT		
At January 1, 2023	–	50,044
Impairment loss recognized for the year	–	–
At December 31, 2023	**–**	**50,044**
Impairment loss recognized for the year	**–**	**–**
At December 31, 2024	**–**	**50,044**
CARRYING AMOUNTS		
At December 31, 2024	**674,585**	**2,624,130**
At December 31, 2023	262,138	2,680,463

21. LAND HELD FOR DEVELOPMENT OR SALE, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE (cont'd)

Notes:

(a) Lands held for development or sale

At December 31, 2024 and 2023, lands held for development or sale mainly represented the freehold lands located in Cambodia under the Special Economic Zone segment.

(b) Properties under development and properties held for sale

The carrying amounts of property under development and properties held for sale are presented as:

	2024	2023
	RMB'000	*RMB'000*
Properties under development	**1,773,645**	1,681,827
Properties held for sale	**850,485**	998,636
	2,624,130	2,680,463

As at December 31, 2024, RMB1,328,742,000 (2023: RMB1,076,400,000) properties under development and properties held for sale pledged as security for the borrowings and the general banking facilities of the Group and certain connected parties (note 44).

(c) Addition of development expenditure includes interest capitalization of RMB2,031,000 (2023: RMB5,832,000) during the year ended December 31, 2024 (note 8).

22. INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**43,559**	40,024
Work in progress	**10,109**	9,911
Finished goods	**14,986**	14,028
Total, net of allowance for inventories	**68,654**	63,963

23. TRADE, BILLS AND OTHER RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Trade and bill receivables	**112,180**	76,507
Less: allowance for impairment	**(19,126)**	(17,061)
	93,054	59,446
Deposits paid for acquisition of land for development for sale *(note (a))*	**603,846**	603,988
Less: allowance for impairment	**(627)**	(627)
	603,219	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale *(note (b))*	**32,129**	32,129
Less: allowance for impairment	**(32,129)**	(32,129)
	–	–
Advance payment for purchase of inventories *(note (c))*	**14,387**	4,119
Prepaid other taxes *(note (d))*	**95,092**	92,870
	109,479	96,989
Deposit, prepayments and other receivables *(note (e))*	**314,273**	236,494
Less: allowance for impairment	**(49,647)**	(44,197)
	264,626	192,297
	1,070,378	952,093

23. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

Notes:

(a) In 2013, the Group obtained the control of Hainan Sanya Kasen Property Development Co., Ltd. ("Sanya Kasen"), which then became a 80.5% subsidiary of the Company. Before consolidation into the Group, Sanya Kasen had entered into a land transfer agreement ("Agreement") with an independent third party (the "Vendor"), which Sanya Kasen agreed to purchase and the Vendor agreed to sell a parcel of land in the PRC with area of 1,423,980 sq. meters ("Sanya Land"). The agreement was approved by the local government bureau in 2010 in accordance with local requirement in Hainan province. At the date of obtaining the control of Sanya Kasen, the Group recognized the deposits paid to the Vendor in respect of land acquisition ("Sanya Deposits") amounted to RMB636,856,000 and Sanya Kasen was required to pay the remaining balance of RMB52,800,000 to the Vendor. Up to December 31, 2024, the remaining balance due to the Vendor was RMB10,811,000 (2023: RMB10,811,000).

In accordance with the Agreement, the Vendor would assist to apply to local government for converting such land from agricultural land into construction land before transfer of the land title and obtaining various development plans and permits. If the land area was successfully converted into construction land, the Group was required to pay an additional 40% of the land cost to the local government based on the market value of the land at the time of transfer, together with corresponding taxes and surcharges. For those land areas which could not be converted into construction land, it would be transferred to the Group in form of agriculture land without additional cost.

Up to December 31, 2024, the local government had announced its land use plan for development in which approximately 976,300 sq. meters (2023: 976,300 sq meters) of the Sanya Land were included. The Group had obtained the title deeds of partial land with area of 155,857 sq. meters during 2018 to 2020 for starting its business plan.

The management of the Group is of the view that the Agreement remains enforceable and the Group is able to complete the land transfer of the remaining area of 1,268,123 sq. meters and would carry out the procedures for transfer of land title deeds progressively according to its business plan. Accordingly, there is no impairment loss on remaining Sanya Deposits as at December 31, 2024 and 2023.

(b) In prior years, the Group paid deposits of Malaysian ringgit ("RM") 21,000,000 for acquisitions of two parcels of reclaimed land in Malaysia to the Malaysia vendor. Due to disputes on the work progress of the reclaimed land in Malaysia performed by the Malaysia vendor, the Group and the Malaysia vendor reached an agreement through the Court in Malaysia for termination of the legal proceeding in 2017 under which the Malaysia vendor agreed to refund part of the Malaysia Deposits to the Group by monthly instalments starting from 2017. However, the vendor had failed to repay the remaining balance of RM6,887,400 (equivalent to RMB11,405,000) since 2018. Management considered the remaining balances had been in default and a full provision had been recognized in prior year. Except for approximately RM1,000,000 (equivalent to RMB1,650,000) repayments received from Malaysia vendor after payment reminders sent through the Company's lawyer during 2020 which has been recognized as reversal of impairment loss of trade and other receivables in profit or loss in 2020, there was no further repayment from Malaysia vendor.

(c) The Group had made advance payments for purchase of inventories to secure the inventory supply. These advance payments are non-refundable and expected to be realised within twelve months from the end of the reporting period.

(d) The amounts are prepaid tax and surcharges levied. The Group paid on behalf of properties buyers to the tax authority in advance based on the respective tax rate and expects to be realised within twelve months from the end of the reporting period when the properties are completed and control transfer to customers and revenue is recognized.

23. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

(e) The amounts included deposits for cooperation projects that are refundable to the Group if the projects do not commence within a specific period of time or both parties mutually agree to terminate, prepayment made to suppliers for properties development, and short advances to staff for operation purpose etc. Management expect the amounts to be realised or recovered from counterparties within a year.

The Group grants a credit period ranging from 30 days to 120 days to its customers. The aging analysis of trade and bills receivables presented based on the invoice date at the end of reporting period is as follows:

	2024	2023
	RMB'000	*RMB'000*
0 – 60 days	**79,790**	38,544
61 – 90 days	**1,462**	12,187
91 – 180 days	**7,339**	4,506
181 – 365 days	**6,591**	2,821
Over 1 year	**16,998**	18,449
	112,180	76,507

The Group's trade receivable balances included debtors which are related parties, details of which are set out in note 39(b).

Before accepting any new customers under the Manufacturing segment, the Group reviews the credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors. There has not been significant change in credit quality of the debtors. Further details on the Group's credit policy and credit risk arising from trade, bills and other receivables are set out in note 46.5.

