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 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHU Zhangjin, Kasen *(Chairman) (further appointed as Chief Executive Officer on October 7, 2022)*
ZHU Ruijun *(Chief Executive Officer) (resigned on October 7, 2022)*
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 1107, 11/F
COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISORS

As to Hong Kong law
Sidley Austin

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

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

AUTHORISED REPRESENTATIVES

ZHOU Xiaohong *(appointed on October 7, 2022)*
YIU Hoi Yan, Kate
ZHU Ruijun *(resigned on October 7, 2022)*

COMPANY WEBSITE

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

FINANCIAL HIGHLIGHTS

RESULTS

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**863,429**	1,513,538	1,260,266	3,413,185	3,608,540
Profit before taxation	**77,245**	339,795	156,148	663,564	599,600
Profit attributable to owners of the Company	**68,279**	220,039	114,975	444,958	449,799

FINANCIAL POSITION

	At December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**460,310**	279,567	297,684	211,903	457,708
Total borrowings	**769,182**	804,116	880,568	910,095	899,997
Total assets	**5,821,706**	5,974,392	6,281,513	6,295,228	8,152,573
Total liabilities	**2,109,699**	2,320,402	2,841,852	2,934,711	5,233,615
Equity attributable to owners of the Company	**3,681,325**	3,622,085	3,401,035	3,296,183	2,849,292

FINANCIAL AND OPERATING RATIOS

	At December 31,				
	2022	2021	2020	2019	2018
Dividend payout ratio (%)[1]	**–**	–	–	–	86.3%
Debt to equity ratio (%)[2]	**20.7%**	22.0%	25.6%	27.1%	30.8%
Net debt to equity ratio (%)[3]	**8.3%**	14.4%	16.9%	20.8%	15.2%
Trade and bills receivable turnover days[4]	**24**	37	45	42	43
Inventory turnover days[5]	**54**	57	68	54	53
Current ratio[6]	**299.2%**	250.4%	196.8%	178.6%	130.2%
Earnings per share *(RMB)*					
Basic	**0.05**	0.15	0.08	0.30	0.30
Diluted	**0.05**	0.15	0.08	0.30	0.30

Notes:

1. The dividend per ordinary share divided by the profit attributable to owners of the Company per ordinary share.
2. Interest-bearing debt divided by total equity as at the end of the year.
3. Interest-bearing debt minus bank balances and cash divided by the total equity as at the end of each year.
4. Trade and bills receivables as at the end of the year divided by turnover and multiplied by 365 days.
5. Inventories as at the end of the year divided by cost of sales and multiplied by 365 days.
6. Current assets divided by current liabilities as at the end of each year.
7. The adoption of new accounting standards (as shown in note 3 to the consolidated financial statements) in 2022 has no material impact on the Group.

DIRECTORS AND MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

ZHU Zhangjin, Kasen (朱張金), aged 57, is the founder of the Group and the chairman of the Company. Mr. Zhu is also an executive director and the chief executive officer of the Company. Before founding the Group in 1995, Mr. Zhu was involved in several business ventures in the areas of textile, leather processing, garment, trading, etc. With over 35 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.

ZHOU Xiaohong (周小紅), aged 54, 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.

ZHU Ruijun (朱瑞俊), aged 51, was appointed as an executive Director and the chief executive officer of the Company with effect from February 28, 2020 and resigned the two positions on October 7, 2022. 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.

DIRECTORS AND MANAGEMENT PROFILES (cont'd)

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Lingqiang（周玲強）, aged 59, 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 64, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

DU Haibo (杜海波), aged 54, 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. (河南羚鋭製藥股份有限公司), 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.

SENIOR MANAGEMENT

YUAN Zhigang (袁志剛), aged 42, 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.

SENIOR MANAGEMENT (cont'd)

ZHOU Xiaohong (周小紅), aged 54, 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 59, 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 55, 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 50, 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 27 years of experience in auditing and accounting. She is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Yiu obtained a Bachelor of Arts (Honors) in Accountancy from the City University of Hong Kong in 1995.

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

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, 2022.

In 2022, the more severe and complicated COVID-19 pandemic situation in the PRC as well as the rigorous pandemic prevention and control measures have greatly affected production, logistics and personnel transportation. The performance of the Group declined due to the combination of various adverse factors, such as the temporary suspension of production in the domestic production bases of the Group as a result of the pandemic control, significant decrease in foot traffic of hostels and recreational facility operated in tourism resorts, and the continued downturn in the domestic real estate market. In 2022, the Group's property development, tourism resort-related operation (comprising water parks, hot spring resort, hotels and restaurants, etc.) and manufacturing and trading of upholstered furniture businesses recorded a consolidated turnover of approximately RMB863.4 million, representing a decrease of approximately 43.0% as compared to the same period in 2021. The profit attributable to the owners was approximately RMB68.3 million, representing a year-on-year decrease of approximately 69.0%.

As China has made major adjustments to the COVID-19 pandemic control policy in December 2022, the domestic economic development was expected to see a marked improvement, which also created opportunities for the Group to strive for comprehensive improvement in performance in the forthcoming year. Taking internationalization as the development strategy, the Group will consolidate existing furniture manufacturing business and expand production bases in Cambodia to meet the needs of major customers. The domestic inefficient assets will be disposed of to recover funds and optimize resource allocation as appropriate. With the development of overseas power and energy infrastructure as the breakthrough point for business transformation and upgrading, the Group will seek for new impetus for its sustainable development and explore a new direction.

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

ZHU Zhangjin, Kasen
Chairman

March 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2022, the Company together with its subsidiaries (the "Group") recorded a consolidated turnover of RMB863.4 million (2021: RMB1,513.5 million), representing a decrease of approximately 43.0% when compared with the year of 2021. The decrease in revenue mainly attributable to (1) the decrease of approximately RMB429.4 million in property development segment since there was a decrease in the delivery of properties for the Group's property development projects, and (2) the decrease of approximately RMB184.4 million in manufacturing segment due to the decrease in furniture sales order received during the year ended December 31, 2022 as compared to the year 2021.

The Group's gross profit for the year ended December 31, 2022 was RMB250.6 million (2021: RMB559.6 million) with an average gross profit margin of 29.0% (2021: 37.0%), which resulted in a decrease of approximately RMB309.0 million, representing a decrease of approximately 55.2% when compared with the year of 2021.

The net profit attributable to owners of the Company was approximately RMB68.3 million in the year ended December 31, 2022 (2021: profit of RMB220.0 million), representing a decrease of approximately RMB151.7 million or approximately 69.0% as compared with the year of 2021. The decrease in profit was largely attributable to (1) the decrease in the delivery of properties for the Group's property development projects, and (2) the decrease in gain on disposal of land use rights and related property, plant and equipment during the year ended December 31, 2022 as compared to the year 2021. Further discussions are set out in the following contents within this section.

Review by Business Segments

The Group's reportable business segments in 2022 principally consist of manufacturing and trading of upholstered furniture, properties development and others (comprising mainly travel and related services, catering and entertainment services and provision of property management service).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2022 together with the comparative figures for the year ended December 31, 2021:

	2022		2021		**Y-O-Y Change**
	RMB'Million	**%**	RMB'Million	%	%
Manufacturing and Trading of Upholstered Furniture	**599.8**	**69.5**	784.2	51.8	-23.5
Property Development	**173.4**	**20.1**	602.8	39.8	-71.2
Others	**90.2**	**10.4**	126.5	8.4	-28.7
Total	**863.4**	**100.0**	1,513.5	100.0	-43.0

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the year ended December 31, 2022, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB599.8 million, representing a decrease of approximately 23.5% as compared to the total turnover of approximately RMB784.2 million in the corresponding period of 2021. Customers of the Group's trading of upholstered furniture are mainly from the United States and Europe, and based on their judgement on the economic situation in the PRC, they have decreased purchase orders in the PRC, making the most domestic upholstered furniture suppliers, including the Group, suffering from varying degrees of decline in export sales. Although the orders were lower, the Group ensured the timely delivery for customers' orders and achieved profit in an unfavorable environment of epidemic control by enhancing the production efficiency, streamlining personnel and other measures. The Group recorded a net profit of approximately RMB80.4 million from manufacturing and trading of upholstered furniture business in 2022, representing a decrease of approximately 56.5% as compared to the net profit of approximately RMB184.8 million in the corresponding period of 2021.

Property Development Business

As at December 31, 2022, the Group had in total seven property projects under different stages of development or held for sale in mainland China and Cambodia. The turnover from the property development segment was RMB173.4 million in 2022, representing a decrease of approximately 71.2% as compared to RMB602.8 million in 2021. The decrease in sales was mainly due to decrease in delivery of properties, in 2022 as compared to that in the corresponding period of last year. As a result, operating loss incurred from this segment in 2022 was RMB35.6 million, (2021: an operating profit of RMB101.1 million).

The Group's Property Project Portfolio as at December 31, 2022

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	Completed	2021	Residential and commercial
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	291,035	Under development	2026	Residential
Total				3,337,209			

Note: The estimated year of completion is derived based on the present situation and progress of each project, and is 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 or held for sale as at December 31, 2022

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, 2022 (sq.m.)	Accumulated GFA delivered as at December 31, 2022 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	209,794	190,870	18,232
2	Qianjiang Continent	775,292	775,292	669,717	666,671	664,774	9,938
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	–*
4	Changbai Paradise	122,412	122,412	122,010	42,248	39,896	5,762
5	Qianjiang Oasis	334,899	334,899	282,323	266,985	264,604	13,266
Total		2,908,492	2,594,536	2,372,945	1,894,428	1,868,874	

* This project was completed and all properties were delivered.

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the year ended December 31, 2022 decreased to approximately RMB81.9 million, representing a decrease of approximately RMB6.4 million as compared to approximately RMB88.3 million in 2021. The selling and distribution costs maintained at a relatively stable level as compared with 2021. The Group's selling and distribution costs to turnover in 2022 increased to approximately 9.5% as compared to approximately 5.8% in 2021.

The administrative expenses in 2022 was approximately RMB188.7 million, representing a decrease of approximately RMB20.0 million as compared to approximately RMB208.7 million in 2021. The decrease was mainly included (1) the decrease of approximately RMB40.0 million in administrative expenses (especially depreciation charge of property, plant and equipment) largely as a result of the disposal of a subsidiary and certain land (including the buildings erected thereon), please refer to the paragraphs in below headed "MATERIAL ACQUISITION AND DISPOSAL", offset by (2) impairment loss on property, plant and equipment of approximately RMB26.4 million. The amount relates to impairment loss on a building due to underperformance of the cash generating unit ("CGU"). The recoverable amount of the CGU was determined based on value-in-use calculations, using cash flows projection covering the useful life of the assets with discounting factor.

