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 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHU Zhangjin, Kasen *(Chairman)*
(resigned as Chief Executive Officer on February 28, 2020)
ZHU Ruijun *(Chief Executive Officer)*
(appointed on February 28, 2020)
ZHOU Xiaohong

Independent Non-Executive Directors

ZHOU Lingqiang
DU Haibo
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 1111, 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

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

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

ZHU Ruijun *(appointed on February 28, 2020)*
YIU Hoi Yan, Kate

COMPANY WEBSITE

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

FINANCIAL HIGHLIGHTS

RESULTS[1]

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,260,266**	3,413,185	3,608,540	1,605,880	3,305,105
Profit (loss) before taxation	**156,148**	663,564	599,600	(187,545)	24,466
Profit (loss) attributable to owners of the Company	**114,975**	444,958	449,799	(203,351)	(39,896)

FINANCIAL POSITION

	At December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**297,684**	211,903	457,708	439,931	339,731
Total borrowings	**880,568**	910,095	899,997	492,974	780,947
Total assets	**6,281,513**	6,295,228	8,152,573	8,730,032	6,301,860
Total liabilities	**2,841,852**	2,934,711	5,233,615	5,831,561	3,175,789
Equity attributable to owners of the Company	**3,401,035**	3,296,183	2,849,292	2,814,419	3,034,173

FINANCIAL AND OPERATING RATIOS

	At December 31,				
	2020	2019	2018	2017	2016
Dividend payout ratio (%)[2]	**–**	–	86.3%	–	–
Debt to equity ratio (%)[3]	**25.6%**	27.1%	30.8%	17.0%	25.0%
Net debt to equity ratio (%)[4]	**16.9%**	20.8%	15.2%	1.8%	14.1%
Trade and bills receivable turnover days[5]	**45**	42	43	83	65
Inventory turnover days[6]	**68**	54	53	50	51
Current ratio[7]	**196.8%**	178.6%	130.2%	133.5%	189.9%
Earnings (loss) per share *(RMB)*					
Basic	**0.08**	0.30	0.30	(0.13)	(0.03)
Diluted	**0.08**	0.30	0.30	(0.13)	(0.03)

Notes:

1. The figures in 2016 included both continuing operations and discontinued operation.
2. The dividend per ordinary share divided by the profit (loss) attributable to owners of the Company per ordinary share.
3. Interest-bearing debt divided by total equity as at the end of the year.
4. Interest-bearing debt minus bank balances and cash divided by the total equity as at the end of each year.
5. Trade and bills receivables as at the end of the year divided by turnover and multiplied by 365 days.
6. Inventories as at the end of the year divided by cost of sales and multiplied by 365 days.
7. Current assets divided by current liabilities as at the end of each year.
8. The adoption of new accounting standards (as shown in note 2 to the consolidated financial statements) in 2020 has no material impact on the Group.

DIRECTORS AND MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

ZHU Zhangjin, Kasen（朱張金）, aged 55, is the founder of the Group and the chairman of the Company. Mr. Zhu is also an executive director of the Company. He was the chief executive officer of the Company from 2005 till February 28, 2020, whereupon he resigned and stepped down from the position as the chief executive officer of the Company with effect thereon. 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 33 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.

ZHU Ruijun（朱瑞俊）, aged 49, was appointed as an executive Director and the chief executive officer of the Company with effect from February 28, 2020. Prior to joining the Company, Mr. Zhu Ruijun has served successively as Secretary of Communist Youth League of Haining, Zhejiang Province, secretary of the party committee of Guodian town of Haining, Vice Mayor of Pinghu Municipality, Zhejiang Province, Mayor of Lanxi Municipality and Secretary of Lanxi Municipal Committee of the CPC, Zhejiang Province, vice secretary-general of Jinhua Municipal Committee of the CPC, Zhejiang Province. Mr. Zhu Ruijun achieved a postgraduate diploma in economy from Zhejiang Provincial Committee Party School in 2002.

ZHOU Xiaohong（周小紅）, aged 52, joined the Group in 1995 as the cashier, treasury manager, vice president and the chief financial officer of the Group. 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.

SHEN Jianhong（沈建紅）, aged 53, joined the Group in 2007 as the manager of the purchasing department. She is currently the assistant to the president and she is in charge of the property development division of the Group. Ms. Shen was appointed as an executive Director with effect from February 20, 2017 and resigned on February 28, 2020. Before joining the Group, from 2002 to 2007, Ms. Shen served as a member of the senior management team of Haining Pacific Insurance Co., Ltd. Ms. Shen graduated from East China Normal University（華東師範大學）in 1998, major in pre-school education.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Lingqiang (周玲強), aged 57, 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 62, joined the Company as an independent non-executive Director on March 1, 2012. Mr. Zhang obtained a bachelor 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)

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

DU Haibo (杜海波), aged 52, joined the Company as the independent non-executive Director with effect from November 2, 2015. From 1990 to 1999, Mr. Du served in several audit firms in the Henan Province of the People's Republic of China. Since 1999, he has been the chairman of Henan Zhengyong CPAs Co., Ltd., Henan Zhengyong Venture Consulting Co., Ltd. and Henan Zhengyong Engineering Consulting Co., Ltd. During the period from February 2005 to August 2013, Mr. Du acted as the independent non-executive director of New Focus Auto Tech Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 360). From 2007 to 2013, Mr. Du also served as an independent director of Henan Mingtai Aluminum Co., Ltd. (河南明泰鋁業股份有限公司), a company listed on the Shanghai Stock Exchange. During the period from 2008 to 2014, he served as an independent director of Henan Lingrui Pharmaceutical Co., Ltd. (河南羚銳製藥股份有限公司), a company listed on the Shanghai Stock Exchange and as an independent director of SF Diamond Co., Ltd. (河南四方達超硬材料股份有限公司), a company listed on the Shenzhen Stock Exchange. From 2009 to 2015, Mr. Du was an independent director of Star Hi Tech Co., Ltd. (河南思達高科技股份有限公司), a company listed on the Shenzhen Stock Exchange. As at the date of this annual report, Mr. Du is also the independent non-executive director of Xinxiang Chemical Fiber Co. Ltd. and Sanquan Food Co., Ltd., each a company listed on the Shenzhen Stock Exchange. Mr. Du graduated from the Zhengzhou University in 1989, major in audit studies and obtained an executive master degree in business administration from China Europe International Business School in 2005. He is a certified public accountant of the People's Republic of China.

Save as otherwise disclosed, there is no relationship (including financial/business/family or other material/relevant relationship) between any members of the Board, 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 Listing Rules.

SENIOR MANAGEMENT

YUAN Zhigang (袁志剛), aged 40, 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.

PENG Weijun (彭偉軍), aged 45, joined the Group on June 30, 2017 as the chief financial officer and resigned on September 28, 2020. Mr. Peng has over 20 years of corporate finance and accounting experience. Prior to joining the Group, Mr. Peng worked for Qianjiang Water Resources Development Co., Ltd, a company listed on the Shanghai Stock Exchange from 2004 to 2017 and held various positions as the financial accountant, the deputy manager and the finance manager of the finance department. Mr. Peng has obtained the qualification of senior accountant in the PRC. Mr. Peng graduated from Central South Institute of Technology (currently known as University of South China) in 2000 with a bachelor degree in accounting.

DIRECTORS AND MANAGEMENT PROFILES (cont'd)

SENIOR MANAGEMENT (cont'd)

ZHOU Xiaohong (周小紅), aged 52, joined the Group in 1995 as the cashier, treasury manager, vice president and the chief financial officer of the Group. 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.

PAN Yougen (潘幼根), aged 57, 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 53, the General Manager of Hainan Boao Kasen Property Development Co., Ltd and Hainan Sanya Kasen Property Development Co., Ltd, both are 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 joined 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 AND QUALIFIED ACCOUNTANT

YIU Hoi Yan, Kate (姚凱欣), aged 48, 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 25 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors 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, 2020.

The year of 2020 had been an extraordinary year for the world. The COVID-19 pandemic had an unprecedented impact on the world's economy and its far-reaching effects is expected to continue for a long time. The complex and volatile economic environment, the serious disruption of international exchanges and the major changes in international trade posed serious challenges to the Group's business development and prompted the Group to make more profound considerations in terms of its strategic direction and business layout. During the year ended December 31, 2020, the Group was concerned about the health and safety of its employees in strict compliance with the pandemic prevention requirements promulgated by the PRC government, and implemented pandemic prevention measures so as to ensure that none of the Group's employees at home or abroad were infected with COVID-19 virus. As a result of the pandemic, the Group's property development, tourism resort-related operation (comprising water parks, hot spring resorts, hotels and restaurants, etc.) and manufacturing and trading of upholstered furniture businesses recorded a consolidated turnover of approximately RMB1,260.3 million, representing a decrease of approximately 63.1% as compared to the same period in 2019. The reason for the decrease was mainly due to a substantial decline in the delivery of properties for the Group's property development projects in the PRC during the year ended December 31, 2020 as compared to the year 2019. The profit attributable to the shareholders was approximately RMB115.0 million, representing a decrease of approximately 74.2% as compared to the same period in 2019.

In respect of property development business, the Group took a cautious attitude towards property development in the PRC, focusing on the completion and delivery of projects on hand. In addition, the Group actively explored overseas development projects in countries where real estate industry is on the rise. In 2021, a real estate project in Phnom Penh, Cambodia will be launched, aiming to build up new growth momentum for the development of the real estate industry.

In the field of upholstered furniture business, due to complex and volatile trade tension between China and the United States, the Group will strive to maintain the stability of its export business to the United States as its main market by developing high value-added products, controlling operating costs, enhancing customer services, etc.

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 with very special meaning 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, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2020, the Company together with its subsidiaries (the "Group") recorded a consolidated turnover of RMB1,260.3 million (2019: RMB3,413.2 million), representing a decrease of approximately 63.1% when compared with the year of 2019. The decrease in revenue mainly attributable to the decrease of approximately RMB2,111.9 million in property development segment since there was a substantial decline in the delivery of properties for the Group's property development projects in the PRC during the year ended December 31, 2020 as compared to the year 2019.

The Group's gross profit for the year ended December 31, 2020 was RMB419.5 million (2019: RMB1,193.0 million) with an average gross profit margin of 33.3% (2019: 35.0%), which resulted in a decrease of approximately RMB773.5 million, representing a decrease of approximately 64.8% when compared with the year of 2019.

The net profit attributable to owners of the Company was approximately RMB115.0 million in the year ended December 31, 2020 (2019: profit of RMB445.0 million), representing a decrease of approximately RMB330.0 million (a decrease of approximately 74.2%) as compared with the year of 2019. The drop in profit was largely attributable to the substantial decline in the delivery of properties for the Group's property development projects in the PRC during the year ended December 31, 2020 as compared to the year 2019.

Review by Business Segments

The Group's reportable business segments in 2020 principally consist of manufacturing and trading of upholstered furniture, properties development and others (comprising mainly tourism resort-related operation, operation of restaurant, hotel and provision of travel-related services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2020 together with the comparative figures for the year ended December 31, 2019:

	2020		2019		**Y-O-Y Change**
	RMB'Million	***%***	*RMB'Million*	*%*	*%*
Manufacturing and Trading of Upholstered Furniture	**692.9**	**55.0**	701.0	20.5	-1.2
Property Development	**440.2**	**34.9**	2,552.1	74.8	-82.8
Others	**127.2**	**10.1**	160.1	4.7	-20.5
Total	**1,260.3**	**100.0**	3,413.2	100.0	-63.1

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the year under review, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB692.9 million, representing a small decrease of approximately 1.2% as compared to the total turnover of approximately RMB701.0 million in the corresponding period of 2019. The upholstered furniture business of the Group witnessed an upsurge after a decline due to the worldwide outbreak of the COVID-19 pandemic. In the first half of the year, the production volume and sales volume of the upholstered furniture business dropped significantly due to temporary suspension of production plants as a result of the government's pandemic prevention requirements implemented during the year. In the second half of the year, with the alleviation of the outbreak in the PRC, the production plants fully resumed its normal operation. Orders from customers in the United States grew rapidly and sales volume increased gradually. In general, the performance of the upholstered furniture business remained stable. The Group recorded a profit of approximately RMB178.6 million from manufacturing and trading of upholstered furniture business in 2020 (including the gain on land resumption approximately RMB137.0 million), representing an increase of approximately 255.8% as compared to the profit of approximately RMB50.2 million in the corresponding period of 2019.

Property Development Business

As at December 31, 2020, the Group had in total six property development projects under different stages of development in Mainland China. The Group had no new property development project in 2020. The turnover from the property development segment was RMB440.2 million in 2020, representing a decrease of approximately 82.8% as compared to RMB2,552.1 million in 2019. The decrease in sales was mainly due to the substantial decrease in delivery of properties in 2020. As a result, operating profit generated from this segment in 2020 was RMB37.5 million, representing a decrease of approximately 90.8% as compared to an operating profit of RMB408.6 million in 2019.

The Group's Property Project Portfolio as at December 31, 2020

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (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	2025	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	Under development	2021	Residential and commercial
Total				3,046,174			

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

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Property Development Business (cont'd)

Analysis of Properties Under Development as at December 31, 2020

No.	Project Name	Total GFA (sq.m.)	GFA under development /completed (sq.m.)	Total Saleable GFA (sq.m.)	Accumulated GFA sold as at December 31, 2020 (sq.m.)	Accumulated GFA delivered as at December 31, 2020 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	375,185	590,165	179,905	167,979	27,323
2	Qianjiang Continent	775,292	775,292	669,717	664,343	660,957	20,036
3	Kasen Star City	957,224	957,224	708,730	707,411	703,769	12,482
4	Changbai Paradise	122,412	122,412	122,010	40,696	38,558	–*
5	Qianjiang Oasis	334,899	334,899	282,323	267,457	235,702	7,352
Total		2,908,492	2,565,012	2,372,945	1,859,812	1,806,965	

* This project has been completed and there was no properties delivery during the year.

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the year under review decreased to approximately RMB89.9 million, representing a decrease of approximately RMB101.8 million as compared to approximately RMB191.7 million in 2019, mainly attributable to (i) a decrease of approximately RMB81.0 million in the selling costs incurred in relation to the sales of properties; and (ii) a decrease of approximately RMB20.7 million in the staff costs incurred in the Group's hotels and waterpark operation in the PRC as a result of the temporary suspension of these operations of the Group in PRC during the year due to the government's epidemic prevention requirements implemented during the year. The Group's selling and distribution costs to turnover in 2020 increased to approximately 7.1% as compared to approximately 5.6% in 2019.

The administrative costs in 2020 was approximately RMB206.3 million, representing a decrease of approximately RMB46.6 million as compared to approximately RMB252.9 million in 2019. The decrease was mainly due to (i) a decrease in the staff costs incurred of approximately RMB18.5 million, by the Group's hotels and property development segment operation in the PRC, and (ii) a decrease in the professional fees of approximately RMB11.0 million, while all other expenses decreased slightly.

The Group's finance cost in 2020 was approximately RMB61.5 million, representing an increase of approximately RMB14.4 million, as compared to approximately RMB47.1 million in 2019, mainly due to the decrease in capitalization of finance interest to cost of construction. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings.

The Group recorded a net gain of approximately RMB93.3 million in other gains and losses in 2020, while it recorded a net loss of approximately RMB42.0 million in 2019. For details of the other gains and losses, please refer to note 9 to the consolidated financial statements.

RESULTS OVERVIEW (cont'd)

Operating Expenses, Taxation and Profit Attributable to Owners (cont'd)

The Group's income tax in 2020 was approximately RMB60.5 million, representing a decrease of approximately RMB121.9 million, as compared to approximately RMB182.4 million in 2019. The decrease was mainly resulted from (1) a decrease in PRC income tax of approximately RMB67.9 million mainly due to a decrease in taxable profits generated at the subsidiary level especially for property development segment with significantly decreased operating profit, (2) a decrease in PRC land appreciation tax of approximately RMB130.8 million from the property development projects, and (3) the increase in deferred taxation credit of approximately RMB8.0 million which was offset by (4) reversal of tax provision of approximately RMB85.2 million in 2019.

Based on the aforesaid factors, profit attributable to owners of the Company in 2020 decreased by approximately 74.2% to approximately RMB115.0 million (2019: RMB445.0 million).

CAPITAL EXPENDITURE

Capital expenditure in 2020 decreased to approximately RMB128.4 million (including construction in progress of approximately RMB89.3 million) from approximately RMB275.4 million in 2019. The capital expenditure mainly comprised the amount of approximately RMB128.4 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year under review.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Bank and Other Borrowings

As at December 31, 2020, the Group's bank and other borrowings amounted to approximately RMB880.6 million, (in which approximately 0.9% (2019: 1.3%) was denominated in USD and approximately 99.1% (2019: 98.7%) was denominated in RMB) representing a decrease of approximately 3.2% from approximately RMB910.1 million as at December 31, 2019. As at December 31, 2020, the Group had outstanding bank and other borrowings amounted to approximately RMB315.2 million repayable within one year and approximately RMB565.4 million repayable after one year (2019: approximately RMB309.7 million repayable within one year and approximately RMB600.4 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2020, the inventory turnover period increased to 68 days (2019: 54 days).

In 2020, 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 segments maintained at 45 days in 2020 (2019: 42 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments increased to 86 days in 2020 (2019: 78 days).

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE (cont'd)

Turnover Period, Liquidity and Gearing (cont'd)

As at December 31, 2020, the Group's current ratio was 1.97 (December 31, 2019: 1.79). The Group's cash and cash equivalent balance was approximately RMB297.7 million as at December 31, 2020 (December 31, 2019: approximately RMB211.9 million). As at December 31, 2020, included in cash and cash equivalent balance of the Group was approximately 80.6% (2019: 80.7%) of bank balance denominated in RMB, approximately 17.1% (2019: 17.2%) denominated in USD, approximately 1.3% (2019: 2.1%) denominated in HKD and Japanese Yen currency, and approximately 1.0% (2019: Nil) denominated in other currencies. This represents a gearing ratio of 25.9% as at December 31, 2020 (December 31, 2019: 27.6%) and a net debt-to-equity ratio of 17.1% as at December 31, 2020 (December 31, 2019: 21.2%). The gearing ratio is based on bank borrowings to shareholders' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity. In 2020, 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 under review.

Capital Structure

The capital structure of the Group consists of debts, which includes the bank and other 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

On July 8, 2020, Haining Hainix Sofa Co., Ltd（海寧漢林沙發有限公司）("Haining Hainix"), a wholly-owned subsidiary of the Company, entered into the land resumption agreement, pursuant to which Haining Hainix agreed to surrender, and 海寧市尖山新區管理委員會 (Haining Jianshan New Area Administrative Committee) agreed to resume the land located at No. 6, Jisheng Road, Jianshan New District, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 144,786 sq.m., for a total consideration of approximately RMB167,972,000.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2020.

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 business of property development.

SIGNIFICANT INVESTMENTS

Save as disclosed, the Company had no other significant investments held during the year under review.

CONTINGENT LIABILITIES

As at December 31, 2020, the Group had certain contingent liabilities. For details, please refer to note 47 to the consolidated financial statements.

PLEDGE OF ASSETS

Some of the Group's assets have been pledged to secure the bank and other borrowings and the bank facilities granted to the Group. For details, please refer to note 45 to the consolidated financial statements.

CAPITAL AND OTHER COMMITMENTS

As at December 31, 2020, the Group had contracted, but not provided for, a total capital and other expenditure of RMB2,449.6 million (2019: RMB2,324.8 million), in which an amount of RMB115.7 million (2019: RMB216.5 million) was in respect of properties under development for sale.

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) was mainly denominated in U.S. dollars, and most of the trade receivables were exposed to exchange rate fluctuation. During the year, the Group did not engage in 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, 2020, the Group employed a total of approximately 3,000 full time employees (December 31, 2019: approximately 3,300), including management staff, technicians, salespersons and workers. In 2020, the Group's total expense on the remuneration of employees was approximately RMB184.9 million (2019: approximately RMB226.5 million), representing approximately 14.7% (2019: 6.6%) 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 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 and 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 (the "AGM"), 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.