The movement in the ECL allowance of trade, bills and other receivables is as follows:

	2024	2023
	RMB'000	*RMB'000*
Balance at beginning of the year	**94,014**	97,058
Provision for/(Reversal of) ECL allowance recognized during the year	**7,515**	(3,044)
Balance at end of the year	**101,529**	94,014

24. PREPAID INCOME TAX

The balance mainly represents the prepaid PRC enterprise income tax relating to the pre-sales proceeds according to the relevant regulation. The balance is expected to be realised in profit or loss within twelve months from the end of the reporting period when the properties complete and control transfer to customers and revenue is recognized.

25. PREPAID LAND APPRECIATION TAX

The balance mainly represents the prepaid LAT on the basis of the pre-sale proceeds in accordance with the requirement of PRC tax authorities. The balance is expected to be realised in profit or loss within twelve months from the end of the reporting period when the properties complete and control transfer to customers and revenue is recognized.

26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSIT FOR PROPERTY DEVELOPMENT BUSINESS/BANK BALANCES AND CASH

(a) Pledged bank deposits

The amount mainly represents deposits pledged to banks to secure the short-term bank facilities granted to the Group.

The deposits carry a fixed interest rate range from 0.10% to 1.25% (2023: 0.20% to 7.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings that are with maturity dates not over 1 year.

As December 31, 2024, included in pledged bank deposit of the Group was RMB40,000,000 (2023: RMB81,650,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

As December 31, 2024, pledged bank deposits of RMB40,000,000 (2023: RMB81,650,000) pledged as security for the bank borrowings and the general banking facilities of the Group and certain connected parties (note 44).

(b) Restricted bank deposits for property development business

The amount represents deposits collected from customer in respect of pre-sale properties and restricted for settlement of construction costs.

The deposits carry average interest rates from 0.2% to 0.7% (2023: 0.2% to 0.7%) per annum.

As at December 31, 2024, included in restricted bank deposits for property development business of the Group was RMB3,684,000 (2023: RMB3,271,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSIT FOR PROPERTY DEVELOPMENT BUSINESS/BANK BALANCES AND CASH (cont'd)

(c) Bank balances and cash

Bank balances and cash comprised of bank deposits with short maturity at prevailing deposit interest rate of 0.2% (2023: 0.2%) per annum and cash on hand.

As at December 31, 2024, included in cash and bank balance of the Group was RMB315,146,000 (2023: RMB619,849,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

27. TRADE, BILLS AND OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payable	**318,881**	263,089
Bills payable	**1,801**	–
Other payables *(note (i))*	**97,125**	74,892
Advance from a director of the Company *(note (ii))*	**4,240**	–
Other tax payable	**5,999**	8,636
Accruals	**33,628**	33,231
Financial guarantees *(note 45(b))*	**–**	5,425
Amount due to an associate *(note (iii))*	**30,908**	18,908
	492,582	404,181

Notes:

(i) Other payables mainly included guarantee deposits received from the contractors as securities for properties construction, which would be refunded to the contractors on completion of the properties construction in accordance with specific terms.

(ii) The advance is unsecured, interest-free and repayable on demand.

(iii) The amount due is unsecured, interest-free and repayable on demand.

27. TRADE, BILLS AND OTHER PAYABLES (cont'd)

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers. The Group was granted by its suppliers average credit period of 60 days. The aging analysis of the trade and bills payables based on invoice date, is as follows:

	2024	2023
	RMB'000	*RMB'000*
0 – 60 days	**232,293**	221,003
61 – 90 days	**58,079**	9,417
91 – 180 days	**6,556**	4,083
181 – 365 days	**3,526**	777
1 – 2 years	**6,869**	7,094
Over 2 years	**13,359**	20,715
	320,682	263,089

28. LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2024	2023
	RMB'000	*RMB'000*
Total minimum lease payments:		
Within 1 year	**20,270**	21,169
After 1 year but within 2 years	**13,880**	10,550
After 2 years but within 5 years	**10,460**	487
More than 5 years	**1,275**	–
	45,885	32,206
Future finance charge on lease liabilities	**(4,310)**	(1,209)
Present value of lease liabilities	**41,575**	30,997

28. LEASE LIABILITIES (cont'd)

	2024 *RMB'000*	2023 *RMB'000*
Present value of minimum lease payments:		
Within 1 year	**18,113**	20,176
After 1 year but within 2 years	**12,562**	10,343
After 2 years but within 5 years	**10,900**	478
	41,575	30,997
Less: Portion due within one year included under current liabilities	**(18,113)**	(20,176)
Portion due after one year included under non-current liabilities	**23,462**	10,821

During the year ended December 31, 2024, the total cash outflows for the leases is RMB24,913,000 (2023: RMB49,524,000).

29. CONTRACT LIABILITIES

	2024 *RMB'000*	2023 *RMB'000*
Contract liabilities arising from:		
Manufacturing and trading of upholstered furniture	**1,052**	3,276
Properties development	**485,437**	538,767
Special Economic Zone	**48,737**	–
Other services	**3,850**	4,328
	539,076	546,371

The Group receives payments from customers based on the terms established in contracts. Payments are usually received in advance of the performance under the contracts as follows:

Manufacturing and trading of upholstered furniture

The Group might request certain new customers to place deposit on acceptance of orders, with the remainder of the consideration at the delivery of the finished goods.

29. CONTRACT LIABILITIES (cont'd)

Properties development and Special Economic Zone

The Group takes deposits for the selling price of the lands or properties stated in the sales and purchase agreement before the transfer of control.

Contract liabilities from properties development decreased by RMB53,330,000 for the year ended December 31, 2024, mainly due to the revenue recognized from delivery of properties.

Contract liabilities from Special Economic Zone increased by RMB48,737,000 for the year ended December 31, 2024, mainly due to the new segment starting lands and properties sales during the year.

Other services

The Group accepts some deposits for the advance reservation of hotel accommodation and travel and tourism services, with the remainder of the consideration at the completion of services provided.

Revenue recognized in relation to contract liabilities

	2024	2023
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**461,189**	254,277

30. BANK BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
Analysed by:		
– Secured	**638,440**	671,211
– Unsecured	**55,000**	57,000
	693,440	728,211
– Denominated in US$	**123,640**	69,410
– Denominated in RMB	**569,800**	658,801
	693,440	728,211

30. BANK BORROWINGS (cont'd)

As at December 31, 2024 and 2023, the Group's bank borrowings were repayable as follows:

	2024	2023
	RMB'000	*RMB'000*
Carrying amount repayable *(Note)*		
Within one year	**184,453**	284,128
In the second year	**117,044**	74,083
In the third to fifth years	**247,543**	160,000
After the fifth year	**144,400**	210,000
	693,440	728,211
Less: Amounts shown under current liabilities	**(184,453)**	(284,128)
Amounts shown under non-current liabilities	**508,987**	444,083

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements, none of the bank borrowings due for repayment after one year contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

Bank borrowings are fixed-rate borrowings and carry interests ranging from 3.0% to 9.0% (2023: 3.0% to 9.0%) per annum.

The bank borrowings included unsecured bank borrowings of RMB48,000,000 (2023: RMB43,800,000), which were guaranteed by Mr. Zhu, the director of the Company, and an independent third party.