The Group's impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate decreased by approximately RMB60.4 million from approximately RMB56.7 million in 2021 to reversal of impairment loss of approximately RMB3.7 million in 2022 under the relevant management policies of the Group adopted in accordance with IFRS 9. The decrease was mainly due to 1) a specific and additional provision of approximately RMB39.9 million recognized in 2021 in relation to the amounts due from Hangzhou Xinanjiang Hot Spring Resort Development Co. Ltd., a former non-wholly owned subsidiary of the Company which was liquidated in 2022; and 2) recovery of certain receivables which were impaired in prior years.

The Group's finance cost in 2022 was approximately RMB63.1 million, representing an increase of approximately RMB9.3 million, as compared to approximately RMB53.8 million in 2021. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings and interest expense on lease liabilities.

RESULTS OVERVIEW (cont'd)

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

The Group recorded a net gain of approximately RMB136.9 million in other gains and losses in 2022, while it recorded a net gain of approximately RMB182.5 million in 2021. For details of the other gains and losses, please refer to note 7 to the consolidated financial statements.

The Group's income tax in 2022 was approximately RMB17.5 million, representing a decrease of approximately RMB109.1 million, as compared to approximately RMB126.6 million in 2021. The decrease was mainly resulted from (1) a decrease in PRC income tax of approximately RMB45.1 million mainly due to a decrease in taxable profits generated at the subsidiary level with significantly decreased operating profit, (2) a decrease in PRC land appreciation tax of approximately RMB65.4 from the property development projects, and offset by (3) the decrease in deferred taxation credit of approximately RMB1.3 million.

Based on the aforesaid factors, profit attributable to owners of the Company in 2022 decreased by approximately 69.0% to approximately RMB68.3 million (2021: RMB220.0 million).

CAPITAL EXPENDITURE

Capital expenditure in 2022 decreased to approximately RMB8.0 million (including construction in progress of approximately RMB6.2 million) from approximately RMB115.7 million in 2021. The capital expenditure mainly comprised the amount of approximately RMB8.0 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year ended December 31, 2022.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Bank Borrowings

As at December 31, 2022, the Group's bank borrowings amounted to approximately RMB769.2 million, (in which approximately 4.8% (2021: 0.9%) was denominated in USD and approximately 95.2% (2021: 99.1%) was denominated in RMB) representing a decrease of approximately 4.3% from approximately RMB804.1 million as at December 31, 2021. As at December 31, 2022, the Group had outstanding bank borrowings amounted to approximately RMB217.8 million repayable within one year and approximately RMB551.4 million repayable after one year (2021: approximately RMB204.4 million repayable within one year and approximately RMB599.7 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2022, the inventory turnover period decreased to 54 days (2021: 57 days).

In 2022, 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 decreased to 24 days in 2022 (2021: 37 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments decreased to 44 days in 2022 (2021: 75 days).

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

Turnover Period, Liquidity and Gearing (cont'd)

As at December 31, 2022, the Group's current ratio was 2.9 (December 31, 2021: 2.50). The Group's cash and cash equivalent balance was approximately RMB460.3 million as at December 31, 2022 (December 31, 2021: approximately RMB279.6 million). As at December 31, 2022, cash and cash equivalent balance of the Group was approximately 85.3% (2021: 86.0%) of bank balance denominated in RMB, approximately 13.9% (2021: 12.3%) denominated in USD, approximately 0.7% (2021: 1.2%) denominated in HKD and Japanese Yen currency, and approximately less than 0.1% (2021: 0.5%) denominated in other currencies. This represents a gearing ratio of 20.7% as at December 31, 2022 (December 31, 2021: 22.2%) and a net debt-to-equity ratio of 8.3% as at December 31, 2022 (December 31, 2021: 14.5%). The gearing ratio is based on bank borrowings to owners' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to owners' equity. In 2022, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the year ended December 31, 2022.

Capital Structure

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

MATERIAL ACQUISITION AND DISPOSAL

On July 29, 2022, Jiangsu Kasen Property Development Co., Ltd. (江蘇卡森置業有限公司) ("Jiangsu Kasen"), a non-wholly owned subsidiary of the Company entered into the equity transfer agreement with Yancheng Dayangwan Group Development Co., Ltd.* (鹽城大洋灣組團開發有限公司) ("Yancheng Dayangwan Group"), pursuant to which Jiangsu Kasen has agreed to sell, and Yancheng Dayangwan Group has agreed to purchase 80% of the equity interest in Yancheng Dayangwan Changle Health Development Co., Ltd. (鹽城大洋灣長樂健康發展有限公司) ("the Target Company") at a consideration of RMB93,739,800. Prior to the disposal, the Target Company was a company established in the PRC with limited liability and was owned as to 80% by Jiangsu Kasen and 20% by Yancheng Dayangwan Group which was a connected person at the subsidiary level of the Company. The Target Company was principally engaged in operation of water park located in Tinghu District, Yancheng city, Jiangsu Province, the PRC. For further details, please refer to the announcement of the Company dated July 29, 2022.

On September 6, 2022, Haining Kareno Furniture Co., Ltd. (海寧卡雷諾家私有限公司) ("Haining Kareno"), a wholly-owned subsidiary of the Company, entered into the property transfer agreement, pursuant to which Haining Kareno agreed to dispose, and 海寧市斜橋鎮華豐股份經濟合作社 (Huafeng Economic Cooperative of Xieqiao Town, Haining City) agreed to purchase the land located at No. 2 Luotang Road, Xieqiao Town, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 11,485 sq.m., (including the buildings erected thereon) for a total amount of RMB88,310,000 and equipment and fixture affiliated to the land for a total amount of RMB10,510,000. For further details, please refer to the announcement of the Company dated September 6, 2022.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2022.

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 ended December 31, 2022.

CONTINGENT LIABILITIES

As at December 31, 2022, the Group had certain contingent liabilities. For details, please refer to note 44 to the consolidated financial statements.

PLEDGE OF ASSETS

Some of the Group's assets have been pledged to secure the bank borrowings and the bank facilities granted to the Group. For details, please refer to note 43 to the consolidated financial statements.

CAPITAL AND OTHER COMMITMENTS

As at December 31, 2022, the Group had contracted, but not provided for, a total capital and other expenditure of RMB2,729.0 million (2021: RMB2,527.7 million), in which an amount of RMB391.7 million (2021: RMB154.0 million) was in respect of properties under development for sale. For details, please refer to note 42 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) was mainly denominated in U.S. dollars, and most of the trade receivables were exposed to exchange rate fluctuation. During the year ended December 31, 2022, 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, 2022, the Group employed a total of approximately 2,117 full time employees (December 31, 2021: approximately 2,800), including management staff, technicians, salespersons and workers. In 2022, the Group's total expense on the remuneration of employees was approximately RMB171.8 million (2021: approximately RMB200.0 million), representing approximately 19.9% (2021: 13.2%) 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.

EMPLOYEES AND EMOLUMENT POLICIES (cont'd)

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, 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

With the gradual relaxation and cessation of the global policy on the prevention and control of the COVID-19 pandemic, it is expected that 2023 will be an important period of economic recovery and there will be more business development opportunities. The Group will steadfastly implement its internationalization strategy and accelerate the pace of its industrial investment outside the PRC. Offshore industrial investment will focus on the fields of electric power infrastructure and mineral resources, leveraging the Group's long-standing experience in overseas trade and investment, and working with domestic and overseas partners to focus on developing countries in Africa, Asia, and Central and Eastern Europe, so as to create new economic growth points and bring sustainable returns to shareholders.

In the field of upholstered furniture business, the Group will further expand the scale of its production base in Cambodia and increase the volume of exports from Cambodia in response to requests from customers in Europe and the United States. Upstream supporting partners have been introduced to the production base in Cambodia to create a whole industry chain, thereby reducing costs, improving the competitiveness of our products and striving for progress in orders while ensuring stability.

In the field of property development, a series of supportive policies in the real estate industry have been issued in the PRC. The Group will follow the policies closely and adopt various flexible measures to speed up the progress of sales of existing projects with the primary objective of accelerating sales, and at the same time, dispose of some projects to recover funds. Outside the PRC, the Group will focus on developing real estate projects in Phnom Penh, Cambodia, and expand the scale of our projects when appropriate.

In the field of tourism resort business, the domestic market is set to rebound significantly. The Group will make full use of its existing resources to optimize the operation and management of the water park and the resort hotel in Hainan, increase its marketing efforts, expand its influence, attract more visitors and provide consumers with better services.

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

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended December 31, 2022.

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) travel and related operations.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year ended December 31, 2022 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, 2022 and since the end of the reporting period are provided in the section headed "Chairman's Statement" on page 8 and the section headed "Management Discussion and Analysis" on pages 9 to 15 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, 2022 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 9 to 15 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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 82 to 83.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2022 (2021: Nil).

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

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company dated May 31, 2023, the register of members of the Company will be closed from May 25, 2023 to May 31, 2023 (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 24, 2023.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to Shareholders as at December 31, 2022, calculated in accordance with International Financial Reporting Standards, was approximately RMB1,556.9 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 2022, the Group had acquired property, plant and equipment of approximately RMB8.0 million (including construction in progress of approximately RMB6.2 million) for operational purpose.

Details of these and other movements in the property, plant and equipment of the Group during the year of 2022 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year of 2022, the aggregate sale attributable to the Group's five largest customers comprised approximately 84% of the Group's manufacturing and trading of upholstered furniture segments sale and the sale attributable to the Group's largest customer were approximately 55% of the Group's manufacturing and trading of upholstered furniture segments sale.

The aggregate purchases during the year of 2022 attributable to the Group's five largest suppliers were approximately 27% 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% 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 ended December 31, 2022, 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, 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 2022 and up to the date of this annual report are:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman)*
ZHOU Xiaohong
ZHU Ruijun *(resigned on October 7, 2022)*

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, 2022 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 October 7, 2022, Mr. Zhu Zhangjin was appointed as the chief executive officer of the Company (the "CEO") on October 7, 2022. The annual remuneration of Mr. Zhu Zhangjin has been changed from HK$750,000 to HK$1,200,000 starting from March 1, 2023.
Ms. Zhou Xiaohong	As disclosed in the Company's announcement dated October 7, 2022, Ms. Zhou Xiaohong was appointed as a member of the nomination committee of the Company (the "Nomination Committee") and the authorized representative of the Company (the "Authorised Representative") on October 7, 2022.
Mr. Zhu Ruijun	As disclosed in the Company's announcement dated October 7, 2022, Mr. Zhu Ruijun resigned the position as an executive Director, the CEO, a member of the Nomination Committee and the Authorized Representative on October 7, 2022.