FUTURE PLANS AND PROSPECTS

In respect of property development business, on top of the speeding up of the sales progress of various existing projects and property delivery in the PRC, the Group will also explore new projects in overseas countries with sound development prospects in due course to pursue new business growth points. The Group has a land available for development of approximately 270,000 sq.m in Phnom Penh, Cambodia, which was originally planned to be developed as a water park. The COVID-19 pandemic has exerted a tremendous impact on the tourism industry of Cambodia which is not expected to recover in the near future. As the real estate market in Cambodia is undergoing a cyclical upturn, and also as mentioned in the Company's earlier announcement, taking into consideration of the current area of land available for development of the waterpark which may not be sufficient for developing the water park at its optimal size and the continuous and rapid increase of land prices surrounding the land, the Group has terminated the water park development plan, and has resolved that the land will be developed into a real estate project in an attempt to avoid risks and secure a better return on investment. The project will commence construction in 2021.

In the field of tourism resort business, it is expected that the sector will undergo a period of resilient growth with the gradual alleviation of the impact arising from the pandemic in the PRC. The Group will aim to improve the operational efficiency of water parks and resort hotels, strengthen cost control and enhance brand influence.

In the field of upholstered furniture business, the Group will take active measures to stabilise its upholstered furniture export business to the United States as it is still uncertain what policies would be taken by the new U.S. government regarding trade between China and the United States together with continuous impact of the COVID-19 pandemic on the consumer market in the United States. In terms of production, the Group will consolidate its upholstered furniture production bases in the PRC to facilitate centralised production with the aim of reducing operating costs and improving operational efficiency. An upholstered furniture factory in Cambodia was in operation, and certain production capacity was transferred to Cambodia. With respect to sales, the Group will maintain close communication and contact with key customers, fully capitalise on the advantages accumulated over the years, and strive to overcome the impact of the disruption of logistics between the United States and China brought about by the pandemic in the United States in order to accelerate delivery and ensure stable and sustainable business development.

The industrial park in Cambodia and the supporting paper-making and power plant construction projects are still in the preliminary stage and pending for government's approval due to the impact of the COVID-19 pandemic, which disrupted the interaction between the staff in the PRC and Cambodia. The Group is in the process of finalising the land required for the project.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended December 31, 2020.

The shares of the Company are 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; and (iii) tourism resort-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 under review 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, 2020 and since the end of the reporting period are provided in the section headed "Chairman's Statement" on pages 8 to 9 and the section headed "Management Discussion and Analysis" on pages 10 to 16 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, 2020 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 10 to 16 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 over. 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 complied with the relevant rules and regulations. 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 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, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2020 (2019: 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 AGM, the register of members of the Company will be closed from May 26, 2021 to May 31, 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled 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 25, 2021.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to Shareholders as at December 31, 2020, calculated in accordance with International Financial Reporting Standards, was approximately RMB1,578.9 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 3.

PROPERTY, PLANT AND EQUIPMENT

During the year of 2020, the Group had acquired property, plant and equipment of approximately RMB122.6 million (including construction in progress of approximately RMB89.3 million) for operational purpose.

Details of these and other movements in the property, plant and equipment of the Group during the year of 2020 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 37 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year of 2020, the aggregate sale attributable to the Group's five largest customers comprised approximately 80.8% of the Group's manufacturing and trading of upholstered furniture segments sale and the sale attributable to the Group's largest customer were approximately 45.0% of the Group's manufacturing and trading of upholstered furniture segments sale.

The aggregate purchases during the year of 2020 attributable to the Group's five largest suppliers were approximately 24.4% of the Group's manufacturing and trading of upholstered furniture segments purchases and the purchases attributable to the Group's largest supplier were approximately 9.9% of the Group's manufacturing and trading of upholstered furniture segments 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 develop 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 under review, the Group had 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 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 opportunity 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, such as outings, outward bound training and distance-running competitions to provide communication opportunities among staff, 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 2020 and up to the date of this annual report are:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman) (resigned as Chief Executive Officer on February 28, 2020)*
ZHU Ruijun *(appointed on February 28, 2020) (appointed as Chief Executive Officer on February 28, 2020)*
ZHOU Xiaohong
SHEN Jianhong *(resigned on February 28, 2020)*

Independent Non-executive Directors

DU Haibo
ZHOU Lingqiang
ZHANG Yuchuan

In accordance with article 87 of the Company's articles of association (the "Articles"), Ms. Zhou Xiaohong, Mr. Zhou Lingqiang 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 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).

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, 2020 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	As disclosed in the Company's announcement dated February 28, 2020, Mr. Zhu Zhangjin resigned from the position as the chief executive officer of the Company (the "CEO"), and continue to be an executive Director and chairman of the Board.
Mr. Zhu Ruijun	As disclosed in the Company's announcement dated February 28, 2020, Mr. Zhu Ruijun was appointed as an executive Director, a member of the Nomination Committee, the CEO and the Authorized Representative.
Mr. Zhang Yuchuan	In July 2020, Mr. Zhang Yuchuan resigned as an independent non-executive director of Huaxun Fangzhou Co. Ltd, a company listed on the Shenzhen Stock Exchange.
Ms. Zhou Xiaohong	As disclosed in the Company's announcement dated September 28, 2020, Ms. Zhou Xiaohong assumed the role as the Chief Financial Officer on September 28, 2020. Later, as disclosed in the Company's announcement dated March 8, 2021, Ms. Zhou Xiaohong resigned as the Chief Financial Officer on March 8, 2021.

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 4 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, 2020 for Mr. Zhu Zhangjin; June 30, 2020 for Ms. Zhou Xiaohong; February 28, 2020 for Mr. Zhu Ruijun; January 1, 2018 (subsequently renewed on January 1, 2021) for Mr. Zhou Lingqiang; March 1, 2018 (subsequently renewed on March 1, 2021) for Mr. Zhang Yuchuan and November 2, 2018 for Mr. Du Haibo 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 12 to the consolidated financial statements.

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

As at December 31, 2020, 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 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are as follows:

(1) Long Positions in Shares of the Company

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total number of shares interested**	**Percentage of the Company's issued share capital**
Zhu Zhangjin ("Mr. Zhu") *(Note 1)*	12,360,000	555,645,113	568,005,113	38.03%
Zhou Xiaohong *(Note 2)*	9,514,561	–	9,514,561	0.64%
Zhu Ruijun	3,000,000	–	3,000,000	0.20%

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 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 shares as at December 31, 2020 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"), in which the grant of share option was approved by the Board on May 26, 2015.

(2) This figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 shares as at December 31, 2020 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.

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

(2) Long Positions in Underlying Shares of the Company

Long positions in underlying shares of the Company are separately disclosed in the section "Share Option Schemes" below.

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, 2020.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 38 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, 2020, 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 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 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 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.

SHARE OPTION SCHEMES (cont'd)

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.

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. 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 December 31, 2020, the total numbers of shares available for issue (including the outstanding options already granted) under the 2005 Share Option Scheme and the 2015 Share Option Scheme were 10,850,000 shares and 116,232,298 shares, respectively, which represented 0.7% and 7.8% of the shares in issue respectively as at the date of this annual report.

Details of movement of the share options during the year ended December 31, 2020, being share options granted pursuant to the 2005 Share Option Scheme on May 5, 2008 and May 26, 2015, respectively, were as follows:

		Number of share options							
Name of Director	Exercise price *HK$*	Outstanding as at January 1, 2020	Granted from January 1, 2020 to December 31, 2020	Exercised from January 1, 2020 to December 31, 2020	Forfeited from January 1, 2020 to December 31, 2020	Outstanding as at December 31, 2020	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	0.20%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	–	–	–	4,000,000	0.27%		
Other employees in aggregate	1.37	6,850,000	–	–	–	6,850,000	0.46%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	–	–	–	10,850,000	0.73%		

SHARE OPTION SCHEMES (cont'd)

Notes:

1. These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 and are 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, 2020, none of these share options were exercised, forfeited, lapsed nor cancelled.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2020, 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	Number of issued shares held	Percentage of the Company's issued share capital
Joyview[1]	Beneficial owner	–	555,645,113	555,645,113	37.20%
Prosperity and Wealth Limited[1]	Trustee	–	555,645,113	555,645,113	37.20%
Team Ease Limited[2]	Beneficial owner	–	235,043,057	235,043,057	15.74%
Chen Dianer (陳鈿兒) [2]	Interest in controlled corporation	–	235,043,057	235,043,057	15.74%

Notes:

1. Mr. Zhu Zhangjin, 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 Zhangjin (excluding Mr. Zhu Zhangjin) in the Company), being the substantial shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by Prosperity and Wealth Limited, being the trustee of such family trust).

2. Team Ease Limited is a company beneficially owned by Chen Dianer.

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, 2020.

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 of 2020 was the Company or any of its subsidiaries a party to any arrangements which enables the Directors of the Company acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

Except for 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, 2020.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2020, the following transactions were entered into by the Group with its connected persons, or subsisted during the year under review. 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 20, 2018, Yujie entered into a renewal agreement with the Group (the "2018 Yujie Renewal Agreement") for a term of 3 years which will expire on December 31, 2021.

Pursuant to the 2018 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 under review, the aggregate amount of the transactions under the 2018 Yujie Renewal Agreement was approximately RMB1,267,000 and the actual transaction amount did not exceed the annual cap amount of RMB5,000,000.

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, indirectly controls 30% of the voting power at its general meetings. 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 2018 Yujie Renewal Agreement, please refer to the announcement of the Company dated November 20, 2018.

CONTINUING CONNECTED TRANSACTIONS (cont'd)

(2) Agreement for providing guarantee to the CCT Group

On November 20, 2018, Mr. Zhu Zhangjin ("Mr. Zhu"), 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, 2021 (the "2018 CCT Master Agreement").

In early 2019, the Company was informed by Lingjia New Material that it had disposed 100% interest in Haining Kasen Leather to an independent third party, pursuant to which Haining Kasen Leather is no longer the subsidiary of Lingjia New Material. Haining Kasen Leather then became an independent third party to the Group after the disposal.

Pursuant to the 2018 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, 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 under review, the aggregate value of bank facilities guaranteed by the Group to the CCT Group and the associated costs under the 2018 CCT Master Agreement with the maximum amount of approximately RMB394,800,000 and the actual transaction amount did not exceed the annual cap amount of RMB394,800,000.

Mr. Zhu is a Director and the controlling shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu and wholly own Lingjia New Material. Therefore, Mr. Zhu, 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 2018 CCT Master Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

For further details of the 2018 CCT Master Agreement, please refer to the announcement and the circular of the Company dated November 20, 2018 and December 12, 2018, respectively.

(3) Agreement for Purchase of Raw Materials from Lingjia New Material

On November 20, 2018, Lingjia New Material entered into an agreement with the Group for a term of 3 years which will expire on December 31, 2021 (the "2018 Lingjia Agreement"). Pursuant to the 2018 Lingjia Agreement, the Group agreed to purchase from Lingjia New Material and its subsidiaries certain raw materials for production of upholstered furniture (including materials such as sofa leather, faux leather and decorative fabrics).

The price and terms of the individual orders in respect of the 2018 Lingjia Agreement were agreed to be on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group transacts business with other independent third party suppliers and shall be on terms which are no less favourable to the Group than those provided by independent third party suppliers. Subject to the general principle disclosed above, the Group also took into account the following factors when determining the prices payable by the Group for the transactions: (i) the comparable market prices of similar products based on the raw materials or types of leather involved as well as information obtained through internal checks and research conducted by the Company; (ii) the quality and prices of the products offered by independent third party suppliers; and (iii) the expected costs to be incurred by Lingjia New Material in providing such products. In addition, the Group also obtained market prices of the products through publicly available sources on an annual basis.

Lingjia New Material is a company established under the laws of the PRC with limited liability. Its principal business is research and development of new material. Owing to the nature of business of the Group, the Group requires a reliable supply of raw materials in order to meet the Group's operation needs for production of upholstered furniture.

During the year under review, no transaction amount under the 2018 Lingjia Agreement was recorded and therefore it did not exceed the annual cap amount of RMB70,000,000.

Lingjia New Material is wholly-owned by Ms. Zhu Jiayun and Ms. Zhu Lingren, the daughters of Mr. Zhu, an executive Director and the controlling Shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are therefore associates of Mr. Zhu, and hence Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material are connected persons of the Company and transaction between the Group and Lingjia New Material under the 2018 Lingjia Agreement constitutes continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

For further details of the 2018 Lingjia Agreement, please refer to the announcement of the Company dated November 20, 2018.

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 maximum aggregate annual value as disclosed in the announcement of the Company dated November 20, 2018 made by the Company in respect of each of the disclosed continuing connected transactions.

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, 2020.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Group had certain transactions with "related parties" as defined under the applicable accounting standards. Except for the continuing connected transactions as set forth in the section headed "Continuing Connected Transactions" on pages 27 to 30 of this annual report, none constitutes a connected transaction as defined under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report, 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, 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

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 under review.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of the Company provides 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

At no time during the year under review, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

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, 2020.

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 jointly controlled entities and subsidiaries for the year ended December 31, 2020.

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 under review, donations made by the Group were approximately RMB161,000.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of its independent non-executive Directors, namely Mr. Du Haibo, 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. For details, please refer to note 54 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. Du Haibo is the chairman of the Audit Committee.

The annual results of the Company for the year ended December 31, 2020 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. Du Haibo is the chairman of the Nomination Committee.

AUDITOR

A resolution will be proposed at the AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

ZHU Zhangjin, Kasen
Director

March 31, 2021

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 Appendix 14 of the Listing Rules throughout the year ended December 31, 2020, except for the following deviation during the period from January 1, 2020 to February 27, 2020:

CODE PROVISION A.2.1

Under CG Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from January 1, 2020 to February 27, 2020, the Company did not separate the roles of chairman and chief executive officer. Mr. Zhu Zhangjin, Kasen assumed the role both as the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group during the period from January 1, 2020 to February 27, 2020. The Company considered 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 was not able to identify such a candidate to replace Mr. Zhu during the period from January 1, 2020 to February 27, 2020.

On February 28, 2020, the Company has appointed Mr. Zhu Ruijun as the executive director and the chief executive officer of the Company. Upon which, Mr. Zhu Zhangjin has resigned from the position as the chief executive officer, and continues to be the chairman of the Company. Upon the effective date of such change (i.e. February 28, 2020), the CG Code Provision A.2.1 is being complied with.

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 10 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, 2020, 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, 2020, the Board comprised six members, including three executive Directors and three independent non-executive Directors. The Board members for the year ended December 31, 2020 and up to the date of this annual report are shown below:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman) (resigned as Chief Executive Officer on February 28, 2020)*
ZHU Ruijun *(appointed on February 28, 2020) (appointed as Chief Executive Officer on February 28, 2020)*
ZHOU Xiaohong
SHEN Jianhong *(resigned on February 28, 2020)*

Independent Non-executive Directors

DU Haibo
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 4 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 under review, the Company has purchased Directors & Officers Liability and Company Reimbursement Insurance for all of its Directors and some of its senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhu Zhangjin is the chairman and was also the chief executive officer of the Company for the period from January 1, 2020 to February 27, 2020. Mr. Zhu Zhangjin resigned and stepped down from the position as the chief executive officer of the Company with effect from February 28, 2020, and continues to be the chairman of the Company. In addition, on February 28, 2020, the Company has appointed Mr. Zhu Ruijun as the chief executive officer of the Company.

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, 2018 (subsequently renewed on January 1, 2021 for Mr. Zhou Lingqiang), March 1, 2018 (subsequently renewed on March 1, 2021 for Mr. Zhang Yuchuan) and November 2, 2018 (for Mr. Du Haibo) 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, 2020, all Directors of the Company namely, Mr. Zhu Zhangjin, Ms. Zhou Xiaohong, Mr. Zhu Ruijun (appointed on February 28, 2020), Ms. Shen Jianhong (resigned on February 28, 2020), Mr. Zhou Lingqiang, Mr. Du Haibo 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 under review. 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. DU Haibo *(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.

During the year ended December 31, 2020, 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.

BOARD COMMITTEES (cont'd)

Audit Committee (cont'd)

During the year ended December 31, 2020, the Audit Committee held four 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 B.1.3.

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, 2020, 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)

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of Directors and the members of the senior management by band for the year ended December 31, 2020 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	–
Over HK$2,000,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2020.

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. DU Haibo	*(Chairman of the Nomination Committee)*
Mr. ZHOU Lingqiang	
Mr. ZHU Ruijun	*(appointed on February 28, 2020)*
Ms. SHEN Jianhong	*(resigned on February 28, 2020)*

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.

During the year ended December 31, 2020, the Nomination Committee held two meetings to discuss about the re-appointment of directors.

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, 2020 is set out below:

	Attendance/Number of Meetings				
Name of Directors	**Board Meetings**	**Remuneration Committee Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting held on June 15, 2020**
Executive Directors					
Mr. ZHU Zhangjin, Kasen *(Chairman)*	4/4	N/A	N/A	N/A	0/1
Ms. SHEN Jianhong, resigned on February 28, 2020 *(Member of Nomination Committee, resigned on February 28, 2020)*	1/4	N/A	N/A	1/2	N/A
Ms. ZHOU Xiaohong *(Member of Remuneration Committee)*	4/4	1/1	N/A	N/A	1/1
Mr. ZHU Ruijun (appointed on February 28, 2020) *(Member of Nomination Committee, appointed on February 28, 2020)*	3/4	N/A	N/A	1/2	1/1
Independent Non-executive Directors					
Mr. DU Haibo *(Chairman of Audit Committee and Chairman of Nomination Committee)*	4/4	N/A	4/4	2/2	1/1
Mr. ZHOU Lingqiang *(Member of Audit Committee, Member of Nomination Committee and Chairman of Remuneration Committee)*	4/4	1/1	4/4	2/2	1/1
Mr. ZHANG Yuchuan *(Member of Audit Committee and Remuneration Committee)*	4/4	1/1	4/4	N/A	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.

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2020, 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, 2020 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, 2020 amounted to approximately RMB2.1 million and RMB0.8 million, respectively. The non-audit services included services in interim review performed by the external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a sound risk management and internal control system. 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 under review, 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, 2020, 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, 2020, the Company made disclosure of its inside information in compliance with its own inside information policies and the applicable laws and regulations.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2020, there was no change in the constitutional documents of the Company.

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"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting. 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 prior to December 31, 2020 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.

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.

There has been no changes in the Articles during the year ended December 31, 2020.

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. 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 1111, 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 THIS REPORT

Kasen International Holdings Limited (hereafter the "Company" or "Kasen") and its subsidiaries (collectively the "Group" or "We" or "our") have been dedicated to manufacture upholstered furniture over 20 years. While maintaining our position in this field, we expand our business operations in the tourism and property development in Hainan. We are pleased to publish the fifth environmental, social and governance ("ESG") report (the "Report"), summarizing our performance in the ESG aspects.

Scope of Report

The scope of the Report covers our manufacturing businesses of upholstered furniture in Zhejiang and property development in Hainan of the People's Republic of China ("China" or "PRC") during the period from January 1, 2020 to December 31, 2020 (the "Reporting Period", "2020"). The reporting scope is updated due to the increasing materiality of the property development businesses to our Group. Unless otherwise specified, the data includes the following subsidiaries.

- Zhejiang Kasen Industrial Group Co., Ltd.
- Haining Kareno Furniture Co., Ltd.
- Hainan Boao Kasen Property Development Co., Ltd.
- Hainan Sanya Kasen Property Development Co., Ltd.

Reporting Standard

The Report has been prepared in accordance with the "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx ESG Reporting Guide"). The Report has been reviewed and approved by the board of directors of the Company.

Contact & Feedback

The Group values your feedback and opinion on the Report. Please feel free to contact us through our email at kasen@kasen.imsbiz.com.hk.