Certain borrowings were also secured by the assets owned by the Group and details of the assets are set out in note 44.

31. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts due are unsecured, interest-free and repayable on demand. As at December 31, 2023, the amount due to non-controlling interest of RMB70,391,000, which are related to lands acquisition with a non-controlling shareholder in Cambodia. The balances were partially settled through issuance of convertible bond during the year ended December 31, 2024.

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

The movement of the convertible bonds and derivative financial instruments for the year ended December 31, 2024 are set out as below:

	Convertible bonds *RMB'000*	Derivative financial instruments *RMB'000*
As at January 1, 2024	–	–
Issued during the period	**127,416**	**25,129**
Interest on convertible bonds	**4,614**	–
Interest paid	**(1,907)**	–
Fair value changes	–	**(5,799)**
Exchange realignment	**1,758**	**363**
As at December 31, 2024	**131,881**	**19,693**

On September 29, 2023, Kasen International Company Limited, a wholly owned subsidiary of the Company entered into the sale and purchase agreement with Ms. Zhu Jiayun ("Ms. Zhu"), pursuant to which Ms. Zhu has agreed to sell, and Kasen International has agreed to purchase 49% of the equity interest in a subsidiary at a consideration of HK$338,000,000 (equivalent to approximately RMB306,296,000), which will be satisfied by cash of HK$152,000,000 (equivalent to approximately RMB137,743,000) and the issue of the convertible bonds of HK$186,000,000 (equivalent to approximately RMB168,553,000).

On January 3, 2024, March 18, 2024 and December 11, 2024, the Company completed the issuance of 1.5-year convertible bonds (the "Convertible Bonds") with aggregate principal amounts of approximately HK$49,810,000 ("Batch 1"), HK$33,800,000 ("Batch 2") and HK$58,013,000 ("Batch 3"), respectively. The Convertible Bonds are denominated in Hong Kong dollars (other than the Company's functional currency), unsecured and with 5% percent coupon rate.

The holder of the Convertible bonds has the right to convert the whole or part of the principal amount of the Convertible Bonds into ordinary shares of the Company at any time from the date of issue of the Convertible Bonds up to seven days before the maturity date.

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The Convertible Bonds are comprised of convertible bonds (debt component) and derivative financial instruments (derivative component including conversion options).

The fair value of Batch 1, Batch 2 and Batch 3 of the Convertible Bonds, of approximately HK$58,780,000 (equivalent to approximately RMB53,231,000), HK$40,312,000 (equivalent to approximately RMB36,580,000) and HK$67,924,000 (equivalent to approximately RMB62,734,000), was valued by CHFT Advisory and Appraisal Limited.

Batch 1, Batch 2 and Batch 3 consist of:

(a) a debt component with initial fair value of approximately HK$48,712,000 (equivalent to approximately RMB44,113,000), HK$33,212,000 (equivalent to approximately RMB30,137,000) and HK$57,564,000 (equivalent to approximately RMB53,166,000), respectively, classified as financial liabilities at amortized cost; and

(b) a conversion option with initial fair value of approximately HK$10,068,000 (equivalent to approximately RMB9,118,000), HK$7,100,000 (equivalent to approximately RMB6,443,000) and HK$10,360,000 (equivalent to approximately RMB9,568,000), respectively, classified as derivative financial liabilities.

The Convertible Bonds are subsequently measured at amortized cost with an effective interest rate of 6.66%, 6.31% and 5.55% per annum for Batch 1, Batch 2 and Batch 3, respectively, while the derivative financial instruments are measured at fair value, with changes in fair value recognized in profit or loss under "Other gains and losses".

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values of derivative component of Batch 1, Batch 2 and Batch 3 at issue date and December 31, 2024 were as follows:

	At issue date			**At December 31, 2024**		
	Batch 1	Batch 2	Batch 3	**Batch 1**	**Batch 2**	**Batch 3**
Share price	HK$0.30	HK$0.29	HK$0.33	**HK$0.35**	**HK$0.35**	**HK$0.35**
Exercise price	HK$0.36	HK$0.36	HK$0.36	**HK$0.36**	**HK$0.36**	**HK$0.36**
Expected dividend yield	0.00%	0.00%	0.00%	**0.00%**	**0.00%**	**0.00%**
Volatility	64.10%	67.10%	45.11%	**45.92%**	**42.39%**	**44.33%**
Discount rate	6.68%	6.31%	5.63%	**6.20%**	**6.20%**	**6.20%**
Risk free interest rate	3.78%	4.01%	3.44%	**3.50%**	**3.50%**	**3.50%**

33. DEFERRED TAXATION

The amounts recognized in the consolidated statement of financial position are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Deferred tax assets recognized in the consolidated statement of financial position	**76,313**	75,931
Deferred tax liabilities recognized in the consolidated statement of financial position	**(15,020)**	(13,145)
Net deferred tax assets	**61,293**	62,786

The movement of net deferred tax assets is as follows:

	2024 *RMB'000*	2023 *RMB'000*
At the beginning of the year	**62,786**	46,333
(Debited)/Credited to profit or loss *(note 11)*	**(1,493)**	16,182
Credited to other comprehensive income	**–**	271
At the end of the year	**61,293**	62,786

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Unrealised profit on intra-group transactions *RMB'000*	**Fair value change of FVTOCI** *RMB'000*	**LAT provision** *RMB'000*	**Total** *RMB'000*
At January 1, 2023	8,233	(3,650)	41,750	46,333
Credited to profit or loss	2,570	3,379	10,233	16,182
Credited to other comprehensive income	–	271	–	271
At December 31, 2023 and January 1, 2024	10,803	–	51,983	62,786
(Debited)/Credited to profit or loss	(3,424)	–	1,931	(1,493)
At December 31, 2024	**7,379**	**–**	**53,914**	**61,293**

33. DEFERRED TAXATION (cont'd)

Other deductible temporary differences not recognized at the end of the reporting period mainly include impairment of property, plant and equipment, impairment of property under development and properties held for sale, allowance for trade, bills and other receivables and allowance for inventories.

No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law and Implementation Regulations, PRC withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to off-shore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. For the Group, the application rate is 5%. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,576,986,000 (2023: RMB1,884,029,000).

The directors of the Company are of the view that the undistributed earnings of the PRC subsidiaries as of December 31, 2024 and 2023 will be set aside for expansion of operations, and therefore the Group has not provided for the deferred tax liabilities in respect of withholding tax on the remaining undistributed earnings of the Group's PRC entities as the Group is able to control the timing of reversal of such temporary difference and it is probable that such temporary difference would not be reversed in the foreseeable future.