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; January 1, 2021 for Mr. Zhou Lingqiang; March 1, 2021 for Mr. Zhang Yuchuan and November 2, 2021 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 10 to the consolidated financial statements.

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

As at December 31, 2022, 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 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	39.36%
Zhou Xiaohong *(Note 2)*	9,514,561	–	9,514,561	0.66%

Notes:

(1) Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 shares as at December 31, 2022 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, 2022 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, 2022.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 41 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, 2021, 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 January 1, 2022, the number of option available for grant under the 2015 Share Option Scheme was 116,232,298 shares. As at December 31, 2022 and the date of this annual report, 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 0.8% and 8.1% of the shares in issue respectively as at the date of this annual report. As at the date of this annual report, the remaining life of 2015 Share Option Scheme is approximately two years and two months.

Details of movement of the share options during the year ended December 31, 2022, being share options granted pursuant to the 2005 Share Option Scheme on May 26, 2015, were as follows:

		Number of share options							
Name of Director	Exercise price *HK$*	Outstanding as at January 1, 2022	Granted from January 1, 2022 to December 31, 2022	Exercised from January 1, 2022 to December 31, 2022	Forfeited from January 1, 2022 to December 31, 2022	Outstanding as at December 31, 2022	Percentage of total issued share capital	Exercisable period	Notes
Zhu Zhangjin	1.37	1,000,000	–	–	–	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3
Zhou Xiaohong	1.37	3,000,000	–	–	–	3,000,000	0.21%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	–	–	–	4,000,000	0.28%		
Other employees in aggregate	1.37	6,850,000	–	–	–	6,850,000	0.47%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	–	–	–	10,850,000	0.75%		

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, 2022, none of these share options were exercised, forfeited, lapsed nor cancelled.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2022, 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	38.50%
Prosperity and Wealth Limited[1]	Trustee	–	555,645,113	555,645,113	38.50%
Team Ease Limited[2]	Beneficial owner	–	235,043,057	235,043,057	16.29%
Chen Dianer (陳鈿兒)[2]	Interest in controlled corporation	–	235,043,057	235,043,057	16.29%

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 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by 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, 2022.

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 2022 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 TRANSACTION

On July 29, 2022, Jiangsu Kasen Property Development Co., Ltd. (江蘇卡森置業有限公司) ("Jiangsu Kasen"), a non-wholly owned subsidiary of the Company entered into the equity transfer agreement with Yancheng Dayangwan Group Development Co., Ltd.* (鹽城大洋灣組團開發有限公司) ("Yancheng Dayangwan Group"), pursuant to which Jiangsu Kasen has agreed to sell, and Yancheng Dayangwan Group has agreed to purchase 80% of the equity interest in Yancheng Dayangwan Changle Health Development Co., Ltd. (鹽城大洋灣長樂健康發展有限公司) ("the Target Company") at a consideration of RMB93,739,800. Prior to the disposal, the Target Company was a company established in the PRC with limited liability and was owned as to 80% by Jiangsu Kasen and 20% by Yancheng Dayangwan Group which was a connected person at the subsidiary level of the Company. The Target Company was principally engaged in operation of water park located in Tinghu District, Yancheng city, Jiangsu Province, the PRC. For further details, please refer to the announcement of the Company dated July 29, 2022.

Saved as disclosed above and the continuing connected transactions set forth below, the Group did not enter into any transactions which constituted connected transactions of the Company under the Listing Rules with its connected persons during the year ended December 31, 2022.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2022, the following transactions were entered into by the Group with its connected persons, or subsisted during the year ended December 31, 2022. The transactions constituted continuing connected transactions for the Company under the Listing Rules, details of which are disclosed in compliance with the requirement of Chapter 14A of the Listing Rules.

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

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

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

During the year ended December 31, 2022, the aggregate amount of the transactions under the 2021 Yujie Renewal Agreement was approximately RMB864,000 and the actual transaction amount did not exceed the annual cap amount of RMB5,000,000.

CONTINUING CONNECTED TRANSACTIONS (cont'd)

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

Yujie is a subsidiary of Zhejiang Sunbridge Industrial (Group) Co., Ltd ("Sunbridge") and Sunbridge is a company in which Mr. Zhu Zhangjin, a Director and the controlling shareholder of the Company, 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 2021 Yujie Renewal Agreement, please refer to the announcement of the Company dated November 17, 2021.

(2) Agreement for providing guarantee to the CCT Group

On November 17, 2021, Mr. Zhu Zhangjin ("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, 2024 (the "2021 CCT Master Agreement").

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

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

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 2021 CCT Master Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS (cont'd)

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

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

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

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

d. with respect to the aggregate amount of each of the continuing connected transactions set out as above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as disclosed in the announcements of the Company dated November 17, 2021, December 3, 2021 and June 30, 2022 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, 2022.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Group had certain transactions with "related parties" as defined under the applicable accounting standards. Except for the connected transaction and continuing connected transactions as set forth in the section headed "Connected Transaction" and "Continuing Connected Transactions" on pages 26 to 27 of this annual report, none constitutes a connected transaction as defined under Chapter 14A of the Listing Rules. The Company confirms it has complied with all disclosure requirements under the Chapter 14A under the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Connected Transaction" and "Continuing Connected Transactions" of this annual report, 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, 2022.

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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022.

TAX RELIEF AND EXEMPTION

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2022.

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 the Company's annual general meeting held on May 31, 2022, the shareholders of the Company approved a general mandate to authorize the directors of the Company to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 31, 2022. During the year ended December 31, 2022, the Company had repurchased 50,495,000 ordinary shares in total on the Stock Exchange at an aggregate consideration of HK$20,868,305 and such shares were cancelled in November 2022. The Directors believe that such share buy-back may lead to an enhancement of the net asset value per Share and/or the earning per Share.

Month/Year	Number of Shares bought back	Purchase price per Share		Aggregate purchase consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
October 2022 *(note a)*	33,352,000	0.4000	0.3950	13,340,575
November 2022 *(note b)*	17,143,000	0.4400	0.4350	7,527,730
	50,495,000			20,868,305

Note: a) The shares repurchased were cancelled on November 17, 2022.

b) The shares repurchased were cancelled on November 29, 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

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, 2022.

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, 2022.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year ended December 31, 2022, donations made by the Group were approximately RMB35,000.

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

No significant events occur for the Group after the reporting date December 31, 2022.

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, 2022 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

On December 9, 2022, BDO Limited has resigned as the auditor of the Group with effect from December 9, 2022 as BDO Limited and the Company could not reach a consensus in respect of the audit fee of the Company for the year ending December 31, 2022. BDO Limited has confirmed in writing that there are no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company. With the recommendation from the Audit Committee, Grant Thornton Hong Kong Limited has been appointed by the Board as the new auditor of the Company with effect from December 9, 2022 to fill the casual vacancy following the resignation of BDO Limited and to hold office until the conclusion of the AGM.

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

On behalf of the Board

ZHU Zhangjin, Kasen
Director

March 31, 2023

CORPORATE GOVERNANCE REPORT

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

The Company has complied with code provisions (the "CG Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix 14 of the Listing Rules throughout the year ended December 31, 2022, except for the following deviation:

CODE PROVISION C.2.1

Under CG Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhu Ruijun acted as the role of the CEO all the time until his resignation of the executive Director, the CEO and other positions on October 7, 2022. From October 7, 2022 onwards, Mr. Zhu Zhangjin was appointed as the CEO and then, the Company does not at present separate the roles of chairman and chief executive. Mr. Zhu Zhangjin, Kasen is the chairman and CEO responsible for overseeing the operations of the Group. Despite of the deviation from the Code Provision C.2.1, Mr. Zhu Zhangjin will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and maintain the continuous operation of business of the Group. Moreover, under the supervision of other existing members of the Board including the independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interest of the Company and its shareholders. As such, the Board considers that the deviation from Code Provision C.2.1 is appropriate in the current situation. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 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, 2022, 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, 2022, the Board comprised five members, including two executive Directors and three independent non-executive Directors. The Board members for the year ended December 31, 2022 and up to the date of this annual report are shown below:

Executive Directors

ZHU Zhangjin, Kasen *(Chairman (further appointed as Chief Executive Officer on October 7, 2022))*
ZHU Ruijun *(Chief Executive Officer) (resigned on October 7, 2022)*
ZHOU Xiaohong

Independent Non-executive Directors

DU Haibo
ZHOU Lingqiang
ZHANG Yuchuan

BOARD OF DIRECTORS (cont'd)

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 ended December 31, 2022, the Company has purchased Directors & Officers Liability and Company Reimbursement Insurance for all of its Directors and some of its senior management.

NON-EXECUTIVE DIRECTOR

The existing non-executive Directors (all being independent non-executive Directors) were appointed for a term of three years which respectively commenced from January 1, 2021 (for Mr. Zhou Lingqiang), March 1, 2021 (for Mr. Zhang Yuchuan) and November 2, 2021 (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, 2022, all Directors of the Company namely, Mr. Zhu Zhangjin, Ms. Zhou Xiaohong, Mr. Zhu Ruijun (resigned on October 7, 2022), 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 ended December 31, 2022. 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, 2022, 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, 2022, the Audit Committee held three meetings to review the annual and interim results, and to make recommendations to improve the Company's internal control. The chief financial officer, internal audit officer and representatives of the external auditors attended the meetings.

Remuneration Committee

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

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

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

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

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

During the year ended December 31, 2022, 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, 2022 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	–
Over HK$2,000,000	–

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 10 to the consolidated financial statements. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2022.

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	
Ms. ZHOU Xiaohong	*(appointed on October 7, 2022)*
Mr. ZHU Ruijun	*(resigned on October 7, 2022)*

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

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

During the year ended December 31, 2022, the Nomination Committee held two meetings to discuss about the re-appointment of directors, the CEO.