ABOUT THE GROUP

Corporate Mission
To achieve green production, pionner in the environmental protection aspect, leading company in China and among the best in the world

Core Values
To achieve harmonic development between the employees, company and community

Corporate Vision
To build a renowned world-class brand

The Group primarily engages in the (1) manufacturing and trading of the upholstered furniture and (2) tourism and property development. We uphold our belief to stand firmly on the ground of high-quality furniture and hold tightly to our values in providing a positive influence to the society. Our people-oriented approach drives us to a development path with the support of an inclusive and dedicated taskforce. Through enormous effort, we and our employees can maximise the values for the Group to grow and lead to the Company's goal. We not only care about the Company's growth, we also care about our employees. Their safety and development are our key objectives in conducting our businesses.

Corporate Social Responsbility
To bear the responsibility and return to the society to create harmonic environment for all stakeholders

Safety Objective
To value safety more than production and life higher than everything

Quality Objective
To pursue product excellence and maunfacture artistic and fine products that satisfy our customers

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

To maintain a close relationship with our stakeholders and understand their needs, we regularly communicate with them via various channels. By addressing their concerns and opinions, we can develop a business sustainably in long term.

Types of stakeholder group	Communication channels
Investors and shareholders	• Company website • Company’s announcements • Annual general meeting • Annual and interim reports
Customers	• Company website • Customer direct communication • Customer feedback and complaints
Employees	• Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers	• Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g. emails, meetings, on-site visit etc.)
Government authorities and regulators	• Documented information submission • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops
Communities	• Company website • Community activities

We conducted a materiality assessment in form of an online questionnaires to collect opinions from our stakeholders. The questionnaires cover 27 ESG issues, which the stakeholders rank their perception on the respective importance and relevance of the issues to our stakeholders and the business. Topics include the environmental protection, employment standard, community involvement and operational practices. The methodology of our material assessment is outlined below.

Stage 1
Identify and map a list of ESG topics

Stage 2
Conduct stakeholder engagement

Stage 3
Prioritize the most material ESG topics

Stage 4
Reivew the result for reporting and performance enhancement

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT (cont'd)

By assessing the materiality of each ESG issues as expressed by our stakeholder, the ESG issues are prioritized and illustrated in the materiality matrix below. The issues which fell in the upper right corner of the matrix were defined as the topics that matter most on the Group's business operation and concern by our stakeholders.

From the result, the Group understands the relevant importance and prioritises our focuses on the issues including environmental and social-economic compliance, and our product excellence that determines the customer satisfaction, customer service quality and customer health and safety. Aligning with the company values and mission, the Group strives our best to excel in these ESG aspects by paying attention to the ever-changing laws and regulations and building on the product quality.

Environment

1 Air emission
2 Greenhouse gas emission
3 Climate change
4 Energy efficiency
5 Water and effluents
6 Use of materials
7 Waste management
8 Environmental compliance

Employment

9 Labour rights
10 Labour-management relations
11 Employee retention
12 Diversity and equal opportunity
13 Non-discrimination
14 Occupational health and safety
15 Employee training
16 Employee development
17 Prevention of child labour and forced labour

Operation

18 Customer satisfaction
19 Customer service quality and complaints handling
20 Customer health and safety
21 Marketing and product and service labelling compliance
22 Intellectual property
23 Customer privacy and data protection
24 Responsible supply chain management
25 Business ethics
26 Socio-economic compliance

Community

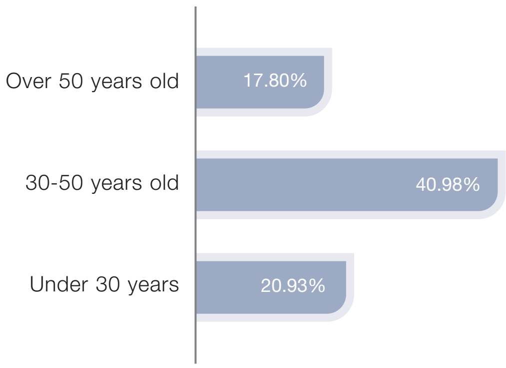
27 Community support

OUR EMPLOYEES

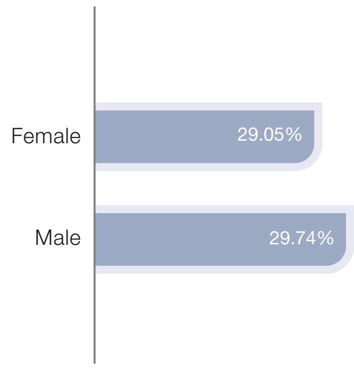
Employment Conditions

Adhered to our people-oriented Human Resource Policy, we adopt equal and fair policy in recruiting our employees. We endeavour to maintain an inclusive and collaborative working environment where our employees can devote to work and maximize their capability. Standardized procedures in recruitment process and employment from various recruitment channels allow us to better plan for manpower and resources that are suitable for our business development. Our employees are entitled with paid leaves (marriage leave, parental leave and family reunion leave), medical insurance and pension. Apart from complying with the Labour Law of the PRC and Labour Contract Law of the PRC, we also provide study subsidies, meal allowance, travelling allowance and housing to eligible employees to retain the talent within the Group. In the Reporting Period, the turnover rate is 29.51%.

Turnover Rate (Age Group)



Turnover Rate (Gender)

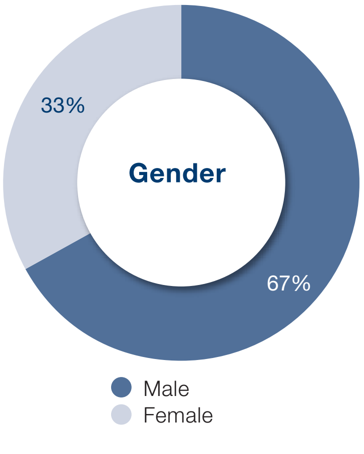


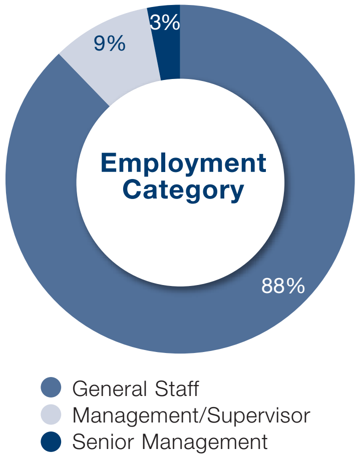
Turnover (Number of Employee)	FY2020
By age group	
Under 30 years	**18**
30-50 years old	**125**
Over 50 years old	**42**
By gender	
Male	**124**
Female	**61**
By geographical region	
Mainland China	**185**

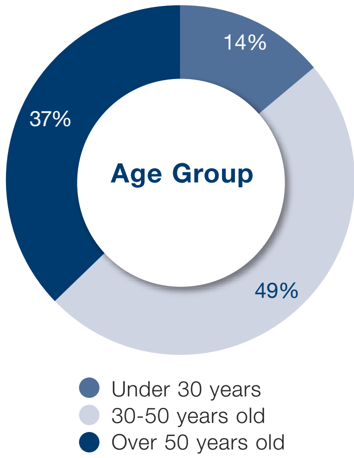
OUR EMPLOYEES (cont'd)

Employment Conditions (cont'd)

All employees are equally reviewed during the promotion process. We solely assess their ability and work attitudes based on the job ethics, work efficiency, work performance, attitude and discipline. Different composition of the employees' profiles can provide diverse ideas and opinions in driving the company development. As of December 31, 2020, the total number of employees in our Group is 627 and the distribution of employee's profiles is presented below:







Staff Information	FY2020
Total number of employees[1]	**627**
By employment type	
Permanent	**627**
Part-time	**0**
By employment category	
General Staff	**553**
Management/Supervisor	**57**
Senior Management	**17**
By age group	
Under 30 years	**86**
30-50 years old	**305**
Over 50 years old	**236**
By gender	
Male	**417**
Female	**210**
By geographical region	
Mainland China	**627**

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare in China.

[1] The number of staff information is presented in headcount as of December 31, 2020.

OUR EMPLOYEES (cont'd)

Healthy and Safe Workplace

Develop a Safe and Healthy Workplace

Safety of our employees is always prioritized before our production process. As governed by our Occupational Health and Safety ("OHS") Management Procedures, an OHS representative is dedicated to implement the safety commitment and strengthen the management of safety issues including supervision of the protection facilities and regular inspection. Committed to the Law of the PRC on the Prevention and Treatment of Occupational Diseases, we offer medical screening and checking to identify potential health symptoms induced by the workplace. Their health is protected by strict implementation of preventive measures and safety training. At high risk locations, we also provide adequate safety protection equipment. For example, protective masks, safety goggles and gloves should be worn for the welding operational procedures. To further reduce the occupational hazards, first aider or employee with first aid skills is stationed to provide immediate medical support.

We constantly review the safety protocols to identify gaps of safety hazards and seek for better and safer work environment. In response to emergencies, contingency plans are formulated to systematically prepare and respond to accidents swiftly such that the consequences can be minimized. We make sure that we are ready for high-risk situations such as fire, leakage of hazardous chemicals, electric shock etc. After incidents happen, immediate investigation must be carried out to evaluate the root causes and execute improvement plan.

We consider the well-being and quality of the working environment in the factories. In prevention of the pests or diseases from storing the natural materials, environmental hygiene at the factories is highly emphasized. We set up guidelines regarding the implementation of measures such as cleaning, applying pesticides, maintaining the site tidiness and testing the concentration of the toxic substances for our employees to follow.

In our construction projects, safety issues are the major concerns and therefore our contractors are encouraged to implement adequate site safety precaution measures and strictly comply with the national laws and regulations in protecting our employees.

Safety Training

Training can always enrich the knowledge and awareness on the safety issues. One of the major concerns is fire safety in our production facilities. In promoting the importance of the issue, regular drill is organized to refresh their skills and knowledge on the fire emergency preparedness. During the Reporting Period, we were not aware of any non-compliance with the laws and regulations regarding the occupational health and safety issues and did not have any work-related fatalities or lost days due to work injury.

OUR EMPLOYEES (cont'd)

Healthy and Safe Workplace (cont'd)

Development and Training

We invest vast resources to provide training to our employees, nurturing them to achieve career development goals, which leads to the continuous and successful growth of the Group. In creating a good learning environment, we formulate annual training plan to design comprehensive training sessions for our employees to meet our training objectives and their needs. We arrange orientation training and job specific training regularly to enhance their personal development, management techniques and job speciality skills. Subsidies are also provided to eligible employees who seek for professional qualification and certification.

Orientation Training

Our new recruits are required to attend orientation training to understand corporate history, company culture, management systems and safety knowledge in order to easily integrate into the work environment.

Development Training

We strive to enhance the technical skills of our employees through internal and external training. It ensures our employees to keep abreast of the latest industrial knowledge that creates additional values and skills in the Group.

Specific Job Training

We provide professional and technical training to the employees who require to acquire specific knowledge in the job position to enhance the work efficiency and productivity.

By considering the operational practices of each department, we formulate a plan to tailor to actual training needs. The training plan determines the types of programmes that should be organised in the year, which every department should follow. Our Human Resource Department takes the lead to organize and manage the training effectiveness, thereby collecting opinions from our employees who participate in the training to assess the training outcome. After having reviewed the feedback on the training, recommendations are made to improve the training quality and its practicability.

Need Identification → Planning → Execution → Assessment → Evaluation

OUR EMPLOYEES (cont'd)

Development and Training (cont'd)

In the Reporting Period, we focused on providing training on the internal management to refine the company procedures and processes in production management, product quality enhancement and procurement planning etc.

FY2020	Number of Staff trained (Percentage)	Average Training hours (hours)
Staff Training	**19 (3.03%)**	**0.27**
By employment category		
General Staff	**10 (1.81%)**	**0.15**
Management/Supervisor	**8 (14.04%)**	**1.44**
Senior Management	**1 (5.88%)**	**0.29**
By gender		
Male	**15 (3.60%)**	**0.32**
Female	**4 (1.90%)**	**0.16**

Bonding with our Employees

Kasen endeavours to cultivate our employees by building a caring and understanding culture. Establishing a relationship with them is always our aspiration, which not only increases their sense of belongs, but also boosts the work efficiency. We develop our culture through daily practices and organize leisure activities from time to time to support the work-life balance.

On June 19, 2020, we celebrated the Dragon Boat Festival with our female employees. We organized activity to learn and make zongzi together. We shared the joy in this tradition.

On October 24, 2020, we held activities to promote the modern lifestyle in environmental promotion, energy conservation and ethical achievement, in exchange of the ideas of healthier, greener and safer living standards. About 20 employees visited the exhibition and gained more insight into the community development.

PRODUCT RESPONSIBILITY

Maintain High Quality Standard

Our upholstered furniture is produced with the highest quality standards by implementing an accredited ISO 9001:2015 Quality Management System. We achieve product excellence through engagement of management, quality, production and technical departments to take part in each production stage for controlling and safeguarding our product quality. In addition, supervision and testing on raw materials, semi-products and the final products are conducted to enhance the conformity of the regulations as well as the internal standards.

To ensure our product safety and quality, we adopt the following measures:

Product Design

We identify potential safety and risk factors and design preventative measures in early stage based on the end users' needs.

Raw Material

Raw materials from our suppliers are checked through sampling and verification of the testing report. Their products is regularly assessed to ensure continuous quality supply.

Production

Our quality department is responsible to control the quality of our products and inspect the quality and safety of the products. The checklist and principles to test the quality of our products are established. In preventing mixing or unintentional use of unqualified products or semi-products, we offer quality trademarks to differentiate the products.

Our production and technical departments ensure the facilities and working locations are safe for production, and supervise the manufacturing process to fulfill the technical and quality requirements.

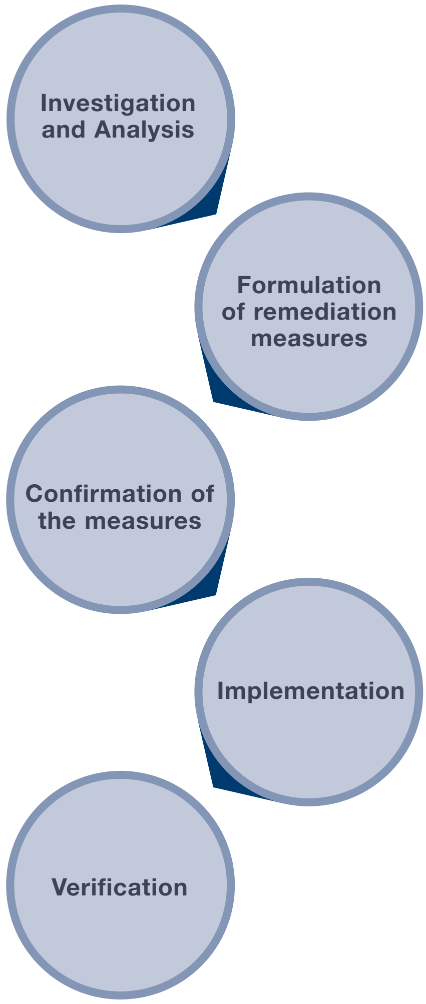
Shipment & Products

The final spot-check is done to secure the product quality before shipping. All our products are provided with product manuals and instructions on the safety precaution and operating methods. To further provide guarantees to our products, we offer a one-year warranty period if deficiency is caused by our product quality.

PRODUCT RESPONSIBILITY (cont'd)

Product Improvement and Customer Handling

We are proud of our product quality and listen to the opinions of our customers to drive continuous improvement. To better communicate with them, we establish several communication channels such as telephone, mail and emails etc. The unqualified product quality control procedures and improvement control procedures are in place to provide guidance on how to handle when the products are not up-to-standard. At any stage where products are identified with quality problems, we actively identify the root causes in order to seek for solutions. An improvement plan must be formulated and implemented to rectify the situation. If the quality issues are irreversible and relate to product safety and hygiene, we will dismantle the products to protect the health and safety of our customers. In the Reporting Period, no products sold or shipped was subject to recalls for safety and health reasons and no significant complaint was received regarding our products and services.



Privacy and Intellectual Property Rights Protection

In protecting the business secret and confidentiality of our customers and partners, information such as documentation, samples, production information, financial documents are not allowed to disclose unless prior approval is obtained. Our standards are clearly stipulated in the employee handbook for our employees to follow.

We highly value intellectual property right and product trademarks in conducting our business. The brand name is related to our success and confidence of customers to choose our products. To protect and develop our brand reputation, the Trademark Management Practices is set up to provide guidelines and conditions in appropriate use of company trademarks. Our subsidiaries are required to obtain authorization from the Company prior to the adoption of trademarks. In the new emerging markets, we also take consideration in registering the trademarks to preserve our brand.

ETHICAL BUSINESS

Prevention of Child and Forced Labour

We highly respect human rights and do not set aside the child and forced labour concerns. We commit to ethic production and establish "Prohibit the use of child labour and child labour rescue procedures" to prevent and remediate when such events are identified. In accordance with the laws and regulations including Provisions on the Prohibition of Using Child Labour, employing labour with age under 16 is strictly forbidden in our Group. The message is clearly expressed to our employees during the recruitment and orientation process. The identification documents are checked before employment to ensure no falsified information is provided. In preventing any omissions or chances to pass others off as our employees, we verify their identity within the first month and spot check as considered necessary. Under any circumstance when child labour is identified, we will be responsible to send the child back and provide necessary assistance. For the youth employees aged under 18, we abide by the Law on the Protection of Minors of the PRC. When the tasks involve significant safety and health risk concerns, night-shift or overtime works, we will not assign these tasks to them. We make every effort to protect their well-being and regularly examine their health condition.

Prevention of Forced Labour Policy is also formulated to protect the freedom of our employees. They are bound to their free-will in recruitment, dismissal and over-time works. We strictly prohibit any forms of actions that limit their freedom by setting procedures and examples of unethical activities such as mandate overtime work, use of intimidation and retention of wages. We establish compliant channels (e.g. opinion box, report to employees' representative) so that our employees can report their recommendations and opinions. If violation of the policy is reported or identified, investigation will be conducted. The policies are also extended to our suppliers or distributors in undertaking their social responsibility.

Anti-corruption

Integrity is the core foundation of the business development and collaboration with our business partners. We hold a strong position to prevent our employees from engaging in any forms of corruption, bribery and fraud. As governed by our Anti-Corruption Policy, our employees cannot take advantage of their position or company information in exchange of benefits from our business partners. To reinforce the commitment towards a business integrity culture, we work together with our employees and require them to sign the commitment letter where the integrity clauses are listed. In the Reporting Period, we provided 4 hours of training on the anti-corruption topics to our employees.

Whistleblowing channel is set up to welcome our employees to report any suspicious cases through anonymous letter, opinion box, phone call or meeting. Our Integrity Management Team is responsible to manage and conduct investigation to the filed cases. Employees who breach corruption or confidentiality regulations are subject to disciplinary actions, dismissal or even lawsuit. The Group was not aware of any non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering during the Reporting Period and did not have any concluded legal cases of these issues.

SUPPLY CHAIN MANAGEMENT

Responsible supply chain management is the Group's value to ensure high quality and ethical products. For new suppliers, we take into account of the technical and production capability, quality control procedure and price. Samples and testing reports are required from suppliers to assess if their quality and performance can reach our standards. Besides, we look for suppliers that have guarantees on the company management towards ESG issues. Factors such as quality standards adopted, implementation of an effective management system such as ISO 14001 or ISO 9001, R&D capability, provision of employee training etc. are evaluated. In addition, we look for suppliers that provide significant contributions in improving environmental performance of their company. By putting more consciousness on the use of materials in our production process, we make effort to procure environmental friendly materials in terms of the recyclability, pollution level and potential environmental hazards.