33. DEFERRED TAXATION (cont'd)

At the end of the reporting period, the Group has unused tax losses of RMB316,742,000 (2023: RMB276,099,000) available for offset against future profits. No deferred tax asset has been recognized for these tax losses due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB14,162,000 (2023: RMB7,926,000) can be carried forward indefinitely. The remaining amount of RMB302,580,000 (2023: RMB268,173,000) expires in the following years:

	2024	2023
	RMB'000	*RMB'000*
2024	**–**	41,158
2025	**36,637**	36,637
2026	**39,582**	39,582
2027	**95,469**	96,025
2028	**48,582**	54,771
2029	**82,310**	–
	302,580	268,173

34. SHARE CAPITAL

	Number of ordinary shares (in thousand) at US$0.00015 each	***US$'000***
Authorised:		
At January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	**266,666,667**	**40,000**

	2024			2023		
	Number in thousand	***US$***	***RMB'000***	*Number in thousand*	*US$*	*RMB'000*
Issued and fully paid:						
Ordinary shares of US$0.00015 each	**1,443,142**	**216,471**	**1,654**	1,443,142	216,471	1,654

35. RESERVES

(a) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(b) Special reserve

The special reserve represents the reorganisation completed in 2004 and the deemed contribution/distribution.

(c) Share option reserve

Share option reserve represents the fair value of share options granted by the Company to employees recognized and is dealt with in accordance with the accounting policy set out in note 2.28.

(d) Other reserve

Other reserve represents reserve on acquisition, reserve on acquisition/disposal of interest in subsidiaries without change of control.

The reserve on acquisition represents the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries acquired by the Company.

The reserve on acquisition/disposal of interest in subsidiaries without change of control represents the difference between the consideration paid/received and the carrying amount of the share of net assets acquired/disposed of.

(e) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI reserve held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in note 2.9.

(f) Translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2024**	2023
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries		**864,187**	868,453
Right-of-use assets		**1,603**	800
Other receivables		**275**	275
		866,065	869,528
Current assets			
Other receivables		**5,233**	3,891
Amounts due from subsidiaries		**1,179,106**	995,492
Cash and cash equivalents		**1,236**	1,577
		1,185,575	1,000,960
Current liabilities			
Other payables		**1,488**	1,645
Amounts due to subsidiaries		**365,429**	313,609
Convertible bonds		**131,881**	–
Derivative financial instruments		**19,693**	–
Lease liability		**840**	816
		519,331	316,070
Non-current liabilities			
Lease liability		**775**	–
Net current assets		**666,244**	684,890
Net assets		**1,531,534**	1,554,418
Equity			
Share capital	*34*	**1,654**	1,654
Reserves *(note)*		**1,529,880**	1,552,764
Total equity		**1,531,534**	1,554,418

Approved and authorised for issue by the board of directors on March 31, 2025.

Zhu Zhangjin, Kasen	**Zhou Xiaohong**
Director	*Director*

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Note: Movements of the Company's reserves

	Share premium *RMB'000*	Special reserve *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2023	1,452,456	168,659	4,618	(68,874)	1,556,859
Loss and total comprehensive expense for the year	–	–	–	(4,095)	(4,095)
At December 31, 2023 and January 1, 2024	1,452,456	168,659	4,618	(72,969)	1,552,764
Loss and total comprehensive expense for the year	–	–	–	(8,851)	(8,851)
Deemed distribution	–	(14,033)	–	–	(14,033)
At December 31, 2024	**1,452,456**	**154,626**	**4,618**	**(81,820)**	**1,529,880**

37. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2024 and 2023 are as follows:

Name of company	Country/place of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Directly held by the Company					
Kasen International Company Ltd. ("Kasen International") 卡森國際有限公司	Cayman Islands	Limited liability company	US$10	100% (2023: 100%)	Investment holding
Investwise International Limited 智威國際有限公司	British Virgin Islands	Limited liability company	US$1	100% (2023: 100%)	Trading of leather, furniture and sofas
Indirectly held by the Company					
Cardina International Co., Ltd. 凱迪納國際有限公司	Cayman Islands	Limited liability company	US$1	100% (2023: 100%)	Investment holding
Richmond (Hong Kong) International Co., Ltd. 富華（香港）國際有限公司	Hong Kong	Limited liability company	HK$100	100% (2023: 100%)	Trading of leather, furniture and sofas
Zhejiang Kasen Industrial Group Co., Limited* 浙江卡森實業集團有限公司 *(note b)*	The PRC	Limited liability company	RMB896,240,000	100% (2023: 100%)	Investment holding and import/ export trading

37. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2024 and 2023 are as follows: (cont'd)

Name of company	Country/place of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Haining Kareno Furniture Co., Ltd.* 海寧卡雷諾家私有限公司 *(note (a))*	The PRC	Limited liability company	US$7,280,000	100% (2023: 100%)	Production and sale of upholstered furniture
Haining Hengsen Furniture Co., Ltd.* 海寧恒森家具有限公司	The PRC	Limited liability company	RMB50,000,000	100% (2023: 100%)	Production of furniture and glass fiber reinforces plastic products and wood processing
Zhejiang Kasen Property Development Co., Ltd* 浙江卡森置業有限公司	The PRC	Limited liability company	RMB600,000,000	100% (2023: 100%)	Investment holding
Haining Hainix Sofa Co., Ltd* 海寧漢林沙發有限公司 *(note (a))*	The PRC	Limited liability company	US$10,000,000	100% (2023: 100%)	Production and sale of sofas, dining chairs and other furniture products
Haining Hidea Furniture Co., Ltd.* 海寧慧達家具有限公司 *(note (a))*	The PRC	Limited liability company	US$8,000,000	100% (2023: 100%)	Production and sale of sofas, dining chairs and other furniture products
Hainan Boao Kasen Property Development Co., Ltd. ("Hainan Boao")* 海南博鰲卡森置業有限公司	The PRC	Limited liability company	RMB100,000,000	92% (2023: 92%)	Property development
Yancheng Sujia Real Estate Development Co. Ltd.* 鹽城市蘇嘉房地產開發有限公司 *(notes (a) and (d))*	The PRC	Limited liability company	RMB97,750,000	Nil (2023: 100%)	Property development
Changbai Mountain Protection Development Zone Kasen Property Development Co., Ltd. ("Changbai Mountain")* 長白山保護開發區卡森置業有限公司	The PRC	Limited liability company	RMB80,000,000	89% (2023: 89%)	Property development
Jiangsu Kasen Property Development Co., Ltd. ("Jiangsu Kasen")* 江蘇卡森置業有限公司	The PRC	Limited liability company	RMB50,000,000	55% (2023: 55%)	Property development

37. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2024 and 2023 are as follows: (cont'd)

Name of company	Country/place of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Hainan Sanya Kasen Property Development Co., Ltd. ("Sanya Kasen")* 海南三亞卡森置業有限公司	The PRC	Limited liability company	RMB20,000,000	80.5% (2023: 80.5%)	Property development
Cambodian Kasen Guoji Real Estate Co., Ltd. ("Cambodian Kasen") *(note (c))*	Cambodia	Limited liability company	US$2,868,948	49% (2023: 49%)	Property development
Kasen International Paper Co. Ltd *(note (c))*	Cambodia	Limited liability company	US$1,000,000	49% (2023: 49%)	Investment holding
Kasen International Eco-Manufacture Co. Ltd	Cambodia	Limited liability company	Riel86,400,000,000	100% (2023: 100%)	Investment holding
Koh Kong Zhejiang Sez Co., Ltd ("Koh Kong") *(note (c)) (note 41)*	Cambodia	Limited liability company	Riel28,000,000,000	49% (2023: 49%)	Lands development
Kasen Power Green Energy LLC	Mongolia	Limited liability company	MNT64,763,000,000	100% (2023: Nil)	Energy

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

Notes:

(a) The companies are Sino-foreign owned enterprises.