Gender Diversity of Employees

As at 31 December 2022, the Group has a total of 2,117 employees, and the ratio of male to female employees is approximately 1: 0.73 (As at 31 December 2021: 1: 0.72). Considering that the Group is mainly engaged in manufacturing and trading of upholstered furniture; properties development; and tourism resort-related operations, the employees mainly consist of general workers, most of them are generally male, as a result, the Nomination Committee considered that the current ratio of male and female employees is relatively balanced.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and Nomination Committee as well as general meeting of the Company during the year ended December 31, 2022 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 May 31, 2022**
Executive Directors					
Mr. ZHU Zhangjin, Kasen *(Chairman)*	6/6	N/A	N/A	N/A	1/1
Ms. ZHOU Xiaohong *(Member of Remuneration Committee and Member of Nomination Committee (appointed on October 7, 2022))*	6/6	1/1	N/A	N/A	1/1
Mr. ZHU Ruijun *(Member of Nomination Committee), resigned on October 7, 2022*	5/5	N/A	N/A	1/2	1/1
Independent Non-executive Directors					
Mr. DU Haibo *(Chairman of Audit Committee and Chairman of Nomination Committee)*	6/6	N/A	3/3	2/2	1/1
Mr. ZHOU Lingqiang *(Member of Audit Committee, Member of Nomination Committee and Chairman of Remuneration Committee)*	6/6	1/1	3/3	2/2	1/1
Mr. ZHANG Yuchuan *(Member of Audit Committee and Remuneration Committee)*	6/6	1/1	3/3	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, 2022, 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, 2022 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, 2022 amounted to approximately RMB2.3 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 which will be reviewed annually by the Board. The Board is responsible for assessing, maintaining and improving the effectiveness of our internal control system to safeguard Shareholders' investments and Company's assets. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board, so as to ensure strict compliance with relevant rules and regulations.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

During the year ended December 31, 2022, 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, 2022, 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, 2022, the Company made disclosure of its inside information in compliance with its own inside information policies and the applicable laws and regulations.

MECHANISM FOR INDEPENDENT VIEWS

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

MECHANISM FOR INDEPENDENT VIEWS (cont'd)

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

The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting. The Board has reviewed and considered that the Board Independence Evaluation Mechanism is effective in ensuring that independent views and input are provided to the Board during the year ended December 31, 2022.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2022, 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, 2022 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.

CORPORATE GOVERNANCE REPORT (cont'd)

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS (cont'd)

Taking advantages of various resources, the Company keeps communicating with its Shareholders regularly and properly to ensure that Shareholders are adequately aware of any important issues during the course of the Company's operation, and then exercise their rights as shareholders with sufficient knowledge. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications. Thus the Board is of the view that the shareholders' communication policy are conducted effectively during the year ended December 31, 2022. Shareholders may send their enquiries and concern and investors are welcome to write directly to the Company at its place of business in Hong Kong for any inquiries through the following means:

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

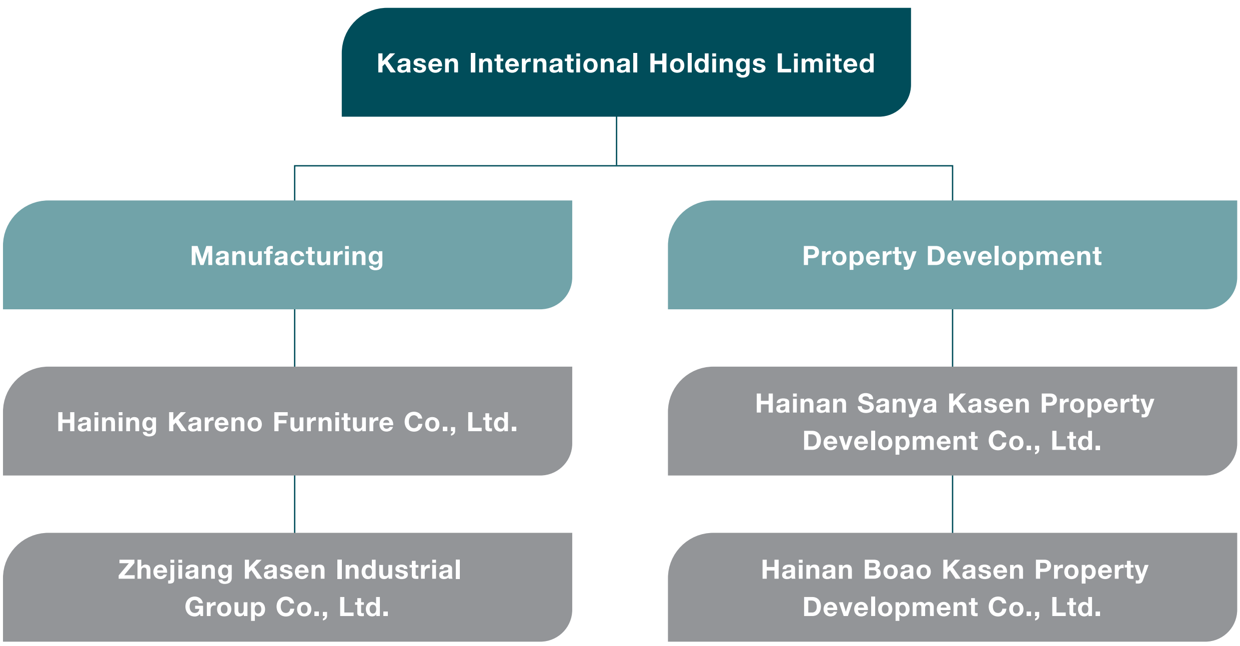
ABOUT THE REPORT

Kasen International Holdings Limited (the "Company" or "Kasen") with its subsidiaries (hereafter the "Group", "we" or "our") primarily engaged in manufacturing upholstered furniture, as well as property development in Hainan. With over two decades of expertise and experience, we have been a market leader in the manufacture of upholstered furniture in the region.

Having a deep ambition to construct long-term trusted ties with our stakeholders in the industry and community, the Group is pleased to publish our seventh environmental, social and governance ("ESG") report (the "Report") summarising our ESG performance and initiatives.

Scope of the Report

The Report examines the Group's ESG management approaches, and corresponding performance within our operational boundaries, which mainly include our manufacturing businesses of upholstered furniture in Zhejiang and property development in Hainan of the People's Republic of China ("PRC" or "China") during the period from January 1, 2022 to December 31, 2022 (the "Reporting Period" or "2022"). Unless otherwise specified, the data includes the following subsidiaries and scope of the Report remains the same as last year.



ABOUT THE REPORT (cont'd)

Reporting Standard

The Report has been prepared in accordance with the "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide"), under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx"). The Report has been reviewed and approved by the board of directors (the "Board") of the Company. Throughout the Report, we adopt the reporting principles of materiality, quantitative, balance, and consistency, as described below:

Reporting Principles	Description
Materiality	Through internal discussion and the participation of key stakeholders, we have identified the material topics. The result is summarised in the section – Materiality Assessment.
Quantitative	The disclosed data, environmental and social key performance indicators ("KPIs") in the Report are organised and calculated in accordance with a series of standardised methodologies, which are illustrated in the relevant sections.
Balance	We have computed and presented the environmental and social KPIs with reference to the ESG Reporting Guide. Robust methodologies are adopted as illustrated in the respective sections of the Report. We have included data comparisons over the years to provide an unbiased comparison of our ESG performance from time to time.
Consistency	The Report has been prepared based on the same methodologies, standards and reporting scope as compared to the previous year.

Contact and Feedback

The Group strives to build a trusted relationship with the community. We formulate our business strategies for the best interests of our stakeholders; therefore, we treasure your feedback on this Report and our sustainability performance. If you have any comments or suggestions, please feel free to send your written enquiries or feedback to the Group through email at kasen@kasen.imsbiz.com.hk.

VALUES AND MISSIONS

The logo of the Group is a symbol of our values and missions of achieving business development and environmental protection concurrently. It bears the name of the Group, with the letters "K" and "n" reaching out to become two upward horns of a diligent bull full of explosive power, symbolising the Group's prosperous development. The green colour of the logo reflects the Group's concept of green production and focus on environmental protection.

Kasen is committed to undertaking corporate social responsibility, and returning to society to create a harmonic environment between the employees, company, and community. We have formulated a long-term strategy on ESG issues in alignment with our ESG missions, vision, and values:

Environmental

- To advocate concurrent development of economy and environment protection
- To respect the harmonious coexistence of human and nature

Governance

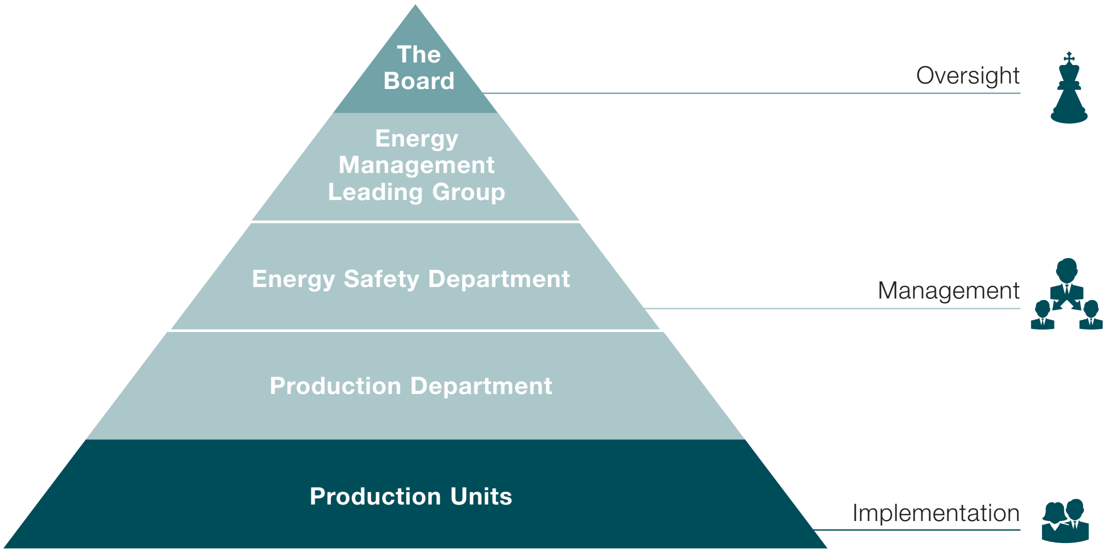
- To coordinate the harmonious development of the interests of employees, the Group and the community
- To forge ahead, seize the opportunity, and take the lead in the market

Social

- To fulfil our commitments, contribute to the community and create harmony
- To put safety ahead of production, prioritsing lives first
- To pursue the best quality, produce with heart, promote harmony with the nature, and ensure customer satisfaction
- To be people-oriented and emphasis meritocracy

ESG GOVERNANCE

In order to evaluate and manage the material ESG issues, the Group has implemented a three-layer structure. The Board has the overall responsibility for the Group's ESG governance and oversees the ESG planning and implementation processes. We have assigned several function group and department in the management layer, which is responsible to make decisions on ESG work, especially on energy management. The structure of the ESG governance bodies and their roles and responsibilities have been summarised below:



The Board

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

Energy Management Leading Group

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

Energy Safety Department

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

Production Department

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

Production Units

- Implements the energy plans and strives to meet the energy saving goals
- Ensures the accuracy of energy consumption data

ESG GOVERNANCE (cont'd)

ESG Risk Management

The Group strives to minimise the impact of ESG-related risks on our business. To this end, a comprehensive risk management system is developed to identify ESG-related risks and opportunities. An independent consultant is commissioned to assist in the identification and evaluation of ESG-related risks, assessing their possibility and impacts. Material ESG-related risks will be monitored, and we will implement necessary strategies or precautionary measures. The Group regularly reviews the results of the ESG risk assessment and reports to the Board for continuous improvement.