We opt for a continuous improvement of the quality of our products. To maintain the standards of our suppliers, regular performance assessment is conducted to evaluate their quality, delivery time, price and after-sale service. Our procurement centre, planning department and the technical support department are responsible to rank their performance and promote the suppliers to strive for better performance by increasing procurement from outstanding suppliers. Suppliers who do not fulfil our requirements are required to remediate and enhance their preventive measures. In case improvement is not observed, we may terminate the contract with them.

In addition, we exert our influence to the suppliers in achieving higher social standards. They are encouraged to comply with our social responsibility policy, such as child or forced labour policy. Integrity letter is also signed with our suppliers as well as the procurement staff to ascertain their commitments on anti-corruption, fraud and bribery issues.

In the Reporting Period, there were 709 suppliers, which are mainly sourced from the local context to support the community development and local employment.

Total number of suppliers	**FY2020**
By geographical region	
Mainland China	**708**
Canada	**1**

RESPONSIBLE CITIZEN

Our core values are to maintain a harmonic and cooperative relationship in the society. Being part of the society, we spare no effort to contribute in the community and encourage our employees to participate more in social events. In the Reporting Period, we joined the social events such as supporting the tree planting, caring of the nurturing homes and volunteering for guiding traffic safety. We donated approximately RMB140,000 to support the community and volunteered for 185 hours in the Reporting Period.

Combat COVID-19

In facing the COVID-19, Kasen takes its society reponsibility to protect our stakeholder's benefits. Apart from carrying out a a series of prevention measures such as adopting the principle of isolation and education, our employees devote to volunteer and donate to defend the pandemic. With our effort put in combating the COVID-19, we are able to minimize its impact to our business operation.

Visit of Nurturing Home

Voluteering Work – Traffic Safety Guidance

PROTECTING OUR ENVIRONMENT

Clean Production

- Reduce pollutant emission at sources and increase the production efficiency by optimization of the manufacturing process and selection of appropriate equipment;
- Use of advanced technology and high efficient facilities to promote the resource management;
- Improve the environmental consciousness of the employees; and
- Attain environmental or clean production certification.

Kasen believes that our long-term growth is closely linked to environmental protection. We take a step forward to reduce our impact to the environment by adopting clean production strategies. We invest to reduce the emission, consumption and waste generation from our manufacturing process such that we can continuously improve our performance over years. During the Reporting Period, we were not aware of any breaches of environmental laws and regulations.

Energy Efficiency

Energy Policy

- To enhance energy management, unnecessary consumption should be reduced and the energy efficiency should be increased;
- The energy management policy and practices should be complied with all the relevant laws and regulations;
- Awareness of our employees in energy conservation should be raised and the new technology and facilities should be promoted; and
- Every employees have obligations to participate in energy conservation works.

We emphasize the importance of energy conservation in our business by setting up an Energy Policy. We require our employees and departments to take a role in the energy conservation by outlining their responsibility in the policy. A leading team is established to make decisions on the energy management, with the support of different departments and production workshops. They are held responsible to strictly comply with energy-related laws and regulations, formulate energy-saving plans, review the reduction progress, promote energy saving, organize training and implement the plans.

PROTECTING OUR ENVIRONMENT (cont'd)

Energy Efficiency (cont'd)

We outline daily practices to keep energy consumption record for future review and analysis, and provide guidelines on ways to conserve energy with an objective to avoid unnecessary use of electricity, prevent breakdown of system and improve production efficiency. In the production facilities, we adopt more advanced and energy efficient equipment to reduce the overall electricity consumption. Some of the equipment can vary and allocate sufficient electricity based on the working condition to minimize unnecessary consumption. Maintenance and calibration of equipment further reduces the use of electricity.

In our property development business, we incorporate sustainability considerations when designing the properties. Adoption of energy saving features is a way to improve the building footprint.

Case Study: In striving for a more energy efficient property development, our development project in Asia Bay embeds the energy conservation designs including:

- Use of better roof and wall insulation materials;
- Use of solar water heating system on rooftop;
- Select energy efficiency lighting fitment with lighting control system such as motion sensor, on-off switch and timer;
- Utilize the daylight to control the lighting zoning and the amount of artificial lights;
- Adopt the high energy efficient generator; and
- Utilize the pressure from the grid to supply water directly without using much energy in pumping etc.

Total amount	Unit	**FY2020**	FY2019
Total Energy	Gigajoules ("GJ")	**18,844**[2]	15,513
Direct Energy[3]	GJ	**8,662**	10,508
Indirect Energy[4]	GJ	**10,182**	5,004
Total Energy Intensity[5]	GJ/Full-time Employee ("FTE")	**35.16**	28.26
	GJ/Revenue (Millions RMB)	**27.28**	–

2 Due to the change in reporting scope, the energy consumption increased in the Reporting Period.

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

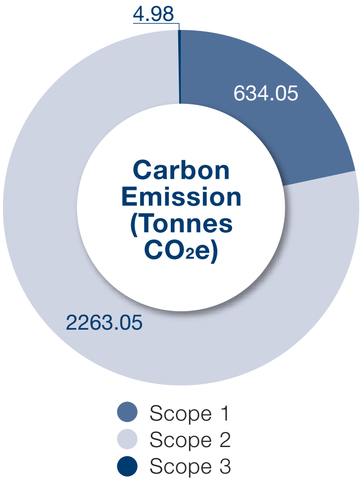
4 Indirect energy consumption includes the electricity use.

5 The calculated approach of the intensity unit is updated and the intensity in terms of revenue is included to represent diverse business profile.

PROTECTING OUR ENVIRONMENT (cont'd)

Carbon Emission

The global issues like climate change become prominent and gradually affect many business operations. In response to the potential impact, we commit to minimizing our greenhouse gases emission. Majority of our carbon footprint comes from the consumption of electricity, which accounts for about 78% of our emission. Therefore, we make most effort on reducing the electricity consumption, which is detailed in the Energy Efficiency Section. In the Reporting Period, about 2,902.08 tonnes of carbon dioxide equivalent emission ("CO_2e") was generated from our business. Scope 1 accounts for 634.05 tonnes CO_2e while Scope 2 accounts for 2,263.05 tonnes CO_2e.



Amount	Unit	**FY2020**	FY2019
Total GHG emission[6]	Tonnes CO_2e	**2,902**	1905[7]
Intensity	Tonnes CO_2e/FTE	**5.41**	3.42
	Tonnes CO_2e/Revenue[8] (Millions RMB)	**4.20**	–

Air Emission

Major air pollutants in upholstered furniture business are generated from the canteen and waste gases from the manufacturing process. In mitigating the air pollution, we implement control measures to divert polluting exhaust from the manufacturing facilities to the purification system for centralised treatment. All the emissions must comply with the environmental regulations and standards before emission. In addition, maintenance of equipment can reduce the malfunctioning and prevent accidental emission of large amount of air pollutants. Frequent inspection and repairing are therefore conducted to ensure the proper functioning. For the exhaust from the staff canteen, we also install the exhaust hoods to collect the waste gases.

6 Total GHG emission included Scope 1, Scope 2 and Scope 3 Emission. Scope 1 and Scope 2 include the emission from the use of fuel and electricity respectively. Scope 3 represents the emission from business travel. Increase in GHG emission is due to the change in reporting scope.

7 The carbon emission is restated due to the change in calculation approach.

8 The calculated approach of the intensity unit is updated and the intensity in terms of revenue is included to represent diverse business profile.

PROTECTING OUR ENVIRONMENT (cont'd)

Waste and Wastewater Management

Production waste, containers of the adhesives and domestic waste are the key waste generated from our production process. It is our responsibility to carefully handle and dispose the waste. A policy is outlined to maximize the recycling of the useful materials such as scraps. Containers of the adhesives are recycled and reused by the suppliers as far as possible. Other waste that cannot be recycled must be collected by licensed contractor or government body, in accordance with the laws and regulations including Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste and Regulation on Zhejiang Province on the Prevention and Control of Environmental Pollution by Solid Waste.

In producing the furniture, no wastewater is generated. Our main emission source is the domestic wastewater from toilets and canteens. The wastewater from toilets must pass the septic tanks for treatment, while the wastewater from canteens must pass the oil intercepting tank prior to discharge to ensure the wastewater quality comply with the regulatory requirements. In addition, to reduce the water consumption, we educate our employees to be more conscious when consuming water and install water efficient taps.

Use of Resources

Although the office operation do not pose a significant environmental impact on emission or resource use, we believe to reduce our environmental footprint through consistent actions and commitment. By implementing green initiative in our offices, we can raise awareness of the employees and create a green culture. Therefore, we promote following actions in efficient consumption of our resources in our office.

Paper consumption

- Double-sided printing
- Use electronic tools to exchange informaiton
- Optimize the web office system and authorize the distribution of information through internet e.g. email

Electricity consumption

- Use efficient lightings
- Avoid standby of the electricity appliances and turn off the power before leaving
- Control the temperature of the offices

Water consumption

- Turn off the faucets after use to prevent dripping
- Use of high pressure watering to wash the cars
- Strengthen the inspection on the water pipes system

Office equipment

- Discard discs and computer equipment in an environmental friendly manner
- Limit the use of batteries as far as practicable and collect for centralised disposal

PROTECTING OUR ENVIRONMENT (cont'd)

Use of Resources (cont'd)

To closely monitor the consumption of resource in our business operation, we record the use of electricity, water and packaging material used in the Reporting Period. Total 2,828 Megawatt hours ("MWh") of electricity in the factories and the property development project were consumed, with an intensity of 5.28 MWh per FTE and 4.09 MWh/Revenue (Millions RMB). The water consumption was 282,584 m^3. In the Reporting Period, the Group was not aware of any issue in sourcing of water.

In our production process, packaging materials such as wrapping paper and cardboxes are used. The Group always look for ways to reduce the use of packaging materials and 3,159 tonnes of packaging materials were consumed in the Reporting Period.

Total amount[9,10]	Unit	**FY2020**	FY2019
Electricity	MWh	**2,828**	1,390
Intensity	MWh/FTE	**5.28**	2.53
	MWh/Revenue (Millions RMB)	**4.09**	N/A
Water	m^3	**282,584**	91,035
Intensity	m^3/FTE	**527.21**	165.82
	m^3/Revenue (Millions RMB)	**409.04**	N/A
Packaging material[11]	Tonnes	**3,159**	7,555
Intensity	Tonnes/product	**0.01**	0.03
Waste recycled	Tonnes	**N/A**[13]	107.2[12]
Intensity	Tonnes/FTE	**N/A**	0.20

9 The total amount of resource consumption increased due to the change in reporting scope.

10 The calculated approach of the intensity unit is updated and the intensity in terms of revenue is included to represent diverse business profile.

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

12 The waste recycled in FY2019 includes the scrap of the furniture.

13 Information of the recycled waste from the service provider is not available and the Group will seek alternate solution to record this amount.

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.	Protecting Our Environment
KPI A1.1	The types of emissions and respective emissions data.	Protecting Our Environment
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment – Carbon Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No hazardous waste was produced during the Reporting Period
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment – Waste and Wastewater Management

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Protecting Our Environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Protecting Our Environment – Waste and Wastewater 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.	Protecting Our Environment – Waste and Wastewater Management/Use of Resources
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).	Protecting Our Environment – Energy Efficiency/Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment – Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Protecting Our Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Protecting Our Environment – Use of Resources

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.	Protecting Our Environment – Use of Resources
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Protecting Our Environment – Use of Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protecting Our Environment – Use of Resources
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.	Our Employees – Employment Condition
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our Employees – Employment Condition
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our Employees – Employment Condition

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
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.	Our Employees – Healthy and Safe Workplace
KPI B2.1	Number and rate of work-related fatalities.	Our Employees – Healthy and Safe Workplace
KPI B2.2	Lost days due to work injury.	Our Employees – Healthy and Safe Workplace
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our Employees – Healthy and Safe Workplace
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.	Our Employees – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Employees – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees – Development and Training

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
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 or forced labour.	Ethical Business – Prevention of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Ethical Business – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Ethical Business – Prevention of Child and Forced Labour
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
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.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Improvement and Customer Handling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Product Improvement and Customer Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Privacy and Intellectual Property Rights Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Maintain High Quality Standard/Product Improvement and Customer Handling
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Privacy and Intellectual Property Rights Protection

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
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.	Ethical Business – Anti-corruption
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.	Ethical Business – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Ethical Business – Anti-corruption
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.	Responsible Citizen
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Responsible Citizen
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Responsible Citizen

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TO THE SHAREHOLDERS 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 75 to 178, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 judgment, 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)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of properties under development and held for sale Refer to notes 6 and 27 to the consolidated financial statements	
The carrying value of the Group's properties under development and held for sale located in the People's Republic of China (the "PRC") as at December 31, 2020 was RMB2,518 million, net of provision for impairment loss for properties under development and held for sale of RMB44 million, represented approximately 40.2% of the total assets of the Group. For impairment assessment purposes, the management of the Group determined the net realisable value of properties under development and held for sale by reference to estimates of the selling prices based on prevailing market conditions in the PRC, applicable selling expenses, and anticipated costs to completion. We identified the impairment of properties under development and held for sale as a key audit matter due to the determination of net realisable value involves significant degree of judgments by the management.	Our audit procedures in relation to the management's assessment for impairment of properties under development and held for sale included: • Evaluating the appropriateness of the management's methods for the assessment of net realisable value of properties under development and held for sale. • Assessing the net realisable value of properties under development and held for sale determined by the management on a sample basis, by reviewing the latest selling prices achieved in the similar projects, management's estimates for selling prices, management's anticipated costs to completion and estimates on selling expenses. • Challenging the reasonableness of key assumptions and critical judgments used by management in the determination of net realisable value based on our knowledge in the real estate industry in the PRC.

KEY AUDIT MATTERS (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss ("ECL") assessment of trade and other receivables Refer to notes 6 and 28 to the consolidated financial statements	
The carrying value of the Group's trade and other receivables as at December 31, 2020 was RMB1,181 million, net of allowance for doubtful debt of RMB102.1 million and represented approximately 18.6% of the total assets of the Group. RMB448.9 million of these balances are financial assets and subject to impairment loss assessment under IFRS 9. 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 of trade and other receivables as a key audit matter due to the estimation of ECL involves significant estimates and judgments by the management.	Our audit procedures in relation to the management's assessment for impairment of trade and other receivables included: • obtaining an understanding of management's process of assessing the ECL of trade and other receivables including the use of provision matrix; • checking, on a sample basis, whether items in the trade and other receivables ageing report were classified within the appropriate ageing bracket, past repayment history and historical write-off were appropriate by comparing sampled items with the relevant supporting documents; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, reviewing the appropriateness of grouping of debtors with shared credit risk characteristics, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information, reviewing management's determination of whether debtors have significant increase in credit risk or credit impaired and assessing whether there was an indication of management bias when recognising loss allowances; • testing the accuracy of management's calculation of the allowance for credit loss for trade and other receivables recognised during the year and at year end.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs 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 are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 directors, 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.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, March 31, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	7	**1,260,266**	3,413,185
Cost of sales		**(840,771)**	(2,220,202)
Gross profit		**419,495**	1,192,983
Other income	8	**16,695**	17,649
Selling and distribution costs		**(89,890)**	(191,722)
Administrative expenses		**(206,256)**	(252,867)
Impairment loss on trade and other receivables, net of reversal	11	**(15,724)**	(13,307)
Other gains and losses	9	**93,323**	(42,045)
Finance costs	10	**(61,495)**	(47,127)
Profit before tax	11	**156,148**	663,564
Income tax expenses	13	**(60,528)**	(182,352)
Profit for the year		**95,620**	481,212
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income		**(1,080)**	(761)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income		**271**	190
		(809)	(571)
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		**(9,055)**	2,318
Total comprehensive income for the year		**85,756**	482,959
Profit/(loss) for the year attributable to:			
– Owners of the Company		**114,975**	444,958
– Non-controlling interests		**(19,355)**	36,254
		95,620	481,212

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTES	**2020**	2019
		RMB'000	*RMB'000*
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		**104,852**	446,891
– Non-controlling interests		**(19,096)**	36,068
		85,756	482,959
Earnings per share	*15*		
– Basic		**RMB7.70 cents**	RMB29.79 cents
– Diluted		**RMB7.70 cents**	RMB29.63 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

	NOTES	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**1,510,319**	1,618,576
Right-of-use assets	*17*	**189,421**	177,436
Investment in an associate	*18*	**300**	–
Intangible assets	*19*	**847**	1,383
Deferred tax assets	*24*	**60,938**	49,439
Prepayment for acquisition of plant and equipment	*20*	**13,775**	44,305
Deposits paid for acquisition of a subsidiary		**–**	8,000
Financial asset at fair value through other comprehensive income	*22*	**16,362**	17,442
Financial asset at fair value through profit or loss	*23*	**19,572**	–
Prepayment for acquisition of freehold and leasehold land	*21*	**117,448**	276,274
		1,928,982	2,192,855
CURRENT ASSETS			
Inventories	*25*	**96,148**	83,922
Properties under development for sale	*27*	**1,517,694**	1,431,249
Properties held for sale	*27*	**1,000,611**	1,048,009
Amounts due from non-controlling interests of subsidiaries	*31*	**35,283**	24,359
Trade and other receivables	*28*	**1,180,572**	1,111,709
Prepaid income tax	*29*	**49,844**	23,595
Prepaid land appreciation tax	*30*	**15,666**	10,497
Pledged bank deposits	*32*	**104,356**	46,093
Restricted bank deposit for property development business	*32*	**54,673**	111,037
Bank balances and cash	*32*	**297,684**	211,903
		4,352,531	4,102,373
CURRENT LIABILITIES			
Trade, bills and other payables	*33*	**812,979**	981,468
Lease liabilities – current portion	*34*	**16,511**	6,384
Contract liabilities	*26*	**807,851**	648,545
Bank and other borrowings – due within one year	*35*	**315,200**	309,660
Tax payable		**154,495**	239,674
Amounts due to non-controlling interests of subsidiaries	*36*	**105,122**	111,196
		2,212,158	2,296,927
NET CURRENT ASSETS		**2,140,373**	1,805,446
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,069,355**	3,998,301

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT DECEMBER 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**21,482**	22,015
Lease liabilities – non current portion	34	**42,844**	15,334
Bank and other borrowings – due after one year	35	**565,368**	600,435
		629,694	637,784
NET ASSETS		**3,439,661**	3,360,517
CAPITAL AND RESERVES			
Share capital	37	**1,712**	1,712
Reserves		**3,399,323**	3,294,471
Equity attributable to owners of the Company		**3,401,035**	3,296,183
Non-controlling interests		**38,626**	64,334
TOTAL EQUITY		**3,439,661**	3,360,517

The consolidated financial statements on pages 75 to 178 were approved and authorised for issue by the Board of Directors on March 31, 2021 and are signed on its behalf by:

Zhu Zhangjin, Kasen	**Zhou Xiaohong**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to owners 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
	RMB'000	*RMB'000*	*RMB'000* *(Note 39)*	*RMB'000* *(Note 39)*	*RMB'000*	*RMB'000* *(Note 39)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,959	3,190	1,508,256	3,296,183	64,334	3,360,517
Profit for the year	–	–	–	–	–	–	–	–	114,975	114,975	(19,355)	95,620
Other comprehensive income/(loss)	–	–	–	–	–	–	(809)	(9,314)	–	(10,123)	259	(9,864)
Total comprehensive income for the year	–	–	–	–	–	–	(809)	(9,314)	114,975	104,852	(19,096)	85,756
Deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(6,300)	(6,300)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(312)	(312)
At December 31, 2020	**1,712**	**1,470,892**	**171,276**	**167,983**	**4,618**	**(41,703)**	**9,150**	**(6,124)**	**1,623,231**	**3,401,035**	**38,626**	**3,439,661**