(b) The companies are foreign owned enterprises.

(c) As per Cambodian local regulations, foreign entities have a limitation of 49% at maximum for equity holding for local company which possess freehold land and certain types of properties in Cambodia. However, the Group had the majority right and power over the control of the company (e.g. electing and removing the board of directors and directing the operation of business). The management therefore consider it as a subsidiary of the Group.

(d) The company was deregistered during the year ended December 31, 2023.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Hainan Boao

	2024	2023
	RMB'000	*RMB'000*
Proportion of ownership interests held by non-controlling interests	**8%**	8%
Current assets	**1,782,432**	1,786,845
Non-current assets	**112,269**	118,824
Current liabilities	**(1,279,164)**	(1,261,366)
Non-current liabilities	**(386,600)**	(436,300)
Equity attributable to owners of the Company	**210,623**	191,363
Non-controlling interest	**18,314**	16,640

	2024	2023
	RMB'000	*RMB'000*
Revenue	**199,836**	218,743
Expenses and other gains and losses	**(178,902)**	(207,680)
Profit and total comprehensive income attributable to the owner of the Company	**19,260**	10,178
Profit and total comprehensive income attributable to non-controlling interest	**1,674**	885
Profit and total comprehensive income for the year	**20,934**	11,063
Net cash from operating activities	**16,939**	43,154
Net cash from/(used in) investing activities	**4,760**	(4,688)
Net cash used in financing activities	**(61,000)**	(20,000)
Net cash (outflow)/inflow	**(39,301)**	18,466

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Cambodian Kasen

	2024 RMB'000	2023 RMB'000
Proportion of ownership interests held by non-controlling interests	**51%**	51%
Current assets	**454,590**	543,855
Non-current assets	**5,650**	5,386
Current liabilities	**(505,624)**	(581,021)
Non-current liabilities	**(51,756)**	(69,410)
Equity attributable to owners of the Company	**(47,599)**	(49,583)
Non-controlling interest	**(49,541)**	(51,607)

	2024 RMB'000	2023 RMB'000
Revenue	**122,383**	22,567
Expenses and other gain or losses	**(118,333)**	(51,303)
Profit/(loss) and total comprehensive income/(expense) attributable to the owner of the Company	**1,984**	(14,081)
Profit/(loss) and total comprehensive income/(expense) attributable to non-controlling interest	**2,066**	(14,655)
Profit/(loss) and total comprehensive income/(expense) for the year	**4,050**	(28,736)
Net cash from/(used in) operating activities	**41,385**	(33,265)
Net cash used in investing activities	**(1,540)**	(1,677)
Net cash (used in)/from financing activities	**(17,654)**	32,498
Net cash inflow/(outflow)	**22,191**	(2,444)

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Jiangsu Kasen

	2024	2023
	RMB'000	*RMB'000*
Proportion of ownership interests held by non-controlling interests	**45%**	45%
Current assets	**129,216**	186,046
Non-current assets	**11,311**	11,506
Current liabilities	**(56,924)**	(105,501)
Equity attributable to owners of the Company	**45,982**	50,628
Non-controlling interest	**37,621**	41,423

	2024	2023
	RMB'000	*RMB'000*
Revenue	**2,818**	10,754
Expenses and other gains and losses	**(11,266)**	(9,234)
(Loss)/profit and total comprehensive (expense)/income attributable to the owner of the Company	**(4,646)**	836
(Loss)/profit and total comprehensive (expense)/income attributable to non-controlling interest	**(3,802)**	684
(Loss)/profit and total comprehensive (expense)/income for the year	**(8,448)**	1,520
Dividend declared to non-controlling interest	**–**	38,250
Net cash (used in)/from operating activities	**(53,873)**	136,960
Net cash from/(used in) financing activities	**85,000**	(85,000)
Net cash inflow	**31,127**	51,960

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Koh Kong

	2024	2023
	RMB'000	*RMB'000*
Proportion of ownership interests held by non-controlling interests	**51%**	51%
Current assets	**47,917**	2,570
Non-current assets	**618,817**	262,224
Current liabilities	**(275,608)**	(121,138)
Non-current liabilities	**(71,884)**	–
Equity attributable to owners of the Company	**157,338**	70,742
Non-controlling interest	**161,904**	72,914

	2024	2023
	RMB'000	*RMB'000*
Revenue	**74,426**	–
Expenses	**(47,640)**	(984)
Profit and total comprehensive income attributable to the owner of the Company	**13,125**	–
Profit/(loss) and total comprehensive income/(expense) attributable to non-controlling interest	**13,661**	(984)
Profit/(loss) and total comprehensive income/(expense) for the year	**26,786**	(984)
Net cash used in operating activities	**(357,646)**	(144,351)
Net cash used in investing activities	**(92)**	(91)
Net cash from financing activities	**362,556**	144,898
Net cash inflow	**4,818**	456

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Changbai Mountain

	2024 *RMB'000*	2023 *RMB'000*
Proportion of ownership interests held by non-controlling interests	**11%**	11%
Current assets	**364,340**	367,438
Non-current assets	**136,047**	140,549
Current liabilities	**(673,434)**	(675,487)
Equity attributable to owners of the Company	**(154,012)**	(149,075)
Non-controlling interest	**(19,035)**	(18,425)

	2024 *RMB'000*	2023 *RMB'000*
Revenue	**2,127**	10,987
Expenses	**(7,673)**	(11,637)
Loss and total comprehensive expense attributable to the owner of the Company	**(4,936)**	(578)
Loss and total comprehensive expense attributable to non-controlling interest	**(610)**	(72)
Loss and total comprehensive expense for the year	**(5,546)**	(650)
Net cash used in operating activities	**(191)**	(740)
Net cash from investing activities	**–**	943
Net cash (outflow)/inflow	**(191)**	203

39. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.29. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions.

(a) During the years ended December 31, 2024 and 2023, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

	2024	2023
	RMB'000	*RMB'000*
Sales of scrap material by the Group		
Haining Yujie Material Recycling Co., Ltd (“Haining Yujie”) *(note)* 海寧宇潔物資回收有限公司*	**824**	874

* The English translation of the name of the company established in the PRC are for reference only. The official name of the company is in Chinese.

Note: Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited (“Sunbridge”)'s general meeting. Mr. Zhu has significant influence and beneficial interests in Yujie, through Sunbridge during 2024 and 2023. The directors of the Company confirmed the transactions are conducted in accordance to the Chapter 14A of the Listing Rules.