STAKEHOLDER ENGAGEMENT

During the Reporting Period, we maintain a close relationship with our stakeholders in order to understand their concerns and expectations regarding the ESG issues of the Group and the associated environmental and social impacts on our business. After gathering stakeholders' opinions and understanding their concerns, we can refine the management strategies and approaches on ESG management, and formulate our strategy to address ESG issues so as to make continuous improvements on our ESG performance. By establishing effective communication with our key stakeholder groups, we have gathered their opinions and concerned issues as shown in the table below:

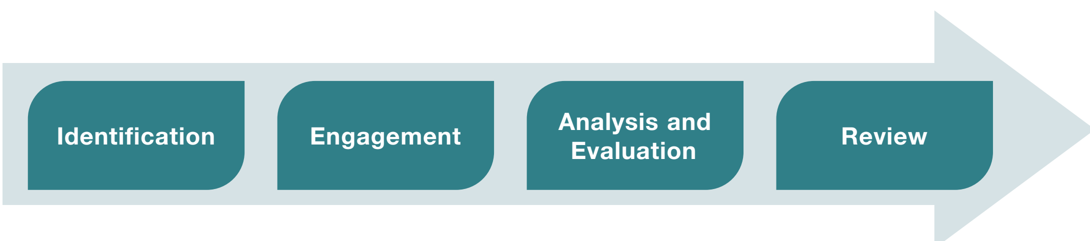
Types of stakeholder groups	Concerned topics	Communication channels
Investors and shareholders	• Returns • Risk management • Legal compliance	• Company website • Company's announcements • Annual general meeting • Annual and interim reports
Customers	• Product quality • Customer satisfaction • Customer privacy protection	• Company website • Customer direct communication • Customer feedback and complaints
Employees	• Remuneration and welfare • Diversity, Equity, and Inclusion • Training and development • Health and safety	• Training and orientation • Email and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers and business partners	• Business integrity • Financial position	• Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g. email, meetings, on-site visit etc.)

STAKEHOLDER ENGAGEMENT(cont'd)

Types of stakeholder groups	Concerned topics	Communication channels
Government authorities and regulators	• Legal compliance • Corporate governance and internal controls • Operational issues	• Documented information submission • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops
Non-governmental organisations	• Environmental protection • Increasing the input in community public welfare	• Email • Phone calls • Charity donations and voluntary services
Community	• Supporting local economic development • Participating in charity work	• Company website • Community activities

MATERIALITY ASSESSMENT

In order to identify the material ESG-related topics, the Group engaged an independent consultant to conduct the materiality assessment. Upon creating and categorising a list of potential ESG-related topics and identifying our key stakeholder groups, we invited the Board and top management, employees, customers, investors and shareholders, suppliers and business partners, and community to rate the 27 ESG topics based on the importance to business operation and the stakeholders themselves respectively. The results were reviewed and validated by the Group for our continuous improvement on ESG performance. We leverage the stakeholders' opinions to set the framework for the ESG Report and formulate our ESG management strategies, so as to address our stakeholders' concerns on ESG issues.



Steps to conduct a materiality assessment

MATERIALITY ASSESSMENT(cont'd)

The ESG-related topics are prioritised and presented in the materiality matrix below. The topics which fell in the upper right corner of the matrix were defined as the topics that matter the most to the Group's business operations and our stakeholders are most concerned about.

Social

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. Product and 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 investment

MATERIALITY ASSESSMENT (cont'd)

Key concerns from stakeholders	Our responses	Section
Customer satisfaction **Customer health and safety** **Product and service quality and complaints handling**	We are committed to providing upholstered furniture products of the highest quality. By implementing an accredited ISO9001:2015 Quality Management System, we take part in each production stage for controlling product quality. We have also set our product quality and customer satisfaction targets.	SUSTAINABLE OPERATIONS – Enhancing Customer Satisfaction
Socio-economic compliance	We have been strictly complying with the laws and regulations relating to employment, health and safety, labour standards, product responsibility, and anti-corruption throughout our business operations.	SUSTAINABLE OPERATIONS, RESPONSIBLE EMPLOYMENT
Environmental compliance	We have been strictly complying with the laws and regulations relating to the environment in China and Hong Kong. With green production strategies and precautionary measures, we can mitigate the impacts on the environment.	GREEN PRODUCTION

SUSTAINABLE OPERATIONS

Kasen is committed to ensuring the best interest of the Group and its stakeholders from our operations. This includes enhancing product quality and improving fairness and effectiveness in our supply chain. We demonstrate the capability of delivering high-quality products with a comprehensive quality management system, as well as a resilient supply chain with our robust supplier selection system.

Enhancing Customer Satisfaction

Target pass rate of initial inspection of products:	98%
Target pass rate of exfactory products:	100%
Target satisfaction rate of customer service:	98%

The Group attaches great importance to product quality and customer satisfaction. We are committed to delivering upholstered furniture products of the highest quality. Customer satisfactory survey is conducted annually to evaluate their satisfaction with product quality, delivery date and customer service. To ensure a comprehensive evaluation, all of our key customers are covered in the survey with a response rate of at least 80%. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and product safety, advertising and labelling in connection to the products and services provided by the Group and method of redress.

In order to enhance our product quality and service, the Group has formulated a set of customer feedback procedures to collect the opinions of customers. Complaints and suggestions can be made through multiple channels, including in person, online, email and telephone. In case of discovering any verbal complaints and suggestions during daily communication with customers, we will record them properly and provide to corresponding departments for further handling. Our Quality Control Department is responsible for the formulation and implementation of remedial measures. During the Reporting Period, we did not receive any product or service-related complaints.

Quality Management System

The Group has established a quality management system in our upholstered furniture business which has been accredited by the international standard ISO9001:2015. Practicable and quantifiable quality goals are developed in alignment with ISO9001:2015, which is reviewed from time to time to ensure that they are consistent with the Group's business principles.

SUSTAINABLE OPERATIONS (cont'd)

Enhancing Customer Satisfaction (cont'd)

To uphold high product quality, a stringent quality control system is in place to cover the entire operation cycle from product design to product shipment. During the product design stage, we identify the potential safety risks and design preventative measures based on the needs of end users. Our experienced quality control team is responsible to conduct regular quality inspections on raw materials, semi-finished products, and end products according to our internal protocols on quality requirements. In the production stage, regular maintenance is carried out on machinery and equipment to guarantee the reliability of our production lines. If any defective products are discovered, the improvement control process and unqualified product quality control procedures are in place to provide guidance. We actively identify the underlying causes of quality issues and seek for solutions. To address the quality issues, an improvement plan must be formulated and implemented to rectify the situation. Nevertheless, we offer a one-year limited warranty for our products to ensure our products fulfil the expectation of customers.

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

Intellectual Property and Privacy Protection

To protect the interest of stakeholders, we are committed to protecting the intellectual property rights of relevant parties. The Trademark Management Practice is implemented to outline the appropriate use of company trademarks, and subsidiaries are required to obtain permission from the Company prior to the adoption of trademarks. While the Employee Handbook emphasises the standard for the protection of confidential documentation. Sample production information and financial documents of our clients and business partners are not permitted to be disclosed without prior approval. During the Reporting Period, the Group was not aware of any non-compliance with applicable laws and regulations relating to intellectual property regarding our products and services, including the Patent Law of the PRC and the Trademark Law of the PRC.

SUSTAINABLE OPERATIONS (cont'd)

Supply Chain Management

The Group actively encourages suppliers to improve quality, social responsibility awareness, and management standards while maintaining long-term relationships with them. We strive to create a sustainable supply chain by implementing effective supply chain management, as it is critical to ensure high product quality and is favourable to our operational efficiency. We place a high value on the suppliers' integrity and research and development ("R&D") capabilities in addition to their pricing, quality, and reliability. During the Reporting Period, we collaborated with 503 suppliers which are mainly sourced from the local context to support community development and local employment. The number of suppliers by geographical region is illustrated below:

Number of suppliers by geographical region	2022	2021
China	**498 (99.01%)**	610 (100%)
The United States	**5 (0.99%)**	0 (0%)

Supplier Selection and Evaluation

To ensure that a fair procurement process is in practice, the Group has formulated the Procurement Procedure Policy. Through decades of operation, we have developed an approved supplier list by assessing their production and R&D capabilities, the conditions of their operation, the quality of their sample products and their track record. We will then obtain at least two quotations from the approved supplier list to further assess which one is more suitable for the Group. Under the same conditions, priority will be given to suppliers with Quality Management System Certification.

We have established a set of raw material quality standards to ensure the stability and quality of production. We work closely with our suppliers to keep track of their status throughout the procurement process. In case of any quality issues, the Group will promptly communicate with the suppliers and issue the "Requirement Form for Corrective and Preventive Measures". The supplier will be removed from the approved supplier list if their quality has not improved. In addition, we conduct regular review on the performance of suppliers to ensure compliance and continuous improvement. To guarantee that our suppliers uphold the highest level of integrity, we require all suppliers to sign a Pledge of Partnership of Probity.

SUSTAINABLE OPERATIONS (cont'd)

Upholding Highest Business Ethics

We believe that upholding the highest business ethics throughout the entire business operation is vital to maintain a trustful and cooperative relationship with our stakeholders. The Group strictly abides by the relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering. There was no concluded legal case regarding corrupt practices brought against the Group or its employees.

Kasen adopts a zero-tolerance approach to any forms of corruption, bribery, or fraud. The Regulations on Anti-corruption, Anti-bribery and Anti-fraud is formulated and provides a set of guidelines to our employees, including conflict of interest, protection of confidential information, offering or accepting any benefits or advantages such as entertainment, gifts and facilitation payments. Besides, our employees have signed a pledge to uphold probity and comply with laws and regulations.

To enhance the awareness of our employees on anti-corruption and integrity topics, we regularly organised lectures and seminars about relevant topics.

Whistleblowing System

The Group has implemented a whistleblowing system and employees are encouraged to report any suspected bribery and corruption behaviour to the Group via various channels, including anonymous letter and whistleblowing hotline. All cases will be properly investigated by dedicated anti-corruption personnel in a timely manner. We will take disciplinary actions against the violators once the case has been confirmed, including warning, demotion, and dismissal.

RESPONSIBLE EMPLOYMENT

Our team of professional and experienced employees is the most significant asset of the Group as well as the cornerstone of our growth and success. Kasen adheres to the people-oriented principle from the Human Resources Policy, and strives to create an attractive workplace and offer rewarding career opportunities that value the contribution made by the team.