	Attributable to owners 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
	RMB'000	*RMB'000*	*RMB'000* *(Note 39)*	*RMB'000* *(Note 39)*	*RMB'000*	*RMB'000* *(Note 39)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	1,712	1,470,892	171,276	167,983	4,618	(41,703)	10,530	686	1,063,298	2,849,292	69,666	2,918,958
Profit for the year	–	–	–	–	–	–	–	–	444,958	444,958	36,254	481,212
Other comprehensive income/(loss)	–	–	–	–	–	–	(571)	2,504	–	1,933	(186)	1,747
Total comprehensive income for the year	–	–	–	–	–	–	(571)	2,504	444,958	446,891	36,068	482,959
Payment of dividend to a subsidiary's non-controlling interest	–	–	–	–	–	–	–	–	–	–	(41,400)	(41,400)
At December 31, 2019	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,959	3,190	1,508,256	3,296,183	64,334	3,360,517

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**156,148**	663,564
Adjustments for:			
Reversal of allowance for inventories, net		**(972)**	(338)
Amortisation of intangible assets	19	**535**	323
Provision of financial guarantees	47	**–**	19,851
Release of financial guarantees	47	**(6,617)**	(6,617)
Depreciation of property, plant and equipment	16	**75,775**	77,514
Depreciation of right-of-use assets	17	**16,082**	10,123
Finance costs	10	**61,495**	47,127
Net provision of impairment loss recognised in respect of trade and other receivables		**15,724**	13,307
Impairment loss recognised in property, plants and equipment	16	**–**	22,000
Reversal of loss recognised in respect of property under development and held for sale, net		**–**	(165)
Change in fair value of financial asset at fair value through profit or loss		**2,093**	–
Interest income	8	**(1,021)**	(3,250)
Loss allowance on amount due from a subsidiary upon deconsolidation		**18,501**	–
Gain on disposal of right-of-use assets	9	**(49,071)**	–
(Gain)/loss on disposal of property, plant and equipment	9	**(70,455)**	1,834
Loss on disposal of subsidiaries	9	**5,565**	–
Operating profit before movements in working capital		**223,782**	845,273
Decrease in properties under development and held for sale		**111,655**	1,175,213
Decrease in restricted bank deposits		**56,364**	374,819
(Increase)/decrease in inventories		**(12,516)**	2,172
Increase/(decrease) in contract liabilities		**160,153**	(2,198,060)
(Increase)/decrease in trade and other receivables		**(26,332)**	52,832
Decrease in trade, bills and other payables		**(169,743)**	(141,641)
Cash generated from operations		**343,363**	110,608
Land Appreciation Tax ("LAT") paid		**(45,962)**	(27,204)
Income taxes paid		**(133,536)**	(98,065)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**163,865**	(14,661)

	NOTES	**2020**	2019
		RMB'000	*RMB'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(107,544)**	(177,110)
Deposits paid for acquisition of a subsidiary		**–**	(8,000)
Purchase of intangible assets		**–**	(876)
(Increase)/decrease of pledged bank deposits		**(58,263)**	37,559
Payment of subscription of unlisted investment fund		**(23,337)**	–
Capital injected for formation of an associate		**(300)**	–
Decrease in amounts due from non-controlling interest of subsidiaries		**18,278**	16,259
Deposits refunded for acquisition of property, plant and equipment		**–**	5,695
Interest received		**1,021**	3,250
Proceeds from disposal of property, plant and equipment		**112,403**	907
Proceeds from disposal of right-of-use assets		**55,313**	–
Net cash inflow from disposal of subsidiaries	*41*	**4,408**	–
NET CASH GENERATED FROM /(USED IN) INVESTING ACTIVITIES		**1,979**	(122,316)
FINANCING ACTIVITIES			
Bank and other borrowings raised		**429,822**	750,114
Repayment of bank and other borrowings		**(458,839)**	(740,283)
Dividend paid to a subsidiary's non-controlling interest		**–**	(41,400)
Interest paid		**(59,521)**	(63,530)
Interest elements of lease rentals paid		**(1,974)**	(994)
Capital elements of lease rentals paid		**(13,728)**	(5,588)
NET CASH USED IN FINANCING ACTIVITIES		**(104,240)**	(101,681)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**61,604**	(238,658)
Effect of changes in exchange rates		**24,177**	(7,147)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**211,903**	457,708
CASH AND CASH EQUIVALENTS AT END OF YEAR		**297,684**	211,903
Represented by:			
Bank balances and cash		**297,684**	211,903

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since October 20, 2005. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information attached to the annual report.

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

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of upholstered furnitures; (ii) properties development; and (iii) tourism resort-related operations.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs

The Group has applied the following new or amended IFRSs that are first effective for the current accounting period, the Directors of the Company consider the adoption of these new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

Amendments to IAS 1 and IAS 8	Amendment to definition of materiality
Amendments to IFRS 3 (Revised)	Definition of a business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
IFRSs (Amendments)	Conceptual Framework for Financial Reporting (Revised)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (cont'd)

(b) New or amended IFRSs that have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current [4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use [2]
Amendments to IFRS 16	Covid-19-Related Rent Concessions [6]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract [2]
IFRS 17	Insurance Contracts and the related Amendments [4]
Amendments to IFRS 3	Reference to the Conceptual Framework [3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 [1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 [2]

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

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.

4 Effective for annual periods beginning on or after January 1, 2023.

5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

6 Effective for annual periods beginning on or after June 1, 2020.

The Directors of the Company do not anticipate that the application of these amendments in the future will have material impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Hong Kong Companies Ordinances.

(b) Basis of measurement

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

4. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 ("Covid-19") in early January 2020 and certain quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group, including decrease in sales orders from certain overseas customers in the first half of 2020 and deteriorates in performance of other segment, mainly tourism related services. Certain development plans of the Group has also been affected during 2020. As at December 31, 2020, all of the Group's manufacturing and other facilities are operational despite the global economy remain amid the Covid-19 pandemic.

The Directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates and the developments the Group plans.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the note to the consolidated financial statements that disclose the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 as applicable, as the cost on initial recognition of an investment in an associate or a joint venture.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profit and loss arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue from contracts with customers

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Consideration from contracts with customers is recognised as revenue over a period of time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the Group applies the practical expedient in IFRS 15 of not adjusting the transaction price for the effects of any significant financing component.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue from contracts with customers (cont'd)

Further details of the Group's revenue and other income recognition policies are as follows:

Manufacture and trading of upholstered furniture

Revenue from sale of upholstered furniture is recognised 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.

Properties development in the PRC

Revenue from sale of properties developed for sale in the PRC in the ordinary course of business is recognised at the point in time when the properties development completed and control of completed property 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 recognise 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 properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see below). There is generally only one performance obligation (which is delivery of completed properties) and the consideration include no variable amount.

Other services

Revenue from provision of travel and tourism-related services (including package tours services conducted by the Group as the principal), resort operation and provision of property management services by the Group itself are recognised over time by input method during the period of relevant services rendered as management consider it would faithfully depict the ways customers simultaneously receive and consume the benefits provided by the Group's performance.

Revenue from catering operation and other services are recognised 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.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis (i.e. package tours services conducted by the Group) if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue from contracts with customers (cont'd)

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Contract balances

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Incremental cost to obtain a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The Group has applied the practical expedient in IFRS 15 which permit the Group to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group would otherwise have recognised is one year or less.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment other than construction in progress and freehold land are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Assets in the course of construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss.

Properties under development and held for sale

Properties under development for sale represent leasehold 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 held for sale are transferred to Property, plant and equipment at carrying amount upon commencement of owner-occupation. Properties under development and held for sale are stated at the lower of cost and net realisable value. Cost 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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) Accounting as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component for all leases.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of underlying assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised initially at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Subsequent to initial recognition, the Group applies the cost model to measure the right-to-use assets. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets in which the group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasing (cont'd)

(i) Accounting as a lessee (cont'd)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The lease payments include: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(ii) Accounting as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with accounting policy for "revenue from contracts with customer".

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including mandatory provident fund scheme and state-managed retirement benefit scheme, are recognised as expenses when employees have rendered service entitling them to the contributions.

Share-based payments transactions

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 recognised in profit or loss such that the cumulative expenses reflects the revised estimate with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised 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 recognised in share option reserve will be transferred to retained earnings.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the assets and is included in profit or loss in the period when the asset is derecognised.

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.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the income statement immediately.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("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 fair value through other comprehensive income. 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 recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

i) *Financial assets* (cont'd)

Debt instruments (cont'd)

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss 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 amortised 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 fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, 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 instruments

On initial recognition of an equity investment that is not held for trading and this is not contingent consideration recognised by an acquirer within the scope of 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 recognised 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 profits. Dividends from investments in equity instruments at FVTOCI are recognised 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 recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

ii) Impairment loss

The Group recognises a loss allowance for expected credit losses ("ECL") on financial instruments which are subject to impairment under IFRS 9 (including trade receivables and other receivables and other debt financial instruments, and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies (if available), as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

ii) Impairment loss (cont'd)

(a) Significant increase in credit risk (cont'd)

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

- 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 debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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 financial instrument is determined to have low credit risk at the reporting date.

A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

ii) Impairment loss (cont'd)

(a) Significant increase in credit risk (cont'd)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(b) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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 collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(1) significant financial difficulty of the issuer or the borrower;

(2) a breach of contract, such as a default or past due event;

(3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

ii) Impairment loss (cont'd)

(c) Credit-impaired financial assets (cont'd)

(4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(5) the disappearance of an active market for that financial asset because of financial difficulties.

(d) Write-off policy

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.

iii) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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 expected losses is the present value of the expected payments to reimburse 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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on similar shared credit risk characteristics.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

iii) Measurement and recognition of ECL (cont'd)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial assets by adjusting their carrying amount through a loss allowance account.

iv) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments of the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

Financial liabilities at amortised cost

Financial liabilities, including trade, bills and other payables, bank and other borrowings and amount due to non-controlling interests of subsidiaries, are subsequently measured at amortised cost using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

iv) Financial liabilities and equity (cont'd)

Financial liabilities (cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(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) Both entities 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 the employees of 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 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 Group's parent.

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of properties under development and held for sale

As explained in note 5, the Group's properties under development and 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 for sale, and the costs to be incurred in selling the properties based in prevailing 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 held for sale. Such impairment loss requires the use of judgment 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. As at December 31, 2020, the aggregate carrying amount of properties under development and held for sale is approximately RMB2,518,305,000 (2019: RMB2,479,258,000) (net of allowance of RMB44,542,000 (2019: RMB44,542,000)).

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Provision of ECL of trade and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past-due status of debtors as groupings of various debtors on this basis demonstrate similar loss patterns with shared credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Group assesses the ECL for other receivables (including amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale, deposits and prepayments, other receivables) by taking reference to individual ageing profile and credit rating of industry peers of respective debtors to determine whether there is significant increase in credit risk for the balances so as to project the individual loss rate. At every reporting date, these loss rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. As at December 31, 2020, the aggregate carrying amount of trade and other receivables is RMB1,180,572,000 (2019: RMB1,111,709,000), net of allowance for doubtful debts of RMB102,082,000 (2019: RMB86,697,000).

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, 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, or estimated fair value of the assets (or groups of assets) net of applicable disposal expenses in the case of fair value less cost of disposal; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections, appropriate discount rate, comparable sales transactions with appropriate adjustments, etc. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing these assumptions and estimates could materially affect the recoverable amounts.

As at December 31, 2020, the carrying amounts of property, plant and equipment were RMB1,510,319,000 (2019: RMB1,618,576,000), after taking into account the accumulated impairment losses of RMB24,960,000 (2019: RMB24,960,000).

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate 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 difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised 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.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

7. SEGMENT INFORMATION AND REVENUE

(a) Segment information

The Group's operating segments, based on information reported to the executive directors of the Company, who are the chief operating decision maker (the "CODM") for the purpose of resource allocation and performance assessment, are as follows:

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

– Properties development in the PRC ("Properties development"); and

– Others, comprising mainly operation of resort owned by the Group, provision of travel and tourism-related services, and provision of property management service ("Others")

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

Segment revenues

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

For the year ended December 31, 2020

	Manufacturing	Properties development	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	**692,833**	**440,235**	**127,198**	**–**	**1,260,266**
Inter-segment sales	**–**	**–**	**3,257**	**(3,257)**	**–**
Total	**692,833**	**440,235**	**130,455**	**(3,257)**	**1,260,266**

For the year ended December 31, 2019

	Manufacturing	Properties development	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	700,985	2,552,097	160,103	–	3,413,185
Inter-segment sales	–	–	17,262	(17,262)	–
Total	700,985	2,552,097	177,365	(17,262)	3,413,185

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

***Segment revenues** (cont'd)*

Disaggregation of revenue from contracts with customers

For the year ended December 31, 2020

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Primary geographical markets					
United States	549,331	–	–	–	549,331
PRC, including HK	70,283	440,235	130,455	(3,257)	637,716
Europe	58,052	–	–	–	58,052
Others	15,167	–	–	–	15,167
	692,833	440,235	130,455	(3,257)	1,260,266
Major products and services					
Sale of upholstered furniture	692,833	–	–	–	692,833
Sale of properties	–	440,235	–	–	440,235
Travel & tourism services	–	–	60,952	–	60,952
Catering & entertainment	–	–	25,308	–	25,308
Property management services	–	–	44,195	(3,257)	40,938
	692,833	440,235	130,455	(3,257)	1,260,266
Timing of revenue recognition					
At a point in time	692,833	440,235	25,308	–	1,158,376
Transferred over time	–	–	105,147	(3,257)	101,890
	692,833	440,235	130,455	(3,257)	1,260,266

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

***Segment revenues** (cont'd)*

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

For the year ended December 31, 2019

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Primary geographical markets					
United States	511,746	–	–	–	511,746
PRC, including HK	45,658	2,552,097	177,365	(17,262)	2,757,858
Europe	52,106	–	–	–	52,106
Others	91,475	–	–	–	91,475
	700,985	2,552,097	177,365	(17,262)	3,413,185
Major products and services					
Sale of upholstered furniture	700,985	–	–	–	700,985
Sale of properties	–	2,552,097	–	–	2,552,097
Travel & tourism services	–	–	123,640	(472)	123,168
Catering & entertainment	–	–	2,181	(62)	2,119
Property management services	–	–	51,544	(16,728)	34,816
	700,985	2,552,097	177,365	(17,262)	3,413,185
Timing of revenue recognition					
At a point in time	700,985	2,552,097	2,181	(62)	3,255,201
Transferred over time	–	–	175,184	(17,200)	157,984
	700,985	2,552,097	177,365	(17,262)	3,413,185

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

Segment result

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

	2020 *RMB'000*	2019 *RMB'000*
Segment profit/(loss)		
– Manufacturing	**178,589**	50,181
– Properties development	**37,450**	408,609
– Others	**(56,636)**	(47,279)
	159,403	411,511
Unallocated corporate expenses	**(27,177)**	(27,257)
Unallocated other gains and losses	**(36,606)**	96,958
Profit for the year	**95,620**	481,212

The accounting policies of the operating segments are the same as the Group's accounting policies described in note. 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.

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

Segment assets and liabilities

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

Segment assets

	2020 RMB'000	2019 RMB'000
Manufacturing	**1,310,934**	1,095,497
Properties development	**4,249,727**	4,330,269
Others	**684,533**	854,278
Total segment assets	**6,245,194**	6,280,044
Unallocated	**36,319**	15,184
Consolidated assets	**6,281,513**	6,295,228

Segment liabilities

	2020 RMB'000	2019 RMB'000
Manufacturing	**594,142**	438,628
Properties development	**1,973,813**	2,102,641
Others	**252,546**	359,710
Total segment liabilities	**2,820,501**	2,900,979
Unallocated	**21,351**	33,732
Consolidated liabilities	**2,841,852**	2,934,711

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

– all assets are allocated to operating segments other than head office assets;

– all liabilities are allocated to operating segments other than head office liabilities; and

– all intergroup balances and investment costs have been eliminated in internal reports when presenting segment assets and liabilities to CODM.

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(a) Segment information (cont'd)

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,	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States	**549,331**	511,746	**–**	–
PRC, including HK	**637,716**	2,757,858	**1,446,496**	1,635,599
Europe	**58,052**	52,106	**–**	–
Others	**15,167**	91,475	**385,614**	490,375
	1,260,266	3,413,185	**1,832,110**	2,125,974

Information about major customer

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

	2020	2019
	RMB'000	*RMB'000*
Customer A	**312,062**	N/A[1]

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group

7. SEGMENT INFORMATION AND REVENUE (cont'd)

(b) Revenue

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

	2020	2019
	RMB'000	*RMB'000*
Sale of goods		
Upholstered furniture	**692,833**	700,985
Residential properties	**440,235**	2,552,097
	1,133,068	3,253,082
Provision of services		
Others *(note)*	**127,198**	160,103
	1,260,266	3,413,185

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

8. OTHER INCOME

An analysis of other income is as follows:

	2020	2019
	RMB'000	*RMB'000*
Government grants *(note a)*	**12,123**	12,044
Interest income	**1,021**	3,250
Rental income *(note b)*	**3,343**	2,116
Sub-contracting fee income	**208**	239
	16,695	17,649

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

Note b: Rental income mainly includes income from 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.

9. OTHER GAINS AND LOSSES

An analysis of other gains and losses is as follows:

	2020	2019
	RMB'000	*RMB'000*
Reversal of impairment loss recognised in respect of properties under development and held for sale	**–**	165
Gain on disposal of right-of-use asset, net *(note a)*	**49,071**	–
Impairment loss on property, plant and equipment *(note 16)*	**–**	(22,000)
Net foreign exchange (loss)/gain	**(34,050)**	5,909
Donation	**(161)**	(257)
Penalty	**(686)**	(10,345)
Change in fair value of financial asset at fair value through profit or loss	**(2,093)**	–
Gain/(loss) on disposal of property, plant and equipment, net *(note a)*	**70,455**	(1,834)
Loss on disposal of subsidiaries, net *(note 41)*	**(5,565)**	–
Loss allowance on the amount due from a subsidiary upon deconsolidation *(note 40)*	**(18,501)**	–
Net gain from sale of scrap materials	**2,028**	1,647
Provision of financial guarantees *(note b)*	**–**	(19,851)
Recovery of deposits paid for cooperation of development of land in PRC written off in prior year *(note c)*	**39,500**	–
Release of financial guarantees *(note b)*	**6,617**	6,617
Others	**(13,292)**	(2,096)
	93,323	(42,045)

Note a: The amounts mainly represents the gains from the land resumption which, Haining Hainix Sofa Co., Ltd (the "Haining Hainix"), a wholly-owned subsidiary of the Group, entered into a land resumption agreement with Haining Jianshan New Area Administrative Committee (the "Haining Jianshan Administrative Committee") on July 8, 2020. Pursuant to the land resumption agreement, Haining Hainix surrendered the land use rights it owned together with the buildings erected on the land to Haining Jianshan Administrative Committee at a consideration of approximately RMB167,972,000. A gain on disposal of right-of-use assets of RMB48,984,000 related to the surrendered land use rights and gain on disposal of property, plant and equipment of RMB88,038,000 related to the surrendered of erected building are recognised in the profit or loss.

The Group received consideration of RMB81,500,000 from Haining Jianshan Administrative Committee during the year and the balance of RMB86,472,000 (note 28(f)) was received in January 2021.

Note b: The provision of financial guarantees represented the fair value of the financial guarantees recognised at its initial recognition (note 47(b)). The release of financial guarantees recognised in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) is satisfied over the period of guarantees since initial recognition.

Note c: During the year, the Group successfully sued against Shenjianong Equity Cooperative Company and Hangzhou Zhuantang Street Hengqiao Equity Cooperative Company at high court in Hangzhou for refund of deposits paid for cooperation of development of land with principal amounts of RMB39,500,000 which were written off in prior year. The amounts were fully received in July 2020.