(b) Details of the amounts due from related parties are as follows:

	2024	2023
	RMB'000	*RMB'000*
Starcorp Corporation Pty. Ltd. *(note)*	**1,138**	1,122
Haining Yujie *(note)*	**765**	2
	1,903	1,124

Note: The amounts are trading in nature, unsecured, interest-free and settle according to agreed credit terms.

39. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2024	2023
	RMB'000	*RMB'000*
Salaries and allowances	**3,391**	2,665
Retirement benefit scheme contributions	**47**	51
	3,438	2,716

(d) Financial guarantees

Please refer to note 45(b) for the details of financial guarantees provided to related parties.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The tables below set out the reconciliation of liabilities arising from financing activities.

	Bank borrowings	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**728,211**	769,182
Cash flows:		
– Additions	**263,100**	231,689
– Repayment	**(298,906)**	(273,287)
– Interest paid	**(47,724)**	(40,849)
Non-cash:		
– Interest expenses *(note 8)*	**47,724**	40,849
– Exchange alignment	**1,035**	627
At the end of the year	**693,440**	728,211

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Reconciliation of liabilities arising from financing activities (cont'd)

	Lease liabilities	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**30,997**	52,343
Cash flows:		
– Capital element of lease payments paid	**(21,425)**	(42,638)
– Interest element of lease payments paid	**(1,930)**	(1,806)
Non-cash:		
– Interest expenses *(note 8)*	**1,930**	1,806
– Early termination	**(11,642)**	–
– Lease modification	**15,103**	8,438
– Entering into new lease	**29,123**	12,740
– Exchange alignment	**(581)**	114
At the end of the year	**41,575**	30,997

	Amounts due to non-controlling interests of subsidiaries	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**227,364**	78,565
Cash flows:		
– Repayment	**(77,613)**	(40,604)
Non-cash:		
– Lands acquisition from a non-controlling interest	**–**	189,403
– Issuance of convertible bonds	**(66,589)**	–
At the end of the year	**83,162**	227,364

	Convertible bonds	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Cash flows:		
– Acquisition of a subsidiary *(note 41)*	**127,416**	–
– Interest paid	**(1,907)**	–
Non-cash:		
– Interest expenses	**4,614**	–
– Exchange alignment	**1,758**	–
At the end of the year	**131,881**	–

41. ACQUISITION OF A SUBSIDIARY

On September 29, 2023, Kasen International, a wholly owned subsidiary of the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Ms. Zhu Jiayun ("Ms. Zhu"), pursuant to which Ms. Zhu has agreed to sell, and Kasen International has agreed to purchase 49% of the equity interest in Koh Kong Zhejiang Sez Co., Ltd ("Koh Kong") at a consideration of HK$338,000,000 (equivalent to approximately RMB306,296,000), which will be satisfied by cash of HK$152,000,000 (equivalent to approximately RMB137,743,000) and the issue of the convertible bonds of HK$186,000,000 (equivalent to approximately RMB168,553,000) (collectively, the "Total Considerations").

Pursuant to the Sale and Purchase Agreement, Ms. Zhu undertakes (i) to procure the duly transfer of the legal title of the certain lands located in Cambodia (the "Target Lands") to Koh Kong in 4 batches upon the Target Lands were acquired by Ms. Zhu from independent third parties; and (ii) that the Target Lands shall be free from any encumbrances and there shall be no defect in the title to the Land.

The Total Considerations will be settled by the Group in 4 instalments within 5 business days upon the completion of the transfer of each batch of the Target Lands.

Prior to completion of the acquisition of Koh Kong, certain of the Target Lands were transferred to Koh Kong by Ms. Zhu. On December 29, 2023, the Group obtained control of Koh Kong and Koh Kong become a subsidiary of the Group.

As at December 31, 2023, the consideration payable of approximately HK$77,677,000 (equivalent to approximately RMB70,391,000) was recorded under "Amounts due to non-controlling interests of subsidiaries". During the year ended December 31, 2024, the Group has fully settled the first three instalments of the Total Considerations in form of cash of HK$115,900,000 (equivalent to approximately RMB105,055,000) and issuance of convertible bond of HK$141,624,000 (equivalent to approximately RMB129,349,000).

Koh Kong did not operate any business or have substantial operation prior to the acquisition and major assets are lands held for development or sale. Therefore, the Group considered the acquisition of Koh Kong to be an asset acquisition in substance and the difference between the purchase consideration paid, and the net assets acquired were recognized as adjustments to the carrying value of lands held for development or sale.

Details of the aggregate fair values of the identifiable assets and liabilities of Koh Kong as at the date of acquisition are as follows:

	Recognized assets and liabilities on acquisition *RMB'000*
Property, plant and equipment	86
Lands held for development or sale	262,138
Trade and other receivables	2,114
Bank balances and cash	456
Trade and other payables	(2,126)
Amount due to a shareholder	(82,570)
Amount due to group companies	(36,442)
Net assets acquired	**143,656**
Cash at banks and on hand in subsidiary acquired	
Cash inflow on acquisition of subsidiary	456

42. SHARE OPTION

A share option scheme was adopted by the Company pursuant to a board resolution passed on September 26, 2005 (the "2005 Share Option Scheme") for the primary purpose of providing incentives to directors, eligible employees and third party service providers of the Company. The 2005 Share Option Scheme became effective on October 20, 2005 and the option issued pursuant to the 2005 Share Option Scheme will expire with no later than 10 years from the date of grant of the option. Under the 2005 Share Option Scheme, the board of directors of the Company may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

A new share option scheme was adopted by the Company pursuant to shareholders resolution passed on May 29, 2015 (the "2015 Share Option Scheme") for the primary purpose of providing incentive to directors and eligible employees, thus, the 2005 Share Option Scheme was terminated on the same day but the options issued under the 2005 Share Option Scheme would remain effective pursuant to terms of its issuance. The 2015 Share Option Scheme became effective on May 29, 2015 and the options issued pursuant to the 2015 Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at December 31, 2024 and 2023, no options have been granted by the Company under the 2015 Share Option Scheme.

At December 31, 2024, the number of shares in respect of which options had been granted and remained outstanding under the 2005 Share Option Scheme was 10,850,000 (2023: 10,850,000), representing 0.75% (2023: 0.75%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2005 Share Option Scheme is not permitted to exceed 10% of the shares of the Company on October 20, 2005 (representing 101,404,536 shares of the Company), without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price for options granted under the 2005 Share Option Scheme is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The exercise period should expire in any event not later than ten years from the date of option being granted under the 2005 Share Option Scheme.

42. SHARE OPTION (cont'd)

The following tables disclose details of the Company's share options granted under the 2005 Share Option Scheme held by the directors and eligible employees of the Company and its subsidiaries. The tables disclose movements in such holdings during the years ended December 31, 2024 and 2023:

Directors	2024 Number of options	2024 Weighted average exercise price HK$	2023 Number of options	2023 Weighted average exercise price HK$
At the beginning of the year and at the end of the year	**4,000,000**	**1.37**	4,000,000	1.37
Exercisable at the end of the year	**4,000,000**	**1.37**	4,000,000	1.37

Eligible employees	2024 Number of options	2024 Weighted average exercise price HK$	2023 Number of options	2023 Weighted average exercise price HK$
At the beginning of the year and at the end of the year	**6,850,000**	**1.37**	6,850,000	1.37
Exercisable at the end of the year	**6,850,000**	**1.37**	6,850,000	1.37

Notes:

(i) All outstanding share options were vested from May 26, 2015 to December 31, 2015 with exercisable period from January 1, 2016 to May 25, 2025.