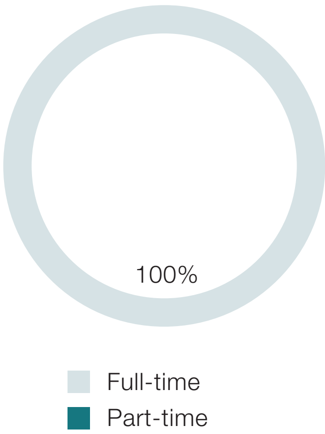
During the Reporting Period, the Group was not aware of any material breach of relevant laws and regulations in China and Hong Kong, including among others the Labour Law and Labour Contract Law of the PRC, and the Employment Ordinance (Cap. 57) of Hong Kong, that has a significantly high impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other benefits, as well as child and forced labour.

As of 31 December 2022, there are a total of 427 employees. The information on our total workforce and turnover rate by different categories are illustrated below:

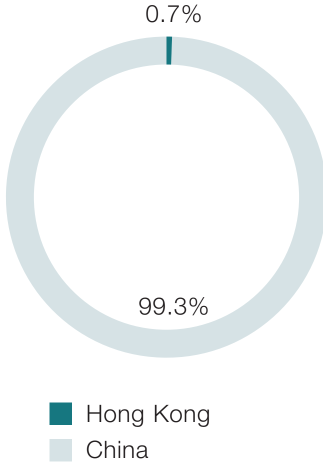
Staff information	**2022**	2021
Total number of employees	**427**	611
By employment type		
Full-time	**427**	611
Part-time	**0**	0
By employment category		
General staff	**352**	535
Management/supervisor	**53**	53
Senior management	**22**	23
By age group		
Below 30	**39**	68
30-50	**225**	206
Over 50	**163**	337
By gender		
Male	**270**	396
Female	**157**	215
By geographical region		
China	**424**	608
Hong Kong	**3**	3

RESPONSIBLE EMPLOYMENT (cont'd)

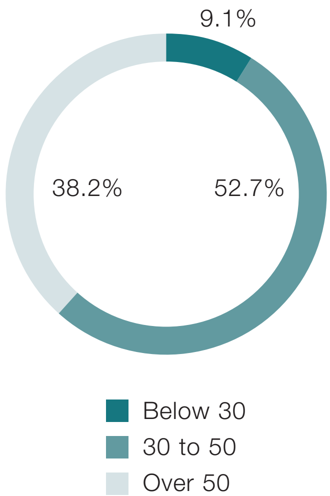
Total Workforce by Employment Type



Total Workforce by Geographical Region



Total Workforce by Age Group



During the Reporting Period, the overall turnover rate of employees is 50.35%.

Turnover	2022	2021
Employee turnover rate[1]	**50.35%**	31.91%
By age group		
Below 30	**141.03%**	89.71%
30-50	**39.11%**	42.23%
Over 50	**44.17%**	13.95%
By gender		
Male	**57.04%**	31.57%
Female	**38.85%**	32.56%
By geographical region		
China	**50.71%**	31.91%
Hong Kong	**0.00%**	3.33%

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

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

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions

The Group attaches great importance to the employment conditions and aims to share the success of the Company with our employees. In order to enhance our employment practices, the Group has formulated the Human Resources Policy and Employee Handbook, which laid the foundation for the management of employment matters. To attract and retain talents, we offer market competitive remuneration and benefits packages, which are composed of basic salary, discretionary bonus, medical insurance, and a wide range of allowances to eligible employees on housing, meal, and transportation. Apart from the statutory holidays, our employees are also entitled to additional paid leaves, such as marriage leave, maternity leave, compassionate leave and family visiting leave.

Fair Employment

The Group adopts a fair employment system that rewards employees based on their contributions and capabilities. Appraisal will be conducted on an annual basis to assess the performance of employees and incentivise top performers with discretionary bonuses and/or salary increments. We ensure that decisions made during recruitment and promotion are solely based on factors relevant to the positions, including qualifications, abilities, and experience. While our employees will always be given priority in promotion over new hiring under similar conditions.

Diversity, Equity and Inclusion

As an equal opportunity employer, Kasen strives to foster a diverse, equal and inclusive workplace where employees can thrive. We do not tolerate any forms of discrimination, unfair treatment and harassment. Our Employee Handbook emphasises the protection of women's rights. Special arrangements have been made regarding working hours and the mode of working for pregnant employees.

Labour Standard

The Group is dedicated to upholding the labour rights of our job applicants and employees. In formulating the child and forced labour policies, we adhere to the standards established by the International Council of Toy Industries, the Provisions of Prohibition of Child Labour and the Provisions on Special Protection for Juvenile Workers of the PRC. Additionally, we maintain regular contact with our suppliers to ensure they adhere to our standards to avoid child and forced labour.

Our child labour policies emphasise the guidelines on preventing child labour during recruitment procedures. Comprehensive background screening will be conducted, all job applicants shall submit a valid identification to verify their age and legal eligibility to work locally. The Group forbids teenage workers aged 16 to 18 to work with high health and safety risks, we also provide them with regular medical check-ups. To protect the labour rights of our employees, we also review the identity of employees on a regular basis. If child labours are discovered, we will take remedial action promptly according to the policies, including escorting them back to home and providing them with any necessary education and medical support.

The Group strictly prohibits any forms of forced labour in our business operations, such as prison labour, indentured labour, bonded labour, and slave labour. Employees are also encouraged to report any suspected case of forced labour to their supervisors. As stipulated in our forced labour policy, Kasen strives to ensure the freedom and rights of the employees, including their freedom of employment, resignation, movement and not to work overtime.

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions (cont'd)

Safe and Healthy Workplace

Occupational health and safety ("OSH") is a prime consideration of the Group. We are committed to ensuring the health and safety of our employees during the production process. To this end, we have implemented a sound OSH management system and contingency plan.

During the Reporting Period, the Group was not aware of any non-compliance with applicable laws and regulations relating to the provision of a safe working environment and protection of employees from occupational hazards, such as the Law of the PRC on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. During the past three years (i.e. from January 1, 2020 to December 31, 2022), there was zero lost day due to work injury and no work-related fatality occurred.

OSH Management System

In order to provide a safe workplace for our employees, a comprehensive OSH management system is in place. It outlines our goals and the framework and principles for execution, which enhances our OSH management and reduces the number of incidents. Employees are encouraged to voice out their concerns on OSH via the grievance and suggestion handling form, we will consider their opinions and take corrective measures if necessary. A set of practices are provided in the OSH management system and summarised below:

OSH Representatives

- To provide supervision and guidance on OSH management
- To ensure the safety of the protective and production facilities of our plants
- To inspect the personal protective equipment and work permits of the employees periodically
- To carry out workplace OSH inspections
- To work on the prevention and control of occupational diseases, and coordinate the provision of medical check-ups to the employees

In alignment with our safety principles of "Safety First, Prevention First", we offer OSH training to our employees every year to raise their awareness and ensure their competency to carry out safety duties. Kasen believes that everyone should be accountable for safety protection. In 2022, we focus on the practices to prevent OSH incidents, and the Group is dedicated to keeping to the zero-incident target. Besides, fire drill is conducted annually to familiarise our employees with evacuation and emergency response skills in the event of a fire, and enhance their teamwork during emergency events.

Fire Drill

RESPONSIBLE EMPLOYMENT (cont'd)

Safe and Healthy Workplace (cont'd)

To provide a safe working environment, we ensure that our employees are protected with sufficient personal protective equipment ("PPE"), such as earplugs and earmuffs for the employees who are exposed to noise, as well as face shield, insulating shoes, protective clothing and welding gloves for welders. We carry out periodic inspections and provide guidance on the proper use of PPE. Besides, since part of our production process involves chemical exposure, trained first responders and emergency medication are available at our production sites. The Group has a chemical safety contingency plan in place that specifies the first aid procedures in the event of chemical safety incidents. We provide employees who are exposed to chemicals with annual medical examinations, and should any irregular be discovered, we will take appropriate measures in a timely manner, including transferring them to other positions.

Anti-pandemic Responses

The Coronavirus ("COVID-19") pandemic is one of the greatest public health challenges over the past years. One of the Group's top priorities is safeguarding the health and safety of the employees and minimising the potential disruptions to our operations and supply chain. We strictly follow the authority's pandemic prevention and control requirements throughout the year before the Chinese government eased the COVID-19 policy in early December 2022. All employees were required to measure their body temperature and hold a "health code" when they enter the workplace. In addition, we carry our daily sanitation and enhanced the ventilation system for all our offices and production facilities to prevent the spread of disease.

Work-life Balance

To maintain a healthy lifestyle for our employees, we do not encourage overtime work. Our policies ensure that all overtime work must be approved by management in advance and will be compensated. In 2022, we arranged various staff events to express our appreciation for their hard work and foster a sense of cohesion among the Group. During the spring festival dinner, we rewarded the outstanding employees with a medal to recognise their contribution.

Spring Festival Dinner

Medals for Outstanding Employees

Dragon Boat Festival –
Pack Rice Dumpling

RESPONSIBLE EMPLOYMENT (cont'd)

Training and Development

Kasen believes that employee development is the key to long-term success. To ensure sufficient talent supply for the Group, we have formulated an annual training plan with various training provided for our employees, including orientation training, technical training and on-job training. Training and development not only enables employees to achieve self-improvement, but also makes them more motivated to pursue their professional goals.

In 2022, we continue to invest resources in employee training, our annual training plan was designed according to the needs and role of the employee. By providing suitable training programs, we aim to give employees the opportunity to acquire new skills and thrive in Kasen. Our training activities cover a wide range of topics, such as procurement management, quality management, digitalisation, as well as the prevention of OSH incidents. In addition, the Group has established a fair and transparent promotion pathway based on employee performance to support employees to achieve their career goals. We periodically appraise employees' performance and reward the top performers with promotion, salary increment and additional benefits.

The Training and Development Policy is formulated to facilitate better management of employee training. Apart from the mandatory training based on the role of the employee, we also distribute learning credit tickets to employees, which allow them to freely select the courses to be enrolled in depending on their own needs. The Group will also reimburse employees for external training expenses if they pass it with a satisfactory attendance rate. In order to make continuous improvements, we will follow up with the employees after the training program to understand their feedback and the effectiveness of the training activities. As of December 31, 2022, the employees' training profiles are illustrated below:

	2022		2021	
Training profile	**Number of staff Trained (percentage)**	**Average training hours (hours)**	Number of staff trained (percentage)	Average training hours (hours)
Staff training	**185 (43.33%)**	**1.14**	432 (70.70%)	2.59
By employment category				
General staff	**161 (45.74%)**	**1.01**	404 (75.51%)	2.39
Management/supervisor	**15 (28.30%)**	**1.66**	26 (49.06%)	5.51
Senior management	**9 (40.91%)**	**1.95**	2 (8.70%)	0.43
By gender				
Male	**115 (42.59%)**	**1.09**	283 (71.46%)	2.55
Female	**70 (44.59%)**	**1.21**	149 (69.30%)	2.70

COMMUNITY ENGAGEMENT

The Group proactively undertakes corporate social responsibility and contribute to society. Blood is a necessity in both medical first aid and clinical treatment. In order to alleviate the growing pressure of blood shortage, Kasen responded to the call and organised two on-site blood donation campaigns in August 2022. Our employees had actively signed up for both campaigns. After layers of screening, 141 employees participated in the campaign successfully with a total of more than 53,000 milliliters of blood being donated.