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**59,521**	63,530
Interest on lease liabilities	**1,974**	994
Less: Amounts capitalised in respect of properties under development for sale and construction in progress *(note 27)*	**–**	(17,397)
	61,495	47,127

The capitalised borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically used in the construction of properties during the years. During the year ended December 31, 2020, the weighted average interest capitalization rate was nil (2019: 6.5%) per annum.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Amortisation of intangible assets	**535**	323
Depreciation of property, plant and equipment	**75,775**	77,514
Depreciation of right-of-use assets	**16,082**	10,123
Total depreciation and amortisation	**92,392**	87,960
Auditor's remuneration		
– Audit service	**2,100**	1,600
– Non-audit service	**800**	800
Impairment loss on trade and other receivables, net of reversal	**15,724**	13,307
Cost of inventories under Manufacturing segment recognised as expenses (including net reverse of allowance of inventories of RMB972,000 (2019: RMB338,000))	**501,589**	498,517
Cost of properties under properties development segment recognised as cost of sales	**280,173**	1,638,491
Expenses relating to short term leases with lease terms end within 12 months	**558**	664
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	**175,929**	204,141
– Contributions to defined contribution retirement plans	**9,010**	22,321
	184,939	226,462

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

2020

	Zhu Zhangjin, Kasen ("Mr.Zhu") *RMB'000* *(note i)*	Shen Jianhong *RMB'000* *(note ii)*	Zhou Lingqiang *RMB'000*	Zhu Ruijun *RMB'000* *(note i)*	Zhang Yuchuan *RMB'000*	Zhou Xiaohong *RMB'000*	Du Haibo *RMB'000*	Total *RMB'000*
Fees	–	–	160	–	161	–	161	482
Other emoluments								
Salaries and other benefits	643	47	–	350	–	280	–	1,320
Contributions to retirement benefits schemes	8	–	–	23	–	–	–	31
Total emoluments	651	47	160	373	161	280	161	1,833

2019

	Zhu Zhangjin, Kasen ("Mr.Zhu") *RMB'000* *(note i)*	Shen Jianhong *RMB'000* *(note ii)*	Zhou Lingqiang *RMB'000*	Zhang Yuchuan *RMB'000*	Zhou Xiaohong *RMB'000*	Du Haibo *RMB'000*	Total *RMB'000*
Fees	–	–	159	159	–	159	477
Other emoluments							
Salaries and other benefits	637	280	–	–	280	–	1,197
Contributions to retirement benefits schemes	25	–	–	–	13	–	38
Total emoluments	662	280	159	159	293	159	1,712

Notes:

(i) On February 28, 2020, the Company has appointed Mr. Zhu Ruijun as the executive director and the chief executive officer of the Company. Mr. Zhu Zhangjin has resigned from the position as the chief executive officer, and continues to be the chairman and executive director of the Company on the same day.

(ii) Ms. Shen Jianhong resigned as an executive director of the Company with effect from February 28, 2020.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (cont'd)

One (2019: None) of the five individuals with the highest emoluments in the Group were directors of the Company whose emoluments is included in the disclosures as above. The emoluments of the remaining four (2019: five) individuals were as follows:

	2020	2019
	RMB'000	*RMB'000*
Basic salaries and other benefits	**3,870**	1,018
Discretionary bonus	**–**	17,170
Contributions to retirement benefits schemes	**62**	83
	3,932	18,271

Their emoluments were within the following bands:

	2020	2019
Nil to HK$1,000,000	**4**	–
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**–**	1
Over HK$2,000,000	**1**	1

During the years ended 2020 and 2019, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 2020 and 2019.

13. INCOME TAX EXPENSES

The amount of income tax expenses in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Income tax		
– for the current year	**48,891**	116,798
– under provision in respect of prior years	**674**	980
– reversal of tax provision	**–**	(85,191)
	49,565	32,587
LAT	**22,724**	153,537
Deferred tax *(note 24)*	**(11,761)**	(3,772)
	60,528	182,352

Note:

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Two of the subsidiaries in the PRC have been approved as new and high technology enterprises, which entitle to concessionary tax rate of 15% from 2019 to 2022. The subsidiaries need to re-apply for the preferential tax treatment when the preferential tax period expired on 2022 and 2023 respectively.

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one of the subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax regime, which the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Directors considered the amount involved in the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in Japan is calculated at the tax rate 36.8% prevailing in Japan.

Taxation arising in Cambodia is calculated at the tax rate 20.0% prevailing in Cambodia.

According to the requirements of the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值稅暫行條例）effective from January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值稅暫行條例實施細則）effective from January 27, 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

13. INCOME TAX EXPENSES (cont'd)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**156,148**	663,564
Tax rate applicable to the major operation of the Group	**25%**	25%
Tax at the domestic income tax rate	**39,037**	165,891
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,546**	2,154
Tax effect of tax preference in tax rule relate to new and high technology enterprise as described above	**(1,556)**	(7,252)
Tax effect of expenses not deductible for tax purpose	**1,376**	1,426
Tax effect of income not taxable for tax purpose	**(4,122)**	(6,992)
Tax effect of deductible temporary differences not recognised	**608**	5,500
Utilization of deductible temporary differences previously not recognised	**(5,122)**	(13,349)
LAT	**22,724**	153,537
Tax effect of LAT	**(5,681)**	(38,384)
Tax effect of tax losses not recognised	**16,482**	38,246
Utilization of tax losses previously not recognised	**(5,438)**	(34,214)
Under provision in previous years	**674**	980
Reversal of tax provision	**–**	(85,191)
Taxation for the year	**60,528**	182,352

14. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended December 31, 2019 and 2020.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

Profit for the year

	2020	2019
	RMB'000	*RMB'000*
Profit for the year for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**114,975**	444,958

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB114,975,000 (2019: profit of RMB444,958,000) and the weighted average of 1,493,636,881 ordinary shares (2019: 1,493,636,881 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at January 1 and December 31	**1,493,636,881**	1,493,636,881

15. EARNINGS PER SHARE (cont'd)

Diluted earnings per share

For 2020, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares in the current year.

For 2019, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB444,958,000 and the weighted average of 1,501,677,977 ordinary shares in issue take into account of the effect from dilutive potential ordinary shares during the year, calculated as follows:

Number of shares

	2019
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,493,636,881
Effect of dilutive potential ordinary shares:	
– share options	8,041,096
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,501,677,977

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and equipment	Motor vehicles	Fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2019	179,085	1,034,306	284,151	48,041	68,412	242,839	1,856,834
Additions	42,660	12,888	6,309	1,880	1,797	209,861	275,395
Disposals	–	–	–	(5,822)	(1,017)	–	(6,839)
Transfer from properties under development and held for sales	–	–	–	–	–	12,221	12,221
Transfers	–	21,683	–	–	–	(21,683)	–
Exchange realignment	3,456	42	–	20	3	–	3,521
At December 31, 2019	225,201	1,068,919	290,460	44,119	69,195	443,238	2,141,132
Additions	4,937	21,769	4,595	514	1,546	89,277	122,638
Transfer from properties under development and held for sales	–	11,506	–	–	–	–	11,506
Disposals	–	(76,525)	(13,112)	(2,634)	(11,899)	(11,450)	(115,620)
Deconsolidation of a subsidiary	–	(131,845)	(6,770)	(1,275)	(3,057)	–	(142,947)
Disposal of a subsidiary	–	(17,193)	–	(197)	(274)	–	(17,664)
Exchange realignment	(14,833)	(193)	(8)	(82)	(20)	–	(15,136)
At December 31, 2020	**215,305**	**876,438**	**275,165**	**40,445**	**55,491**	**521,065**	**1,983,909**
DEPRECIATION AND IMPAIRMENT							
At January 1, 2019	–	266,084	86,724	30,053	44,266	–	427,127
Impairment loss *(note 9)*	–	–	22,000	–	–	–	22,000
Depreciation expense	–	44,028	25,262	2,309	5,915	–	77,514
Eliminated on disposal	–	–	–	(3,176)	(922)	–	(4,098)
Exchange realignment	–	6	–	6	1	–	13
At December 31, 2019	–	310,118	133,986	29,192	49,260	–	522,556
Depreciation expense	–	41,361	25,148	1,771	7,495	–	75,775
Eliminated on disposal	–	(42,683)	(11,103)	(2,238)	(11,319)	–	(67,343)
Deconsolidation of a subsidiary	–	(41,951)	(2,775)	(1,211)	(2,884)	–	(48,821)
Disposal of a subsidiary	–	(8,012)	–	(187)	(261)	–	(8,460)
Exchange realignment	–	(71)	–	(40)	(6)	–	(117)
At December 31, 2020	**–**	**258,762**	**145,256**	**27,287**	**42,285**	**–**	**473,590**
CARRYING AMOUNTS							
At December 31, 2020	**215,305**	**617,676**	**129,909**	**13,158**	**13,206**	**521,065**	**1,510,319**
At December 31, 2019	225,201	758,801	156,474	14,927	19,935	443,238	1,618,576

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The above items, other than freehold land and construction in progress, are depreciated on a straight-line basis after consideration of residual value at the following rates, per annum:

Buildings	20 – 40 years
Plant and equipment	10 – 15 years
Motor vehicles	4 – 5 years
Fixtures and equipment	5 – 10 years

As at December 31, 2020, the title deeds of buildings in the PRC with carrying amount of RMB52,475,000 (2019: RMB59,617,000) has not been obtained. The directors of the Company believe that the relevant title deeds will be granted in the due course and the absence of official certificate does not impair the value of the relevant properties of the Group.

The freehold land with carrying amount of USD32,998,000 (equivalent to approximately RMB215,305,000) (2019: USD32,282,000 (equivalent to approximately RMB225,201,000)) are situated in Cambodia of which the Group has obtained the relevant title deeds.

In view that the water park in Sanya for the year ended December 31, 2019 did not operate as expected, the management of the Group concluded there was indication of impairment and conducted impairment assessment to estimate the recoverable amount for groups of non-financial assets including building, plant and equipment and right-of-use assets – being the smallest identifiable group of assets that generates cash inflows that are largely independent from other assets (the "Water Park CGU").

The recoverable amount for the Water Park CGU has been determined based on a 'Fair value less cost of disposal' calculation. That calculation uses direct comparison approach by assuming sale of the assets in its existing state and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size, land improvement and other characters between the comparable assets and the subject assets. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement, where management determine the price per square meter of leasehold land as key assumption for the fair value measurement.

Based on the result of the assessment, management of the Group determined the recoverable amount of the Water Park CGU is lower than the carrying amount and an impairment of RMB22,000,000 has been recognised in profit or loss in 2019 against the carrying amount of certain equipment used in the water park in Sanya. No impairment loss has been recognised or reversed in 2020.

17. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000* *Note a*	Buildings *RMB'000* *Note b*	Total *RMB'000*
At January 1, 2019	136,450	25,272	161,722
Transfer from prepayment for acquisition of leasehold land	23,820	–	23,820
Addition	–	2,039	2,039
Depreciation	(3,582)	(6,541)	(10,123)
Exchange realignment	–	(22)	(22)
At December 31, 2019	156,688	20,748	177,436
Additions	5,768	66,487	72,255
Disposal	(6,330)	(14,319)	(20,649)
Disposal on deconsolidation of a subsidiary *(note 40)*	(22,853)	–	(22,853)
Disposal of subsidiaries *(note 41)*	–	(92)	(92)
Depreciation	(3,708)	(12,374)	(16,082)
Exchange realignment	–	(594)	(594)
At December 31, 2020	**129,565**	**59,856**	**189,421**
At December 31, 2019	156,688	20,748	177,436

Note a

The Group is the registered owner of the land use right in the PRC where the Group's manufacturing facilities and part of 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.

Note 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 (2019: 2 to 9 years). None of the leases includes variable lease payments.

18. INVESTMENT IN AN ASSOCIATE

	2020	2019
	RMB'000	*RMB'000*
Cost of investment in an associate	**300**	–

Details of the Group's associate as at December 31, 2020 are as follows:

Name	**Place of incorporation, operation and principal activity**	**Percentage of ownership interests/ voting rights/ profit share**
Hainan Kasen Elderly Care Services Limited ("Kasen Elderly") (海南卡森養老服務有限公司)	Incorporation in the PRC. Elderly care services in Hainan Province	30% *(note)* (2019: Nil.)

Note: The Group has 30% ownership interest and voting rights in Kasen Elderly. By considering that the Group has no sufficient dominant voting rights to direct the relevant activities of Kasen Elderly unilaterally, the directors of the Company conclude that the Group only has significant influence over Kasen Elderly and therefore it is classified as an associate of the Group.

19. INTANGIBLE ASSETS

	Computer software
	RMB'000
COST	
At January 1, 2019	5,150
Additions	876
At December 31, 2019	6,026
Exchange realignment	(1)
At December 31, 2020	6,025
ACCUMULATED AMORTISATION	
At January 1, 2019	4,320
Provided for the year	323
At December 31, 2019	4,643
Provided for the year	535
At December 31, 2020	5,178
CARRYING AMOUNTS	
At December 31, 2020	847
At December 31, 2019	1,383

All the Group's computer software was amortised on a straight-line basis over five years.

20. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The Group has prepaid and entered into a number of contracts for the acquisition of certain facilities that the Group has not received related equipment and service at end of reporting period. The capital commitment for the acquisition of the plant and equipment are included in note 46. These prepayments would be transferred to "property, plant and equipment" upon receipt of relevant equipment and service.

21. PREPAYMENT FOR ACQUISITION OF FREEHOLD AND LEASEHOLD LAND

	Note	**2020**	2019
		RMB'000	*RMB'000*
Leasehold land in			
– Hainan province, the PRC	*(a)*	**–**	150,702
Freehold land in			
– Sihanoukville, Cambodia	*(b)*	**117,448**	125,572
		117,448	276,274

Notes:

(a) During the year, the management reassess the business plan for the leasehold land under acquisition and has planned to utilise the land to develop properties units held for sale. The prepayment was transferred to "Properties under development for sale" when the Group obtained the relevant title deed.

(b) Except for USD1,000,000 (equivalent to approximately RMB6,525,000) (2019: USD1,000,000 (equivalent to approximately RMB6,976,000)) which was refundable, the other USD17,000,000 (equivalent to approximately RMB110,923,000) (2019: USD17,000,000 (equivalent to approximately RMB118,596,000)) 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.

At the end of the reporting period, the Group was in the process of negotiation with the vendor for the freehold land acquisition in Cambodia in response to uncertainty on approval of relevant permits for the Group's projects. Management consider the freehold land acquisition was still ongoing and there was no recoverability concern for these prepayment made.

22. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Financial asset at fair value through other comprehensive income		
– Listed equity investment *(Note)*	**16,362**	17,442

Note: The listed equity investments represent 4,000,554 shares (0.31% equity interest) in Haining China Leather Market Co., Ltd ("HCLM"). The principal activity of HCLM is the operation of department stores in the PRC. The shares of HCLM are listed on the Shenzhen Stock Exchange. The fair value as at December 31, 2020 & 2019 were based on quoted market price at Shenzhen Stock Exchange.

As at December 31, 2020, 4,000,000 (2019: 4,000,000) of the HCLM shares have been pledged to secure the banking facilities of the CCT Group (note 49(e)).

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Financial asset at fair value through profit or loss		
– Unlisted investment fund *(Note)*	**19,572**	–

Note: 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 based on the stage (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 energy 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, 2020, the Group's capital contribution to the Greentech Fund was US$3,300,000.

24. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Unrealised profit on intra-group transactions	Fair value change of FVTOCI	LAT provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	16,979	(3,511)	9,994	23,462
Credit to other comprehensive income	–	190	–	190
Credit to profit or loss	(7,205)	–	10,977	3,772
At December 31, 2019	9,774	(3,321)	20,971	27,424
Credit to other comprehensive income	–	271	–	271
Credit to profit or loss	410	–	11,351	11,761
At December 31, 2020	**10,184**	**(3,050)**	**32,322**	**39,456**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020	2019
	RMB'000	*RMB'000*
Deferred tax assets	**60,938**	49,439
Deferred tax liabilities	**(21,482)**	(22,015)
	39,456	27,424

24. DEFERRED TAXATION (cont'd)

Details of other deductible temporary differences not recognised at the end of the reporting period are as follows:

	2020	2019
	RMB'000	*RMB'000*
Impairment of property, plant and equipment	**24,960**	24,960
Impairment of property under development and held for sale	**44,542**	44,542
Allowance of trade and other receivables	**64,560**	49,175
Allowance for inventories	**661**	1,633
	134,723	120,310

No deferred tax asset has been recognised 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 10%. 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 RMB1,843,524,000 (2019: RMB1,734,871,320).

The Directors of the Company represent that the undistributed earnings of the PRC subsidiaries as of December 31, 2020 and 2019 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.

24. DEFERRED TAXATION (cont'd)

At the end of the reporting period, the Group has unused tax losses of RMB233,633,000 (2019: RMB373,983,000) available for offset against future profits. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB5,155,000 (2019: RMB9,592,000) can be carried forward indefinitely. The remaining RMB228,478,000 (2019: RMB357,723,000) expires in the following years:

	2020	2019
	RMB'000	*RMB'000*
2020	**–**	16,648
2021	**7,063**	16,091
2022	**28,672**	46,122
2023	**49,685**	129,589
2024	**56,272**	149,273
2025	**86,786**	–
	228,478	357,723

25. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**42,509**	43,495
Work in progress	**23,309**	18,135
Finished goods	**30,330**	22,292
Total, net of allowance for inventories	**96,148**	83,922

26. CONTRACT LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Contract liabilities arising from:		
Manufacturing and trading of upholstered furniture	**4,051**	40,583
Property development	**793,559**	595,416
Other services	**10,241**	12,546
	807,851	648,545

26. CONTRACT LIABILITIES (cont'd)

Typical payment terms which impact on the amount of contract liabilities are 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 payable at the delivery of the finished goods.

Properties development

The Group takes deposits for the selling price of residential units stated in the sales and purchase agreement before the transfer of residential units.

Other services

The Group accepts some deposits for the advance reservation of hotel accommodation and travel & tourism services, with the remainder of the consideration payable at the completion of services provided.

Movements in contract liabilities

	2020	2019
	RMB'000	*RMB'000*
Balance as at January 1	**648,545**	2,846,605
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(440,128)**	(2,814,354)
Increase in contract liabilities as a result of receiving deposits from customers	**599,434**	616,294
Balance at December 31	**807,851**	648,545

27. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	RMB'000
COST	
At January 1, 2019	3,692,053
Addition of development expenditure	504,058
Transfer to property, plant and equipment	(12,221)
Sales of properties	(1,660,090)
At December 31, 2019	2,523,800
Transfer from prepayment for acquisition of leasehold land	150,702
Addition of development expenditure	240,354
Transfer to property, plant and equipment	(11,506)
Sales of properties	(340,503)
At December 31, 2020	**2,562,847**
IMPAIRMENT	
At January 1, 2019	(44,707)
Reversal of impairment loss recognised for the year	165
At December 31, 2019 and 2020	**(44,542)**
CARRYING VALUES	
At December 31, 2020	**2,518,305**
At December 31, 2019	2,479,258

The carrying values are presented as:

	2020	2019
	RMB'000	*RMB'000*
Properties under development for sale	**1,517,694**	1,431,249
Properties held for sale	**1,000,611**	1,048,009
	2,518,305	2,479,258

As at December 31, 2020, RMB86,750,000 (2019: RMB147,905,000) of the properties under development are expected to be realised after more than twelve months from the end of the reporting period.

During the year, interest capitalised in the properties under development was an amount of Nil (2019: RMB17,397,000). The properties under development and property held for sale are located in the PRC.

28. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**113,409**	111,996
Less: allowance for doubtful debts	**(19,463)**	(20,514)
	93,946	91,482
Deposits paid for acquisition of land for development for sale *(Note a)*	**603,988**	603,988
Less: allowance for loss	**(627)**	(627)
	603,361	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale ("Amount due from vendor in Malaysia") *(Note b)*	**32,129**	33,743
Less: allowance for loss	**(32,129)**	(33,743)
	–	–
Advance payment for purchase of inventories *(Note c)*	**14,164**	39,014
Deposit and prepayments *(Note d)*	**90,923**	130,485
Less: allowance for loss	**(4,490)**	(4,343)
	86,433	126,142
Prepaid other taxes *(Note e)*	**152,481**	176,080
Other receivables *(Note f)*	**275,560**	103,100
Less: allowance for loss	**(45,373)**	(27,470)
	230,187	75,630
	1,180,572	1,111,709

28. TRADE 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 recognised 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, 2020, the remaining balance due to the Vendor was RMB10,811,000 (2019: 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 area 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, 2020, the local government had announced its land use plan for development in which approximately 743,980 sq. meters of the Sanya Land were included. The Group had undertook the procedures for obtaining the title deeds of partial land with area of 155,857 sq. meters and had successfully obtained the relevant title deeds during 2018 to 2020.

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, 2020 and 2019.

(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 since 2018. Management considered the remaining balances had been in default and a full provision had been recognised in prior year. Except for approximately RM1,000,000 repayments received from Malaysia vendor after payment reminders sent through the Company's lawyer during 2020 which has been recognised as reversal of impairment loss of trade and other receivables in profit or loss in 2020, there was no further repayment from Malaysia vendor. Management considered that there is no reasonable expectation of recovering the remaining instalments receivables and therefore no reversal of the provision as at December 31, 2020.

28. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

(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 mainly included (i) deposits with aggregate principal amount of RMB30,000,000 (2019: RMB35,000,000) paid to vendors of equipment as security for the demolition of power generators in the PRC, which are refundable on completion of demolition with no breach of terms; (ii) prepayment for marketing service of RMB10,380,000 (2019: RMB21,800,000) for the Group's resort in the PRC which services has not been rendered at year end; (iii) prepayment for construction materials and services of RMB19,703,000 (2019: RMB32,372,000). Management expect these amounts to be realised or recovered from counterparties within a year.

(e) 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 recognised.

(f) The amounts mainly representing (i) balancing payment from the land resumption plan signed with Haining Jianshan New Area Administrative Committee with an amount of approximately RMB86,472,000. The amount was fully settled in January 2021; (ii) amount due from Xinanjiang upon deconsolidation (note 40) of approximately RMB57,900,000, management has recognised expected credit loss of RMB1,800,000 in profit or loss based on the expected outcome of the liquidation at end of reporting period with carrying amount of RMB56,100,000.

The remaining mainly represents deposits for cooperation projects that are refundable to the Group if the projects does 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.

28. TRADE AND OTHER RECEIVABLES (cont'd)

The Group grants a credit period ranging from 30 days to 120 days to its customers. The aging analysis of trade receivables presented based on the invoice date at the end of reporting period is as follows:

	2020	2019
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**89,707**	87,040
61 – 90 days	**1,304**	2,415
91 – 180 days	**3,146**	2,593
181 – 365 days	**2,149**	2,191
Over 1 year	**17,103**	17,757
	113,409	111,996

The Group's trade receivable balances included debtors which are related parties, details of which are set out in note 49(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 and other receivable are set out in note 42(b).

Movement in the allowance for doubtful debts for trade and other receivables:

	2020	2019
	RMB'000	*RMB'000*
Balance at beginning of the year	**86,697**	139,593
Amounts written off during the year as uncollectible	**–**	(66,203)
Impairment loss recognised in profit or loss, net of reversal	**15,724**	13,307
Disposal of subsidiaries	**(339)**	–
Balance at end of the year	**102,082**	86,697

29. 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 recognised.

30. PREPAID LAND APPRECIATION TAX

The balance mainly represents the prepaid Land Appreciation Tax 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 recognised.

31. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

32. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS 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 0.30% to 1.55% (2019: 0.35% to 1.35%) 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 at December 31, 2020, included in pledged bank deposit of the Group was RMB104,356,000 (2019: RMB46,093,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

(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 0.3% to 0.45% (2019: 0.3% to 0.45%) per annum.

As at December 31, 2020, included in restricted bank deposits for property development business of the Group was RMB54,673,000 (2019: RMB111,037,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

32. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS 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 0.30% (2019: 0.35%) per annum and cash on hand.

As at December 31, 2020, included in cash and bank balance of the Group was RMB239,962,000 (2019: RMB172,300,000) 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.

33. TRADE, BILLS AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payable	**565,427**	676,954
Bills payable	**8,980**	22,870
Other payables *(Note)*	**183,438**	195,028
Advance from a director of the Company *(note 49(b))*	**5,330**	5,698
Advance from a related company *(note 49(b))*	**–**	47
Other tax payable	**3,765**	29,982
Accruals	**39,422**	37,655
Financial guarantees *(note 47(b))*	**6,617**	13,234
	812,979	981,468

Note: 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.

33. TRADE, BILLS AND OTHER PAYABLES (cont'd)

The aging analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2020	2019
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**406,365**	443,613
61 – 90 days	**13,599**	22,552
91 – 180 days	**4,123**	26,141
181 – 365 days	**23,975**	137,473
1 – 2 years	**88,173**	29,557
Over 2 years	**38,172**	40,488
	574,407	699,824

The average credit period on purchases of goods is 60 days.

34. LEASE LIABILITIES

	Buildings
	RMB'000
At January 1, 2019	25,272
Addition	2,039
Interest expense	994
Lease payments	(6,582)
Exchange realignment	(5)
At December 31, 2019	21,718
Additions	66,487
Disposals	(14,407)
Disposal of subsidiaries *(Note 41)*	(89)
Interest expense	1,974
Lease payments	(15,702)
Exchange realignment	(626)
At December 31, 2020	**59,355**

34. LEASE LIABILITIES (cont'd)

The present value of future lease payments are analysed as:

	2020	2019
	RMB'000	*RMB'000*
Current liabilities	**16,511**	6,384
Non-current liabilities	**42,844**	15,334
	59,355	21,718

35. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Total bank borrowings	**880,568**	910,095
Analysed as:		
Secured	**757,668**	785,735
Unsecured	**122,900**	124,360
	880,568	910,095
Denominated in United States Dollars (foreign currency)	**7,830**	11,860
Denominated in Renminbi	**872,738**	898,235
	880,568	910,095

35. BANK BORROWINGS (cont'd)

Carrying amount repayable*:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**315,200**	309,660
More than one year, but not exceeding two years	**190,750**	94,000
More than two years, but not exceeding five years	**316,183**	240,000
After five years	**58,435**	266,435
	880,568	910,095
Less: Amount due within one year shown under current liabilities	**(315,200)**	(309,660)
Amount due after one year	**565,368**	600,435

* 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 3.06% to 8.27% (2019: 3.90% to 8.27%) per annum.

The bank borrowings included unsecured bank borrowings of RMB122,900,000 (2019: RMB124,360,000), which were guaranteed by Mr. Zhu, the director of the Company, a related company in which Mr. Zhu has significant influence and beneficial interests and certain independent third parties.

Certain borrowings were also secured by the assets owned by the Group and details of the assets are set out in note 45.

36. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

37. SHARE CAPITAL

Authorised share capital of the Company

	Number of ordinary shares at US$0.00015 each	*US$'000*
At January 1, 2019, December 31, 2019 and December 31, 2020	**266,666,666,666**	**40,000**

Issued and fully paid

	December 31, 2020			December 31, 2019		
	Number of shares	***US$***	***RMB'000***	Number of shares	*US$*	*RMB'000*
At opening and closing date of the year ended	**1,493,636,881**	**224,046**	**1,712**	1,493,636,881	224,046	1,712

38. 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 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, 2019 and 2020, no options have been granted by the Company under the 2015 Share Option Scheme.

38. SHARE OPTION (cont'd)

At December 31, 2020, 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 (2019: 10,850,000), representing 0.73% (2019: 0.73%) 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.

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, 2019 and 2020:

Exercise Price *HK$*	**Date of grant**	**Vesting period**	**Exercisable period**	**Outstanding at January 1, 2020**	**Lapsed during 2020**	**Exercised during 2020**	**Outstanding at December 31, 2020**
1.37	May 26, 2015	26.5.2015 – 31.12.2015	1.1.2016 – 25.5.2025	10,850,000	–	–	10,850,000
Total				10,850,000	–	–	10,850,000

Exercise Price *HK$*	Date of grant	Vesting period	Exercisable period	Outstanding at January 1, 2019	Lapsed during 2019	Exercised during 2019	Outstanding at December 31, 2019
1.37	May 26, 2015	26.5.2015 – 31.12.2015	1.1.2016 – 25.5.2025	10,850,000	–	–	10,850,000
Total				10,850,000	–	–	10,850,000

38. SHARE OPTION (cont'd)

Details of the share options held by the directors of the Company included in the above table are as follows:

Exercise Price *HK$*	**Date of grant**	**Vesting period**	**Exercisable period**	**Outstanding at January 1, 2020**	**Lapsed during 2020**	**Exercised during 2020**	**Outstanding at December 31, 2020**
1.37	May 26, 2015	26.5.2015 – 31.12.2015	1.1.2016 – 25.5.2025	4,000,000	–	–	4,000,000

Exercise Price *HK$*	Date of grant	Vesting period	Exercisable period	Outstanding at January 1, 2019	Lapsed during 2019	Exercised during 2019	Outstanding at December 31, 2019
1.37	May 26, 2015	26.5.2015 – 31.12.2015	1.1.2016 – 25.5.2025	4,000,000	–	–	4,000,000

39. RESERVES

(a) The statutory reserve represents amounts appropriated from the profits after tax of certain subsidiaries of the Company established in the PRC to comply with the PRC laws and regulations.

(b) The special reserve arose from the reorganization completed in 2004.

(c) 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 Group.

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.

40. DECONSOLIDATION OF A SUBSIDIARY

On April 26, 2020, Jiande City People's Court (the "Court") approved the liquidation of Hangzhou Xinanjiang Hot Spring Resort Development Co. Ltd. ("Xinanjiang"), a subsidiary which the Group has 55% equity interest, and an independent administrator was appointed by the Court. Xinanjiang was principally engaged in operation of resort in Zhejiang, the PRC.

Based on assessment made by the directors of the Company, the Group has lost control on Xinanjiang as the Group had no further involvement in the relevant activities of Xinanjiang nor any ability to affect the return thereof.

A loss of RMB18,501,000 was recognised in the profit or loss for the year ended December 31, 2020. Assets and liabilities deconsolidated as at the date of deconsolidation are as follow:

	RMB'000
Property, plant and equipment	94,126
Trade and other receivables	1,663
Bank balances and cash	213
Inventories	1,258
Right-of-use assets	22,853
Trade and other payables	(973)
Amounts due to non-controlling interest of the deconsolidated subsidiary	(35,276)
Contract liability	(847)
Tax payable	(316)
	82,701
Less: non-controlling interest	(6,300)
Net assets deconsolidated of	76,401
Amount due from Xinanjiang *(note)*	(57,900)
Loss	18,501

Note: Upon deconsolidation of Xinanjiang, the Group recognised an amount due from Xinanjiang of RMB57,900,000 which was determined, based on the expected outcome of the liquidation. The amount is included in "other receivables" as at December 31, 2020.

41. DISPOSAL OF SUBSIDIARIES

(a) On September 30, 2020, the Group disposed of its entire equity interest in 張掖丹馬四海旅遊度假管理有限公司 for a cash consideration of RMB3,850,000. A loss on disposal of subsidiary of RMB5,834,000 was recognised in the profit or loss for the year ended December 31, 2020 with net inflow of RMB3,849,000 cash and cash equivalents was result from the disposal. Assets and liabilities disposed of as at the date of disposal are as follows:

	RMB'000
Property, plant and equipment	9,204
Right-of-use assets	92
Inventories	4
Trade and other receivables	586
Bank balances and cash	1
Trade and other payables	(114)
Lease liability	(89)
Net assets disposed of	9,684
Loss on disposal of a subsidiary:	
Consideration received	3,850
Net assets disposed of	(9,684)
Loss on disposal	5,834
An analysis of the net cash flow of cash and cash equivalents in respect of the Disposal is as follows:	
Cash consideration received during the year ended December 31, 2020	3,850
Bank balances and cash disposed of	(1)
	3,849

41. DISPOSAL OF SUBSIDIARIES (cont'd)

(b) On July 1, 2020, the Group disposed of its entire equity interest in the subsidiary, Zhejiang Hainix Sofa Co., Ltd for a cash consideration of USD87,000 (approximately RMB568,000). A gain on disposal of subsidiary of RMB269,000 was recognised in the profit or loss for the year ended December 31, 2020 with net inflow of RMB559,000 cash and cash equivalents was result from the disposal. Assets and liabilities disposed of as at the date of disposal are as follows:

	RMB'000
Trade and other receivables	602
Bank balances and cash	9
Net assets	611
Less: asset attributable to non-controlling interest	(312)
Net assets disposed of	299
Gain on disposal of a subsidiary:	
Consideration received	568
Net assets disposed of	(299)
Gain on disposal	269
An analysis of the net cash flow of cash and cash equivalents in respect of the Disposal is as follows:	
Cash consideration received during the year ended December 31, 2020	568
Bank balances and cash disposed of	(9)
	559

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Financial asset at fair value through other comprehensive income	**16,362**	17,442
Financial asset at fair value through profit or loss	**19,572**	–
At amortised cost		
– Amount due from non-controlling interest of subsidiaries	**35,283**	24,359
– Trade and other receivables	**448,866**	231,459
– Pledged bank deposits	**104,356**	46,093
– Restricted bank deposits for property development business	**54,673**	111,037
– Cash and bank balances	**297,684**	211,903
	976,796	642,293
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	**769,792**	913,831
– Amount due to non-controlling interests of subsidiaries	**105,122**	111,196
– Bank and other borrowing	**880,568**	910,095
– Lease liabilities	**59,355**	21,718
	1,814,837	1,956,840

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, bank balances and cash, pledged and restricted bank deposits, trade, bills and other payables, amounts due to non-controlling interests of subsidiaries, bank and other borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

The policies on how to mitigate these risks are summarised below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed rate pledged bank deposits, bank borrowings and lease liabilities as set out in notes 32, 35 and 34 respectively. It is the Group's policy to keep its borrowings at fixed rate of interest so 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.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at December 31, 2020, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss for the year would decrease by RMB2,120,000 (2019: RMB1,384,000), and there would be equal and opposite impact on loss for the year (2019: loss) if interest rates had been 50 basis points lower. This is mainly attributable to the Group's exposure to interest rates on its bank balances and restricted bank balances variable rate.

Foreign currency risk

The functional currency of the Company and majority of its subsidiaries 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 dollars ("USD") and such related bank balances and cash, trade and other receivables and trade, bills and other payables arising from time to time. In addition, the Group has short term bank and other borrowings denominated in USD.

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

The carrying amounts of the Group's foreign currency denominated non-derivative monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD	**140,747**	135,709	**16,340**	16,040
HKD	**2,011**	3,797	**–**	–
Other currencies	**5,815**	3,310	**301**	–

Sensitivity analysis

The Group is mainly exposed to currency of USD.

5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As at December 31, 2020, if RMB had been strengthened by 5% against USD and all other variables were held constant, profit for the year would have been increased by RMB7,038,000 (2019: RMB7,298,000) and there would be equal and opposite impact on gain for the year (2019: gain) if RMB has been weakened by 5% against USD.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities classified as FVTOCI and unlisted investment fund classified as FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group would closely monitor the investment for any change in value.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. A 5% increase or decrease is used and represents management assessment of the reasonably possible change in equity prices.

If the price of the listed equity instrument had been 5% higher/lower, available-for-sale investments revaluation reserve would increase/decrease by RMB614,000 (2019: RMB654,000) for the Group as a result of the changes in fair value of available-for-sale investments, and there would be equal and opposite impact on available-for-sale investments revaluation reserve if the price of the listed equity instrument had been 5% lower. Sensitivity analyses for unlisted investment fund with fair value measurement categorised within Level 3 were disclosed in note 42(c).

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk

As at December 31, 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 47. The Group does not hold any collateral to cover the credit risks associated with its financial assets and financial guarantees issued.

In order to minimise the credit risk of receivables, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, 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 credit risk on financial guarantees provided to the customers in respect of mortgage loan is limited because the related properties can be resold in the market if the customers fail to repay the mortgage loans.

The credit risk on financial guarantee provided to the banks in respect of banking facilities granted as disclosed in note 47(b) is limited because the financial guarantees are supported by the CCT Counter Guarantors as disclosed in the announcement and circular of the Company dated November 20, 2018 and December 11, 2018.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and the trade receivables due from the two largest customers accounted for 42.5% (2019: 36.2%) of the balances at the end of the reporting period, the Group does not have any other significant concentration of credit risk. Trade receivables from remaining debtors consist of a large number of customers, spread across geographical areas.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk *(cont'd)*

Trade receivables (cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate *(%)*	**Gross carrying amount** *(RMB'000)*	**Loss allowance** *(RMB'000)*
Current (not past due)	**1.3%**	**85,580**	**1,129**
Within 60 days past due	**2.5%**	**5,157**	**129**
61-90 days past due	**3.2%**	**1,049**	**34**
91-180 days past due	**25.8%**	**1,081**	**279**
181-365 days past due	**53.1%**	**3,439**	**1,827**
More than 365 days past due	**93.9%**	**17,103**	**16,065**
		113,409	**19,463**

	2019		
	Expected loss rate *(%)*	Gross carrying amount *(RMB'000)*	Loss allowance *(RMB'000)*
Current (not past due)	3.3%	88,546	2,900
Within 60 days past due	4.9%	2,864	141
61-90 days past due	7.1%	886	63
91-180 days past due	36.2%	1,069	387
181-365 days past due	64.2%	2,008	1,289
More than 365 days past due	94.7%	16,623	15,734
		111,996	20,514

Expected loss rates are based on actual loss experience of the Group in the past. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

***Credit risk** (cont'd)*

Amount due from vendor in Malaysia, Deposit and other receivables ("Other Receivables")

As at December 31, 2020, impairment of Other Receivables with gross carrying amount of RMB129,695,000 (2019: RMB115,833,000), are assessed based on the 12-months ECLs as there is no significant increase in credit risk and a loss allowance of RMB2,754,000 (2019: RMB6,411,000) is recognised. Impairment of Other Receivables with gross carrying amount of RMB33,372,000 (2019: RMB5,451,000), are assessed based on the life-time ECLs as there is significant increase in credit risk and a loss allowance of RMB1,565,000 (2019: RMB290,000) is recognised. In respect of impairment of Other Receivables with gross carrying amount of RMB172,390,000 (2019: RMB84,876,000), these balance are credit impaired of which and assessed based on life-time ECL (credit impaired), loss allowance of RMB77,675,000 (2019: RMB59,482,000) are recognised as at December 31, 2020.

There was no transfer of loss allowance among 12-months ECLs, life-time ECL and life-time ECL (credit impaired) during the year.

The table shows the movement in the allowance for doubtful debts for Other Receivables as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Balance at beginning of the year	**66,183**	105,728
Amounts written off during the year as uncollectible	**–**	(39,500)
Impairment loss recognised in profit or loss, net of reversal	**16,486**	(45)
Deconsolidation of a subsidiary	**(50)**	–
Balance at end of the year	**82,619**	66,183

Bank balances and cash

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-months ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

Other than continuously monitoring the actual cash flows by management, the Group also relies on bank and other borrowings as a significant source of liquidity. As at December 31, 2020, the Group has available unutilised short-term bank loan facilities of approximately RMB229,062,000 (2019: RMB242,295,000) as a liquidity management resource.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms or the earliest date on which the Group can be required to pay. The table has been drawn up based on the undiscounted cash flows of financial liabilities and include both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year or on demand	1 – 2 years	Over 2 year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2020						
Non-derivative financial liabilities						
Trade, bills and other payables		769,792	–	–	769,792	769,792
Bank and other borrowings	6%	338,150	75,000	689,956	1,103,106	880,568
Lease liabilities	4.47%	19,538	17,077	31,967	68,582	59,355
Amounts due to non-controlling interests of a subsidiaries		105,122	–	–	105,122	105,122
Total		1,232,602	92,077	721,923	2,046,602	1,814,837
Financial guarantees issued:						
Maximum amount guaranteed *(note 47a & b)*		1,578,096	–	–	1,578,096	6,617

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

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*
2019						
Non-derivative financial liabilities						
Trade, bills and other payables		913,830	–	–	913,830	913,830
Bank and other borrowings	6%	328,240	80,900	728,071	1,137,211	910,095
Lease liabilities	4.47%	7,344	4,848	12,072	24,264	21,718
Amounts due to non-controlling interests of a subsidiaries		111,196	–	–	111,196	111,196
Total		1,360,610	85,748	740,143	2,186,501	1,956,839
Financial guarantees issued:						
Maximum amount guaranteed *(note 47a & b)*		2,339,981	–	–	2,339,981	13,234

(c) Fair-value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade, bills and other payables, amounts due from/to non-controlling interests of subsidiaries, financial guarantees issued and current/non-current bank and other borrowings.