(ii) The options outstanding at December 31, 2024 had exercise price of HK$1.37 (2023: HK$1.37) and the remaining contractual life of the outstanding share options at the reporting date was 0.4 years (2023: 1.4 years).

(iii) No share options were exercised, lapsed or cancelled during the years ended December 31, 2024 and 2023.

43. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had capital and other commitments as follows:

	2024 RMB'000	2023 RMB'000
Commitments for acquisition/addition of:		
– Property, plant and equipment	**2,297,412**	2,297,412
– Properties under development	**465,863**	159,172
– Lands held for development or sale	**132,448**	235,905
– Contribution to investment funds	**40,453**	39,858
	2,936,176	2,732,347

44. PLEDGED ASSETS

As at December 31, 2024, the facilities were secured by:

(i) pledge of buildings of the Group with net book value of RMB9,926,000 (2023: RMB11,020,000) (note 14);

(ii) pledge of bank deposit of the Group of RMB40,000,000 (2023: RMB81,650,000) (note 26); and

(iii) pledge of certain properties under development and properties held for sale of the Group of RMB1,328,742,000 (2023: RMB1,076,400,000) (note 21).

45. FINANCIAL GUARANTEE CONTRACTS

(a) Guarantee in respect of mortgage facilities for certain properties customers

The Group provided guarantees of RMB62,258,000 at December 31, 2024 (2023: RMB74,369,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

During the year ended December 31, 2022, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited ("CCT Group") (the "CCT Master Guarantee") and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts of RMB393,000,000 and RMB370,000,000 respectively. The fair value of the Financial Guarantees at January 1, 2022 amounting to approximately RMB16,275,000 was recognized as liabilities in the consolidated statement of financial position and the corresponding amount was debited to profit or loss. The fair value of Financial Guarantee provided for the CCT Group and an independent third party on initial recognition was determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer independent to the Group. Subsequently, approximately RMB5,425,000 was recorded as the release of Financial Guarantees recognized in profit or loss for the year ended December 31, 2024 (2023: RMB5,425,000) represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

45. FINANCIAL GUARANTEE CONTRACTS (cont'd)

(b) Financial guarantee issued (cont'd)

As at December 31, 2024 and 2023, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognized in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognized less cumulative amortization.

The movement of financial guarantee liabilities as shown as below:

During 2022, the CCT Group continued to negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. On June 30, 2022, the maximum guaranteed amount has reduced to approximately RMB308,000,000. Details of the updates on CCT Master Guarantee were disclosed in the announcement of the Company dated June 30, 2022.

The maximum amounts guaranteed by the Group as at December 31, 2024 and December 31, 2023 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 and RMB370,000,000 respectively.

	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**5,425**	10,850
Release of financial guarantee liabilities *(note 7)*	**(5,425)**	(5,425)
At the end of the year	**–**	5,425

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

46.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2024	2023
	RMB'000	*RMB'000*
Financial assets		
Financial asset at fair value through profit or loss	**20,389**	21,355
Financial assets at amortized cost		
– Trade, bills and other receivables	**247,628**	163,515
– Pledged bank deposits	**40,000**	81,650
– Restricted bank deposits for property development business	**3,684**	3,271
– Cash and cash equivalents	**301,685**	567,542
	613,386	837,333
Financial liabilities		
Financial liabilities at fair value through profit or loss		
– Derivative financial instruments	**19,693**	–
Financial liabilities at amortized cost		
– Trade, bills and other payables	**486,583**	395,546
– Amounts due to non-controlling interest of subsidiaries	**83,162**	227,364
– Bank borrowings	**693,440**	728,211
– Lease liabilities	**41,575**	30,997
– Convertible bonds	**131,881**	–
	1,456,334	1,382,118

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.2 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The functional currency of the Company and majority of its subsidiaries (except for subsidiaries in Cambodia) is RMB since the majority of the revenue of the companies are derived from operations in the PRC.

The Group's exposure to foreign currency risk related primarily to the sales and purchases that are denominated in US$ and such related bank balances and cash, trade, bills and other receivables and trade and other payables arising from time to time. In addition, the Group has short term bank and other borrowings denominated in US$.

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	Assets		**Liabilities**	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**200,256**	120,029	**210,642**	146,949
HK$	**1,450**	1,539	**1,576**	816
Other currencies	**1,575**	1,301	**–**	–

The following table illustrates the sensitivity of the Group's profit for the year and equity in regards to an appreciation in RMB against US$. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	**Decrease in profit for the year**	**Decrease in equity**
		RMB'000	***RMB'000***
2024			
US$	**5%**	**(390)**	**(390)**
2023			
US$	5%	(1,010)	(1,010)

The same % depreciation in RMB against the respective foreign currencies would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.3 Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed rate pledged bank deposits, lease liabilities and bank borrowings as set out in notes 26, 28 and 30 respectively. It is the Group's policy to keep its borrowings at fixed rate of interest as to minimise the cash flow interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to restricted bank deposits and bank balances because these balances carry interest at prevailing deposit interest rates and they are of short maturity.

In order to mitigate the interest rate risk, the Group entered into fixed-rates borrowings with a short maturity date with different contractual terms. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates with effect from the beginning of the year and all other variables are held constant. This sensitivity analysis is provided internally to key management personnel.

	2024		2023	
	Increase/ (Decrease) in profit for the year	**Increase/ (Decrease) in equity**	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Interest rate:				
– Increase by 50 (2023: 50) basis point	**(1,295)**	**(1,295)**	(2,445)	(2,445)
– Decrease by 50 (2023: 50) basis point	**1,295**	**1,295**	2,445	2,445

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.4 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its unlisted investment fund classified as financial assets at FVTPL.

Sensitivity analyses for unlisted investment fund with fair value measurement categorised within Level 3 were disclosed in note 46.7.

46.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits for property development business, pledged bank deposit, trade, bills and other receivables and loan to an associate. The Group's maximum exposure to credit risk in relation to financial assets is limited to their carrying amounts as disclosed in note 46.1.

(i) Trade and bill receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. The Group reviews regularly the recoverable amount of receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group maintained export credit insurance of major overseas customers to protect the Group against the risk that the overseas customers may default settlement.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.5 Credit risk (cont'd)

(i) Trade and bills receivables (cont'd)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customers rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 60.2% (2023: 38.7%) of the total trade receivables were due from the Group's five (2023: five) customers.