On-site Blood Donation Campaign

GREEN PRODUCTION

Kasen adheres to the mission of "Green Production, Environmental Pioneer", and believes that environmental protection is a critical element in our long-term growth. As a manufacturer of upholstered furniture, we strive to reduce emissions at source and enhance production efficiency by streamlining the manufacturing process. The Group introduced various green production strategies to reduce our impact on the environment. For example, we have installed a mobile gas collecting hood to collect the air pollutants from our glue spraying workshop, which will then be treated with a plasma purification device before being discharged into the air. While the exhaust gas from the oil fume will be treated with a fume purification device before being discharged into the air.

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

Emission Management

Air emissions are inevitable in the manufacturing of process of furniture. The major air pollutants of the Group are generated from the glue spraying workshop, the oil fume of staff canteen and vehicles. To this end, we have formulated the Air Emission Control Policy and implemented several control measures to divert polluting exhaust from the manufacturing facilities to the purification system for centralised treatment. Our glue spraying workshop is located in a designated area which is at least 50 metres from residential and agricultural areas. Additional ventilation devices are installed there to enhance ventilation and reduce the concentration of exhaust gas. In addition, we conduct regular inspections and maintenance on the production equipment and facilities to prevent accidental air emissions.

Air Emissions Compliance

Our production process complies with the second-class standard in the Ambient Air Quality Standard (GB3095-2012)

The glue spraying process complies with the second-class standard in the Comprehensive Emission Standard of Air Pollutants (GB16297-1996)

The oil fume emission of the staff canteen complies with the Food Fume Emission Standard for the Catering Industry (GB18483-2001)

GREEN PRODUCTION (cont'd)

Emission Management (cont'd)

Greenhouse Gas Emissions

The Group acknowledges that climate change is one of the greatest challenges of our times. As the leader of furniture manufacturing and property development industry, we undertake the responsibility of protecting the environment and reducing GHG emissions. In 2022, the Group generated 1,638 tonnes of carbon dioxide equivalent ("tCO_2e"). Over 84% of our GHG emission comes from Scope 2 emission, which is the consumption of purchased electricity. Kasen strives to lower the carbon footprint by reducing electricity consumption. Please refer to "Resource Conservation" for more information on our energy conservation measures.

GHG emissions	Unit	2022	2021
Scope 1[3]	tCO_2e	**248**	540
Scope 2[4]	tCO_2e	**1,382**	1,939
Scope 3[5]	tCO_2e	**8**	10
Total GHG emission	tCO_2e	**1,638**	2,490
Intensity	tCO_2e/Full-time Employee ("FTE")	**3.84**	4.86
	tCO_2e/Revenue (Million RMB)	**4.42**	4.23

Our Targets

Environmental Target (Base year FY2021)		GHG emission 2022	GHG emission 2021	Progress as of FY2022
GHG Emission	By 2025, reduce absolute Scopes 1 and 2 GHG emissions by 35%	**1,630**	2,479	**98%**
	By 2030, reduce absolute Scopes 1 and 2 GHG emissions by 50%			**68%**

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

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

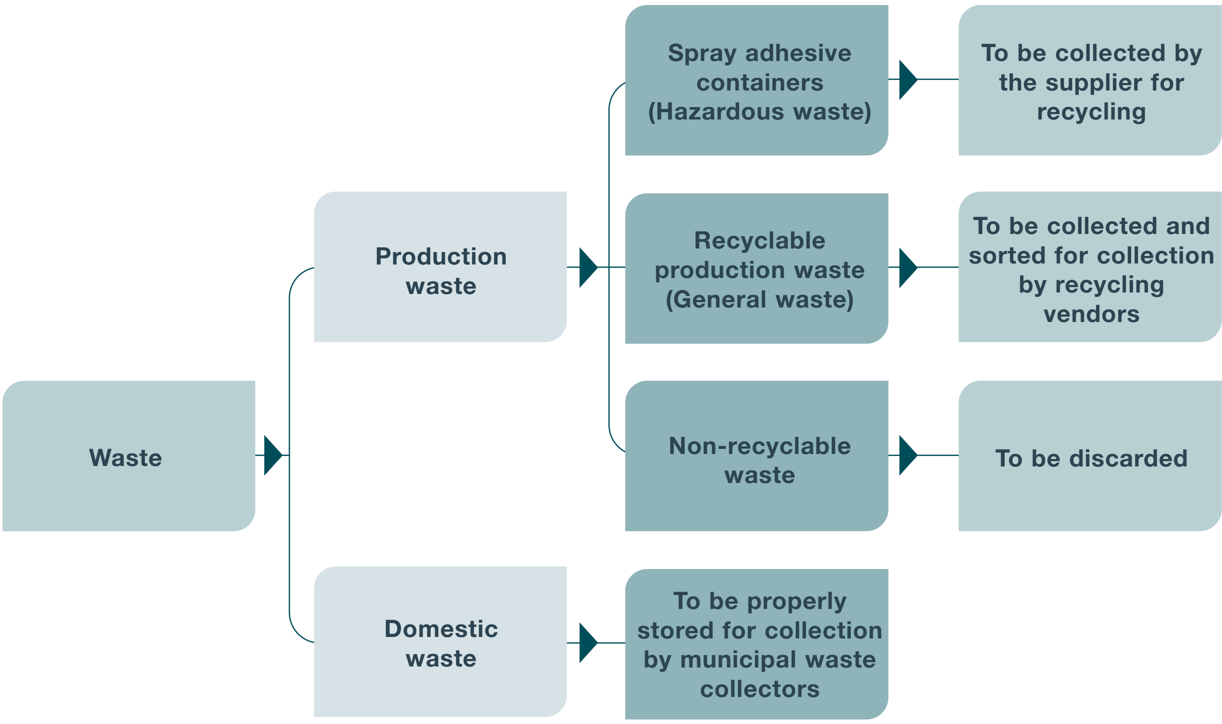
4 Scope 2 represents indirect GHG emissions generated from the use of purchased electricity.

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

GREEN PRODUCTION (cont'd)

Waste Management

The Group is committed to reducing the rate of waste-to-landfill by implementing a waste management system. The Waste Disposal Policy is formulated to provide guidelines on how to handle each type of waste 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. Our business operation involves the generation of hazardous production waste, which largely consists of spray adhesive containers. Non-hazardous waste includes recyclable production waste and domestic waste generated by employees. During the Reporting Period, we recycled a total of 27.57 tonnes of waste, which is equivalent to 0.06 tonnes/FTE or 0.13 tonnes/Million RMB revenue. Kasen aims to reduce the rate of waste-to-landfill intensity by 15% by the end of 2030.



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

GREEN PRODUCTION (cont'd)

Resource Conservation

As a manufacturer, a large amount of packaging materials is consumed in the production process, including the use of carton boxes. In 2022, we used 2,135.04 tonnes of packaging materials, and we aim to gradually shift to all-renewable, reusable, recyclable, or compostable packaging materials by the end of 2025.

The Group strives to raise employees' awareness of resource conservation and promote a green workplace culture throughout our business operation. Our Green Office Policy outlines the initiatives with specified guidelines on managing electricity, water, paper, and vehicles.

Electricity

- Maintain the air conditioners/heaters at the optimal temperature
- Turn off idle lights and electrical appliances
- Select energy-efficient light bulbs as far as practicable

Water

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

Paper

- Save documents in electronic form
- Use email as far as practicable to minimise the use of paper
- Reusing paper or using double-sided printing whenever possible

Vehicles

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

GREEN PRODUCTION (cont'd)

Resource Conservation (cont'd)

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

Use of resources	Unit	2022	2021
Electricity	MWh	**2,266**	2,426
Intensity	MWh/FTE	**5.31**	4.47
Total energy	Gigajoules ("GJ")	**11,274**	16,106
Direct energy[6]	GJ	**3,115**	7,373
Indirect energy[7]	GJ	**8,159**	8,732
Total energy intensity	GJ/FTE	**26.40**	31.46
	GJ/Revenue (Million RMB)	**30.42**	27.33
Water	m^3	**74,031**	142,367
Intensity	m^3/FTE	**173.37**	278.06
	m^3/Revenue (Million RMB)	**199.74**	241.62
Packaging material[8]	Tonnes	**2,135**	3,201
Intensity	Tonnes/product	**0.01**	0.01
Paper	Tonnes	**0.67**	N/A[9]
Intensity	Tonnes/FTE	**0.0016**	N/A
	Tonnes/Revenue (Million RMB)	**0.0018**	N/A

Our Targets

Environmental Targets (Base year FY2020)		Intensity 2022	Intensity 2020	Progress as of FY2022
Energy Saving By 2025, reduce energy intensity by 13%	GJ/FTE	**26.40**	35.16	100%
	GJ/Revenue (Million RMB)	**30.42**	27.28	Need to reduce 22% from FY2022 in order to reach the target.
Water Saving By 2025, reduce water consumption intensity by 10%	GJ/FTE	**173.37**	527.21	100%
	GJ/Revenue (Million RMB)	**199.74**	409.04	100%

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

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

6 Direct energy use includes the fuel consumption (petrol and diesel) by the company vehicles.
7 Indirect energy consumption includes the electricity use.
8 It includes the packaging material used in the upholstered furniture manufacturing business.
9 The Group enhanced the data collection mechanism in 2022; however, the information on the use of paper in 2021 is unavailable due to lack of information.

GREEN PRODUCTION (cont'd)

Climate Risk Preparedness

The alarming rate of climate change we are facing is the result of unprecedented GHG emissions nowadays. As extreme weather events are likely to become more frequent and intense with human-induced climate change, we have taken the necessary steps to build resilience to the impact of climate change. The Group is facing potential acute physical risk at the location it operates, extreme weather events such as floods and cyclones could pose a significant safety risk to our employees and disrupt our operation. In light of this, we have formulated a business contingency plan to minimise the potential impacts. We have assigned responsible personnel to closely monitor the weather warnings issued by the authority, and will maintain close communication with employees on safety arrangements. It also highlights the steps of handling chemicals properly during extreme weather events to minimise the dangers caused by chemical leakage.