Except for the financial guarantees issued and non-current portion of bank and other borrowings, the carrying amounts of the other financial instruments approximate to their fair value due to their short term maturity.

The fair value of financial guarantees issued determined using discounted cash flow models approximate to its carrying amount at year ended date.

The fair value of the non-current portion of bank and other 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.

42. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair-value (cont'd)

Fair value measurements recognised in the statement of financial position

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. There is no transfer between level 1 and level 2 in the year ended December 31, 2020 and 2019.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at December 31, 2020** ***RMB'000***	Fair value as at December 31, 2019 *RMB'000*	**Fair value hierarchy**
Financial assets classified at fair value through other comprehensive income listed in a stock exchange	**16,362**	17,442	Level 1
Unlisted investment fund classified at fair value through profit or loss	**19,572**	–	Level 3

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Valuation techniques used and key inputs

The fair value of the financial assets at fair value through other comprehensive income as at December 31, 2020 and 2019 was determined by using quoted bid price in an active market.

The fair value of unlisted investment fund classified at fair value through profit or loss is determined using adjusted net assets value. The fair value measurement is positively correlated to the underlying net assets' value. As at December 31, 2020, it is estimated that with other variables held constant, an increase/decrease in 5% of underlying net assets' values would have decreased/increased the Company's loss by approximately RMB979,000.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 35, advances from a director of the Company and a related company disclosed in note 49(b) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The directors of the Company considered the Group's credit facilities were able to renew on an on-going basis, which provide sufficient cash to finance the Group's working capital and balance its overall capital structure.

The gearing ratio at the end of the year was as follows:

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings	**880,568**	910,095
Bank balance and cash	**(297,684)**	(211,903)
Net debts	**582,884**	698,192
Equity	**3,439,661**	3,360,517
Net debts to equity ratio	**16.9%**	20.8%

44. RETIREMENT BENEFITS PLAN

The Group contributes to local municipal government retirement scheme for all qualifying employees in the PRC and Cambodia respectively. The employer and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

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 separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 (2019: HK$1,500) or 5% of relevant payroll costs monthly to the MPF Scheme, which contribution is matched by employees.

The total cost charged to profit or loss of approximately RMB9,010,000 (2019: RMB22,321,000) represents contributions paid and payable to the above schemes by the Group in respect of the current accounting period.

45. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets have been pledged to secure the borrowings and the general banking facilities of the Group and certain connected parties, namely Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited, (collectively as "CCT Group") and an independent third party. The aggregate carrying amounts of the pledged assets of the Group at the end of the reporting period are as follows:

	2020	2019
	RMB'000	*RMB'000*
Buildings	**193,257**	210,098
Pledged bank deposits	**104,356**	46,093
Listed equity investments	**16,362**	17,442
Properties under development and held for sale	**1,558,760**	1,601,750
	1,872,735	1,875,383

46. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had capital and other commitments as follows:

	2020	2019
	RMB'000	*RMB'000*
Commitments for acquisition/addition of:		
– Property, plant and equipment	**2,333,895**	2,108,347
– Properties under development	**115,671**	216,461
	2,449,566	2,324,808

47. CONTINGENT LIABILITIES

(a) Guarantee in respect of mortgage facilities for certain properties customers

The Group provided guarantees of RMB809,196,000 at December 31, 2020 (2019: RMB1,571,081,000) 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.

47. CONTINGENT LIABILITIES (cont'd)

(b) Financial guarantee issued

In November 2018, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to CCT Group and an independent third party for three years between January 1, 2019 and December 31, 2021. The fair value of the Financial Guarantees at January 1, 2019 amounting to RMB19,851,000 was recognised as liabilities in the consolidated statement of financial position and the corresponding amount was debited to profit or loss.

As at December 31, 2020 and 2019, the directors of the Company do not consider it probable that a claim will be made against the Group under the Financial Guarantees, and therefore the Financial Guarantees are measured at its fair values initially recognised less cumulative amortisation.

The movement of financial guarantee liabilities as shown as below:

	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**13,234**	–
Recognition of fair value of financial guarantee contracts at initial recognition	**–**	19,851
Release of financial guarantee liabilities *(Note 9)*	**(6,617)**	(6,617)
	6,617	13,234

The carrying amount of the Financial Guarantees recognised at the balance sheet date is disclosed in note 33.

The maximum liabilities of the Group as at December 31, 2020 in respect of the financial guarantees issued to CCT Group and an independent third party is RMB394,800,000 (2019: RMB394,800,000) and RMB374,100,000 (2019: RMB374,100,000) respectively.

48. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The information of financial position of the Company as at December 31, 2020 is as follows:

	Note	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Right-of-use assets		**4,781**	2,430
Investments in subsidiaries		**868,453**	858,416
Total non-current assets		**873,234**	860,846
Current assets			
Other receivables		**7,336**	1,074
Amounts due from subsidiaries		**702,267**	750,083
Bank balances and cash		**3,754**	4,689
Total current assets		**713,357**	755,846
Total assets		**1,586,591**	1,616,692
Current liabilities			
Other payables		**1,207**	2,522
Lease liability		**4,781**	2,450
Amounts due to subsidiaries		**–**	8,932
Total current liabilities		**5,988**	13,904
Net current assets		**707,369**	741,942
Total assets less current liabilities		**1,580,603**	1,602,788
NET ASSETS		**1,580,603**	1,602,788
CAPITAL AND RESERVES			
Share capital	*37*	**1,712**	1,712
Reserves	*48(a)*	**1,578,891**	1,601,076
TOTAL EQUITY		**1,580,603**	1,602,788

On behalf of the directors

Zhu Zhangjin, Kasen	**Zhou Xiaohong**
DIRECTOR	*DIRECTOR*

48. INFORMATION OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Note:

(a) Reserve of the Company

	The Company				
	Share premium	**Special reserve**	**Share option reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	1,470,892	168,659	4,618	(42,253)	1,601,916
Loss for the year	–	–	–	(840)	(840)
As at December 31, 2019	1,470,892	168,659	4,618	(43,093)	1,601,076
Loss for the year	–	–	–	(22,185)	(22,185)
As at December 31, 2020	**1,470,892**	**168,659**	**4,618**	**(65,278)**	**1,578,891**

49. CONNECTED AND RELATED PARTY DISCLOSURES

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties which also constitute connected persons of the Group as defined under Chapter 14A of the Listing Rules, are disclosed below.

(a) In addition to the transactions detailed elsewhere in these financial statements during the year, the Group entered into the following significant transactions with its related parties:

Connected persons and related parties	*Notes*	**Nature of transactions**	**2020** ***RMB'000***	2019 *RMB'000*
Haining Yujie Material Recycling Co., Ltd. ("Yujie") 海寧宇潔物資回收有限公司	*(i)*	Sales of scrap materials by the Group	**1,267**	1,866

Note:

(i) 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 2020 and 2019. 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 (to) related parties are as follows:

Name of related parties	*Notes*	**Amounts due from related parties**		**Amounts due to related parties**	
		2020 ***RMB'000***	2019 *RMB'000*	**2020** ***RMB'000***	2019 *RMB'000*
Trade in nature					
Starcorp	*(i)*	**1,178**	1,588	**–**	–
Yujie	*(i)*	**1,779**	1,409	**–**	–
		2,957	2,997	**–**	–
Non-trade in nature					
Sunbridge	*(ii)*	**–**	–	**–**	47
Mr. Zhu	*(ii)*	**–**	–	**5,330**	5,698
		–	–	**5,330**	5,745

49. CONNECTED AND RELATED PARTY DISCLOSURES (cont'd)

(b) (cont'd)

Notes:

(i) The amounts are trade in nature and unsecured, interest-free and settle according to agreed credit terms.

(ii) The amounts are unsecured, interest-free and repayable on demand.

(c) Details of the outstanding share options granted to the directors are set out in note 38.

(d) The remuneration of the key management personnel of the Group (representing all directors) were disclosed in note 12.

(e) The Group provided financial guarantees to banks until December 31, 2021, for an amount up to RMB394,800,000, and each of Mr. Zhu, Ms. Zhu Jiayun, Ms. Zhu Lingren, Lingjia (the "CCT Counter Guarantors") agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to CCT Group. CCT Group are wholly-owned by Ms. Zhu Jiayun and Ms. Zhu Lingren. Details of the financial guarantees are disclosed in the announcements and circular of the Company dated September 12, 2016 and October 4, 2016, November 20, 2018 and December 12, 2018 respectively.

50. PRINCIPAL SUBSIDIARIES

The following table lists principal subsidiaries of the Company as at December 31, 2020 and 2019 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of the company	Place of establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of equity interest held by the Group		Principal activities
			2020	2019	
			%	*%*	
Kasen International Co., Ltd. 卡森國際有限公司	Cayman Islands	USD10	**100**	100	Investment holding
Cardina International Co., Ltd. 凱廸納國際有限公司	Cayman Islands	USD1	**100**	100	Investment holding
Richmond (Hong Kong) International Co., Ltd. 富華(香港)國際有限公司	Hong Kong	HKD100	**100**	100	Trading of leather, furniture and sofas
Investwise International Limited 智威國際有限公司	British Virgin Islands	USD1	**100**	100	Trading of furniture and sofas
Zhejiang Kasen Industrial Group Co., Limited 浙江卡森實業集團有限公司*(note c)*	PRC	RMB896,240,000	**100**	100	Investment holding and import/export trading
Haining Kareno Furniture Co., Ltd. 海寧卡雷諾家私有限公司*(note b)*	PRC	USD3,600,000	**100**	100	Production and sale of upholstered furniture
Haining Hengsen Furniture Co., Ltd. 海寧恒森家具有限公司*(note a)*	PRC	RMB50,000,000	**100**	100	Production of furniture and glass fiber reinforced plastic products; wood processing

50. PRINCIPAL SUBSIDIARIES (cont'd)

Name of the company	Place of establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of equity interest held by the Group 2020 %	2019 %	Principal activities
Zhejiang Kasen Property Development Co., Ltd 浙江卡森置業有限公司*(note a)*	PRC	RMB600,000,000	**100**	100	Investment holding
Haining Hainix Sofa Co., Ltd 海寧漢林沙發有限公司*(note b)*	PRC	USD6,000,000	**100**	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 b)*	PRC	USD8,000,000	**100**	100	Production and sale of sofas, dining chairs and other furniture products
Haining Kasen Real Estate Co., Ltd. 海寧卡森地產有限公司*(note a)*	PRC	RMB260,000,000	**100**	100	Property development
Hainan Boao Kasen Property Development Co., Ltd. ("Hainan Boao") 海南博鰲卡森置業有限公司*(note a)*	PRC	RMB100,000,000	**92**	92	Property development
Yancheng Sujia Real Estate Development Co. Ltd. 鹽城市蘇嘉房地產開發有限公司*(note b)*	PRC	RMB97,750,000	**100**	100	Property development
Changbai Mountain Protection Development Zone Kasen Property Development Co., Ltd. 長白山保護開發區卡森置業有限公司 *(note a)*	PRC	RMB80,000,000	**89**	89	Property development
Hangzhou Xinanjiang Hot Spring Resort Development Co., Ltd. ("Xinanjiang") 杭州新安江溫泉度假村開發有限公司 *(note a,e)*	PRC	RMB100,000,000	**–**	55	Operation of resort

50. PRINCIPAL SUBSIDIARIES (cont'd)

Name of the company	Place of establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of equity interest held by the Group		Principal activities
			2020	2019	
			%	*%*	
Jiangsu Kasen Property Development Co., Ltd. 江蘇卡森置業有限公司*(note a)*	PRC	RMB50,000,000	**55**	55	Property development
Hainan Sanya Kasen Property Development Co., Ltd. ("Sanya Kasen") 海南三亞卡森置業有限公司*(note a)*	PRC	RMB20,000,000	**80.5**	80.5	Property development
Fun Waterpark Co. Ltd *(note d)*	Cambodia	USD1,000,000	**49**	49	Property development
Kasen International Paper Co. Ltd *(note d)*	Cambodia	USD1,000,000	**49**	49	Investment holding
Kasen International Eco-Manufacture Co. Ltd *(note a)*	Cambodia	Riel86,400,000,000	**100**	100	Investment holding

Notes:

(a) The companies are limited liability companies.

(b) The companies are Sino-foreign owned enterprises.

(c) The companies are foreign owned enterprises.

(d) 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.

(e) The company has been deconsolidated during the year. For details, please refer to note 40.

51. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) Profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2020	2019	**2020**	2019	**2020**	2019
		%	*%*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Hainan Boao	PRC	**8**	8	**(4,694)**	157	**29,449**	34,143
Xinanjiang (note)	PRC	**–**	45	**(1,329)**	(9,384)	**–**	3,284
Sanya Kasen	PRC	**19.5**	19.5	**(6,403)**	(15,053)	**4,793**	11,196
Jiangsu Kasen	PRC	**45**	45	**14,341**	73,096	**54,839**	40,498
Individual immaterial subsidiaries with non-controlling interests				**(21,270)**	(12,562)	**(50,455)**	(24,787)
Total				**(19,355)**	36,254	**38,626**	64,334

Note: The company has been deconsolidated during the year. For details, please refer to Note 40.

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.

51. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Hainan Boao

	2020	2019
	RMB'000	*RMB'000*
Current assets	**1,797,774**	1,710,637
Non-current assets	**103,796**	109,884
Current liabilities	**(1,150,076)**	(826,301)
Non-current liabilities	**(353,932)**	(567,435)
Equity attributable to owners of the Company	**368,113**	392,642
Non-controlling interests	**29,449**	34,143

	2020	2019
	RMB'000	*RMB'000*
Revenue	**112,653**	315,045
Expenses	**(171,331)**	(313,086)
(Loss)/profit and total comprehensive income attributable to the owner of the Company	**(53,984)**	1,802
(Loss)/profit and total comprehensive income attributable to non-controlling interests	**(4,694)**	157
(Loss)/profit and total comprehensive income for the year	**(58,678)**	1,959
Dividend paid to Non-controlling interests	**–**	–
Net cash inflow/(outflow) from operating activities	**41,570**	(47,326)
Net cash inflow/(outflow) from investing activities	**5,875**	(1,659)
Net cash (outflow)/inflow from financing activities	**(18,580)**	33,000
Net cash inflow/(outflow)	**28,865**	(15,985)

51. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Xinanjiang

	2020	2019
	RMB'000	*RMB'000*
Current assets	**–**	23,005
Non-current assets	**–**	122,874
Current liabilities	**–**	(138,471)
Equity attributable to owners of the Company	**–**	4,124
Non-controlling interests	**–**	3,284

	2020	2019
	RMB'000	*RMB'000*
Revenue	**3,112**	15,457
Expenses	**(7,395)**	(36,310)
Loss and total comprehensive income attributable to the owner of the Company	**(2,954)**	(11,469)
Loss and total comprehensive income attributable to non-controlling interests	**(1,329)**	(9,384)
Loss and total comprehensive income for the year	**(4,283)**	(20,853)
Dividend paid to Non-controlling interests	**–**	–
Net cash inflow from operating activities	**–**	4,192
Net cash outflow from investing activities	**–**	(3,547)
Net cash inflow	**–**	645

51. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Sanya Kasen

	2020 *RMB'000*	2019 *RMB'000*
Current assets	**912,489**	941,094
Non-current assets	**333,419**	350,561
Current liabilities	**(1,216,506)**	(1,229,418)
Equity attributable to owners of the Company	**24,609**	51,041
Non-controlling interests	**4,793**	11,196

	2020 *RMB'000*	2019 *RMB'000*
Revenue	**5,278**	6,734
Expenses	**(38,113)**	(83,929)
Loss and total comprehensive income attributable to the owner of the Company	**(26,432)**	(62,142)
Loss and total comprehensive income attributable to non-controlling interests	**(6,403)**	(15,053)
Loss and total comprehensive income for the year	**(32,835)**	(77,195)
Dividend paid to Non-controlling interests	**–**	–
Net cash inflow from operating activities	**86,540**	102,091
Net cash outflow from investing activities	**(88,696)**	(110,736)
Net cash outflow	**(2,156)**	(8,645)

51. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (cont'd)

Jiangsu Kasen

	2020	2019
	RMB'000	*RMB'000*
Current assets	**493,705**	494,725
Non-current assets	**40,223**	40,293
Current liabilities	**(361,465)**	(394,423)
Equity attributable to owners of the Company	**117,624**	100,097
Non-controlling interests	**54,839**	40,498

	2020	2019
	RMB'000	*RMB'000*
Revenue	**169,792**	648,212
Expenses	**(137,924)**	(485,777)
Profit and total comprehensive income attributable to the owner of the Company	**17,527**	89,339
Profit and total comprehensive income attributable to non-controlling interests	**14,341**	73,096
Profit and total comprehensive income for the year	**31,868**	162,435
Dividend paid to Non-controlling interests	**–**	(41,400)
Net cash inflow from operating activities	**516,864**	905,231
Net cash outflow from investing activities	**(450,651)**	(817,290)
Net cash outflow from financing activities	**(64,348)**	(61,827)
Net cash inflow	**1,865**	26,114

52. MAJOR NON-CASH TRANSACTIONS

For the year ended December 31, 2020, Xinanjiang Hot Spring Resort Development Co. Ltd. ("Xinanjiang"), a subsidiary with 55% equity interest of the Group, has been deconsolidated during the year. The original intra-group balances with Xinanjiang has been reclassified as 'other receivables' accordingly with an amount of approximately RMB57,900,000. For details, please refer to note 40.

53. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings *RMB'000* *(note 35)*	**Lease liabilities** *RMB'000* *(note 34)*
At January 1, 2019	899,997	25,272
Changes from cash flows:		
Repayment of bank and other borrowings	(740,283)	–
Borrowing cost paid	(63,530)	–
Repayment of capital portion of lease liabilities	–	(6,582)
Bank and other borrowings raised	750,114	–
Exchange adjustments	267	(5)
Other change:		
Interest expense	46,133	994
Capitalised borrowing costs	17,397	–
Addition of lease liabilities	–	2,039
At January 1, 2020 and December 31, 2019	910,095	21,718
Changes from cash flows:		
Repayment of bank and other borrowings	(458,839)	–
Borrowing cost paid	(59,521)	–
Repayment of capital portion of lease liabilities	–	(15,702)
Bank and other borrowings raised	429,822	–
Exchange adjustments	(510)	(626)
Other change:		
Interest expenses	59,521	1,974
Addition of lease liabilities	–	66,487
Disposal of lease liabilities	–	(14,407)
Disposal of subsidiaries	–	(89)
At December 31, 2020	**880,568**	**59,355**

54. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of reporting period, the Group resolved that the proposed development and operation of the water park on the land owned by a non-wholly owned subsidiary located in Phnom Penh, Cambodia was terminated, and the land would be developed into a real estate project. Detail of the proposed change of usage of the land were disclosed in the announcement of the Company dated February 1, 2021.

Except for the above, no other material event after the reporting period is required to be accounted for or disclosed.

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors of the Company on March 31, 2021.