On the above basis, the ECL for trade and bill receivables as at December 31, 2024 and 2023 was determined as follows:

			2024	
	Expected loss rate	**Gross carrying amount**	**Loss allowance provision**	**Net carrying amount**
		RMB'000	***RMB'000***	***RMB'000***
Current	1.2%	**75,976**	**(906)**	**75,070**
Within 60 days past due	8.8%	**2,466**	**(218)**	**2,248**
61-90 days past due	9.5%	**1,410**	**(134)**	**1,276**
91-180 days past due	11.0%	**12,239**	**(1,341)**	**10,898**
181-365 days past due	11.3%	**2,362**	**(268)**	**2,094**
More than 365 days past due	91.7%	**17,727**	**(16,259)**	**1,468**
		112,180	**(19,126)**	**93,054**

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.5 Credit risk (cont'd)

(i) Trade and bills receivables (cont'd)

	2023			
	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance provision *RMB'000*	Net carrying amount *RMB'000*
Current	0.7%	38,545	(266)	38,279
Within 60 days past due	1.3%	12,187	(158)	12,029
61-90 days past due	2.8%	4,714	(132)	4,582
91-180 days past due	41.0%	2,262	(928)	1,334
181-365 days past due	48.7%	5,279	(2,571)	2,708
More than 365 days past due	96.2%	13,520	(13,006)	514
		76,507	(17,061)	59,446

The ECLs for bills receivables, which are all bank acceptable bills, approximates to zero. The bank who issue bank acceptance bills is creditworthy bank with no recent history of default.

(ii) Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables, pledged bank deposits, restricted bank deposits for property development business, and cash and cash equivalents.

As at December 31, 2024, impairment of other receivables with gross carrying amount of RMB127,369,000 (2023: RMB97,724,000), are assessed based on the 12-month ECLs as there is no significant increase in credit risk and a loss allowance of RMB1,000 (2023: RMB4,000) is recognized. Impairment of other receivables with gross carrying amount of RMB8,530,000 (2023: RMB4,194,000), are assessed based on the life-time ECLs as there is significant increase in credit risk and a loss allowance of RMB362,000 (2023: RMB135,000) is recognized. In respect of impairment of other receivables with gross amount of RMB101,078,000 (2023: RMB79,104,000), these balance are credit impaired of which and assessed based on life-time ECL (credit impaired), a loss allowance of RMB82,040,000 (2023: RMB76,814,000) is recognized as at December 31, 2024.

For cash and cash equivalents, restricted bank deposits for property development business and pledged bank deposit, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, bank borrowings, lease liabilities and amounts due to non-controlling interest of subsidiaries and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below are the Group's remaining contractual maturities for its non-derivative financial liabilities as at December 31, 2024 and 2023. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	Weighted average effective interest rate	Within 1 year or on demand	1-2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024						
Non-derivative financial liabilities						
Trade, bills and other payables	N/A	486,583	–	–	486,583	486,583
Bank borrowings	6.50%	220,922	148,302	461,688	830,912	693,440
Lease liabilities	5.00%	20,270	13,880	11,735	45,885	41,575
Amounts due to non-controlling interests of subsidiaries	N/A	83,162	–	–	83,162	83,162
Convertible bonds	5.99%	131,881	–	–	131,881	131,881
Total		942,818	162,182	473,423	1,578,423	1,436,641
Financial guarantees issued:						
Maximum amount guaranteed		825,258	–	–	825,258	–

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.6 Liquidity risk (cont'd)

	Weighted average effective interest rate	Within 1 year or on demand	1-2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Non-derivative financial liabilities						
Trade, bills and other payables	N/A	395,546	–	–	395,546	395,546
Bank borrowings	6.22%	322,920	99,813	448,868	871,601	728,211
Lease liabilities	5.00%	21,169	10,550	487	32,206	30,997
Amounts due to non-controlling interests of subsidiaries	N/A	227,364	–	–	227,364	227,364
Total		966,999	110,363	449,355	1,526,717	1,382,118
Financial guarantees issued:						
Maximum amount guaranteed		837,369	–	–	837,369	5,425

46.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.7 Fair value measurements of financial instruments (cont'd)

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Fair value as at December 31, 2024 *RMB'000*	Fair value as at December 31, 2023 *RMB'000*	**Fair value Hierarchy**	**Valuation technique and key input**
Financial assets at fair value through profit or loss				
– Unlisted investment fund	**20,389**	21,355	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	**19,693**	–	Level 3	Binomial Option Pricing Model: expected volatility of 45.92%, 42.39% and 44.33%

There have been no transfers into or out of Level 3 during the years ended December 31, 2024 and 2023.

The fair value of unlisted investment fund is determined using adjusted net assets value.

The fair value of unlisted investment funds is positively correlated to the underlying net assets value. As at December 31, 2024, management consider the underlying net assets value of the investment funds as significant unobservable input, and it is estimated that with other variable held constant, and increase/decrease in 5% of underlying net assets values would have increased/decreased the Company's profit by approximately RMB1,019,000 (2023: RMB1,068,000).

The fair value of derivative financial instruments is determined using Binomial Option Pricing Model. As at December 31, 2024, management consider the expected volatility as significant unobservable input and it is estimated that with other variable held constant and increase or decrease in 5% of expected volatility would have increased or decreased the Company's profit by approximately RMB3,837,000 or RMB689,000, respectively (2023: RMBNil or RMBNil respectively).

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

46.7 Fair value measurements of financial instruments (cont'd)

The reconciliation of the carrying amounts of the unlisted investment fund classified within Level 3 of the fair value hierarchy is as follows:

	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**21,355**	41,805
Additions	**–**	1,403
Disposal	**–**	–
Distribution	**–**	(21,226)
Fair value loss recognized in profit or loss	**(1,273)**	(1,185)
Exchange realignment	**307**	558
At the end of the year	**20,389**	21,355

The reconciliation of the carrying amounts of derivative financial instruments are set out in note 32.

Financial instruments not measured at fair value include cash and cash equivalents, trade, bills and other receivables, trade, bills and other payables, amounts due to non-controlling interests of subsidiaries, financial guarantees issued, convertible bonds and current/non-current bank borrowings.

Except for the non-current portion of bank borrowings, the carrying amounts of the other financial instruments approximate to their fair value due to their short term maturity.

The fair value of the non-current portion of bank borrowings calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities approximate to its carrying amount at year ended dates.

47. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as receipts under securitisation arrangements less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

47. CAPITAL MANAGEMENT (cont'd)

The net debt to equity ratio at the end of the reporting period was:

	2024	2023
	RMB'000	*RMB'000*
Bank borrowings		
– Current	**184,453**	284,128
– Non-current	**508,987**	444,083
Cash and cash equivalents	**(301,685)**	(567,542)
Net debt	**391,755**	160,669
Total equity	**4,035,966**	3,813,450
Net debt to equity ratio	**9.7%**	4.2%

48. EVENTS AFTER THE REPORTING DATE

On March 7, 2025, the Company received a notice from the convertible bondholder of its intention to fully exercise the convertible right in respect of the convertible bonds in an outstanding aggregate principal amount of HK$141,624,000.