The China government has already implemented the "Dual Carbon Goals", which is to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. The Group understands the importance of carbon reduction in limiting temperature increase. We have already established a carbon reduction target with 2021 as a base year. We aim to reduce absolute Scopes 1 and 2 GHG emissions by 35% by 2025 and reduce 50% by 2030. It is vital to limit the use of electricity in order to reduce our carbon footprint, Energy Management Leading Group and Energy Saving Department are established to take lead on the formulation and implementation of energy conservation measures.

HKEX ESG REPORTING GUIDE INDEX

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

HKEX ESG REPORTING GUIDE INDEX (cont'd)

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

HKEX ESG REPORTING GUIDE INDEX (cont'd)

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

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	RESPONSIBLE EMPLOYMENT
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	RESPONSIBLE EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	RESPONSIBLE EMPLOYMENT

HKEX ESG REPORTING GUIDE INDEX (cont'd)

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.	RESPONSIBLE EMPLOYMENT – Safe and Healthy Workplace
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	RESPONSIBLE EMPLOYMENT – Safe and Healthy Workplace
KPI B2.2	Lost days due to work injury.	RESPONSIBLE EMPLOYMENT – Safe and Healthy Workplace
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	RESPONSIBLE EMPLOYMENT – Safe and Healthy 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.	RESPONSIBLE EMPLOYMENT – Training and Development

HKEX ESG REPORTING GUIDE INDEX (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	RESPONSIBLE EMPLOYMENT – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	RESPONSIBLE EMPLOYMENT – Training and Development
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	RESPONSIBLE EMPLOYMENT – Employment Conditions
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	RESPONSIBLE EMPLOYMENT – Employment Conditions
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	RESPONSIBLE EMPLOYMENT – Employment Conditions
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	SUSTAINABLE OPERATIONS – Supply Chain Management

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

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

Grant Thornton
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TO THE MEMBERS OF KASEN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kasen International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 82 to 184, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, 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 (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (cont'd)

The Key Audit Matter	**How the matter was addressed in our audit**

Impairment of properties under development and held for sale

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

As at December 31, 2022, the Group had properties under development and held for sales located in the People's Republic of China (the "PRC") and Cambodia amounting to RMB1,786,540,000 and RMB765,677,000, respectively, which represented approximately 43.8% of the total assets of the Group. For the year ended December 31, 2022, the impairment loss for properties under development and held for sale amounting to RMB623,000.

For impairment assessment purposes, the management determined the net realisable value of properties under development and held for sale by reference to estimates of the selling prices based on prevailing and forecasted market conditions in the PRC and Cambodia, estimated costs necessary to make the sale including variable selling expenses and anticipated costs to completion.

We identified the impairment of properties under development and held for sale as key audit matter due to the determination of net realizable value involves significant degree of judgements by the management.

Our audit procedures in relation to the impairment assessment of properties under development and held for sale included:

- obtaining and evaluating the management's procedures on identifying properties under development and held for sale for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values;
- testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions by comparing the estimated selling price to the recent market transactions with the reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location;
- assessing future costs to be incurred to completion on a sample basis;
- comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and
- testing the calculation for the impairment assessment performed by the management.

KEY AUDIT MATTERS (cont'd)

The Key Audit Matter	How the matter was addressed in our audit

Expected credit loss ("ECL") allowance on trade and other receivables
Refer to notes 2.9, 4(b), 22 and 45.5 to the consolidated financial statements.

As at December 31, 2022, the Group had trade and other receivables amounting to RMB1,193,026,000, net of ECL allowance amounting to RMB97,058,000.

The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.

We identified the measurement of ECL of trade and other receivables as a key audit matter due to the estimation of ECL involves significant estimates and judgements by the management.

Our audit procedures in relation to the ECL allowance included:

- obtaining understanding on the management's assessment on the ECL model of trade and other receivables, assessing its reasonableness by considering the historical payment records and ageing profile, evaluating adjustment made to the historical loss rates based on current market conditions and forward-looking information with reference to our industry knowledge and market information;
- assessing, on a sample basis, the management's forecast of future repayments and understanding of the debtor's financial condition for receivables which are under individual ECL assessment;
- assessing the management's judgement on significant increase in credit risk for other receivables;
- testing, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by the management to supporting documents; and
- checking the mathematical accuracy of the calculation of the ECL allowance.

KEY AUDIT MATTERS (cont'd)

The Key Audit Matter	How the matter was addressed in our audit
Impairment of property, plant and equipment Refer to notes 2.20, 4(b) and 14 to the consolidated financial statements.	
As at December 31, 2022, the Group had property, plant and equipment amounting to RMB989,052,000. The estimation of impairment of property, plant and equipment requires the management to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. We identified the measurement of impairment of property, plant and equipment as a key audit matter due to the estimation of impairment involves significant estimates and judgements by the management.	Our audit procedures in relation to the impairment of property, plant and equipment included: • obtaining the management's procedures on identifying property, plant and equipment with impairment indicators; • discussing indicators of impairment of property, plant and equipment with the management, and for cash generating units where such indicators were identified; • assessing the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; and • evaluating the key assumptions adopted in the preparation of the financial forecasts, including projected future growth rates for income and expenses and discount rates with reference to our understanding of the business, historical trends and available industry information and market data.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

March 31, 2023

Lam Kam Fung
Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2022

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*5*	**863,429**	1,513,538
Cost of sales		**(612,883)**	(953,973)
Gross profit		**250,546**	559,565
Other income	*6*	**21,141**	5,272
Other gains and losses	*7*	**136,897**	182,504
Share of loss of associates	*16*	**(1,283)**	–
Selling and distribution costs		**(81,867)**	(88,325)
Administrative expenses		**(188,742)**	(208,733)
Reversal of impairment loss/(impairment loss) on trade and other receivables, amounts due from non-controlling interest of subsidiaries and an associate, net		**3,692**	(56,684)
Finance costs	*8*	**(63,139)**	(53,804)
Profit before income tax	*9*	**77,245**	339,795
Income tax expense	*11*	**(17,495)**	(126,628)
Profit for the year		**59,750**	213,167
Other comprehensive income, including reclassification adjustments			
Item that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on financial asset at fair value through other comprehensive income		**(840)**	3,241
Income tax relating to fair value change of financial asset through other comprehensive income		**210**	(810)
		(630)	2,431
Item that will be reclassified subsequently to profit or loss:			
Exchange profit/(loss) on translation of financial statements of foreign operations		**10,751**	(1,269)
Other comprehensive income for the year, including reclassification adjustments and net of tax		**10,121**	1,162
Total comprehensive income for the year		**69,871**	214,329

for the year ended December 31, 2022

	NOTE	**2022**	2021
		RMB'000	*RMB'000*
Profit for the year attributable to:			
– Owners of the Company		**68,279**	220,039
– Non-controlling interests		**(8,529)**	(6,872)
		59,750	213,167
Profit and total comprehensive income attributable to:			
– Owners of the Company		**77,734**	221,050
– Non-controlling interests		**(7,863)**	(6,721)
		69,871	214,329
Earnings per share attributable to the owners of the Company (expressed in RMB per share)			
Basic and diluted	*13*	**4.59 cents**	14.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**989,052**	1,324,083
Right-of-use assets	15	**140,908**	162,872
Interests in associates	16	**24,297**	48,100
Intangible assets	17	**96**	729
Financial asset at fair value through other comprehensive income	19	**18,763**	19,603
Financial asset at fair value through profit or loss	20	**41,805**	55,970
Prepayment for acquisition of freehold land	18	**125,362**	114,763
Deferred tax assets	32	**66,119**	65,221
		1,406,402	1,791,341
Current assets			
Inventories	21	**69,643**	93,660
Properties under development for sale	23	**1,786,540**	1,858,589
Properties held for sale	23	**765,677**	711,886
Amounts due from non-controlling interests of subsidiaries	25	**–**	36,040
Trade and other receivables	22	**1,193,026**	1,061,945
Prepaid income tax	26	**40,623**	27,438
Prepaid land appreciation tax	27	**6,711**	6,884
Pledged bank deposit	24	**88,750**	104,688
Restricted bank deposit for property development business	24	**4,024**	2,354
Cash and cash equivalents	24	**460,310**	279,567
		4,415,304	4,183,051
Current liabilities			
Trade, bills and other payables	28	**464,455**	676,050
Lease liabilities	29	**22,550**	14,442
Contract liabilities	30	**489,178**	459,531
Bank borrowings	31	**217,764**	204,366
Tax payable		**236,190**	211,467
Amounts due to non-controlling interests of subsidiaries	25	**78,565**	104,514
		1,508,702	1,670,370
Net current assets		**2,906,602**	2,512,681
Total assets less current liabilities		**4,313,004**	4,304,022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

as at December 31, 2022

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities	*29*	**29,793**	28,120
Bank borrowings	*31*	**551,418**	599,750
Deferred tax liabilities	*32*	**19,786**	22,162
		600,997	650,032
Net assets		**3,712,007**	3,653,990
CAPITAL AND RESERVES			
Share capital	*33*	**1,654**	1,712
Reserves	*34*	**3,679,671**	3,620,373
Equity attributable to the owners of the Company		**3,681,325**	3,622,085
Non-controlling interests		**30,682**	31,905
Total equity		**3,712,007**	3,653,990

The consolidated financial statements on pages 82 to 184 were approved and authorised for issue by the Board of Directors on March 31, 2023 and are signed on its behalf by:

Zhu Zhangjin, Kasen
Director

Zhou Xiaohong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2022

	Attributable to equity holders of the Company											
	Share capital *RMB'000*	Share premium* *RMB'000*	Statutory reserve* *RMB'000*	Special reserve* *RMB'000*	Share option reserve* *RMB'000*	Other reserve* *RMB'000*	FVTOCI reserve* *RMB'000*	Translation reserve* *RMB'000*	Retained earnings* *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2022	**1,712**	**1,470,892**	**171,276**	**167,983**	**4,618**	**(41,703)**	**11,581**	**(7,544)**	**1,843,270**	**3,622,085**	**31,905**	**3,653,990**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68,279**	**68,279**	**(8,529)**	**59,750**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(630)**	**10,085**	**–**	**9,455**	**666**	**10,121**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(630)**	**10,085**	**68,279**	**77,734**	**(7,863)**	**69,871**
Repurchase of shares (note 33(a))	**(58)**	**(18,436)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,494)**	**–**	**(18,494)**
Contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,640**	**6,640**
Balance at December 31, 2022	**1,654**	**1,452,456**	**171,276**	**167,983**	**4,618**	**(41,703)**	**10,951**	**2,541**	**1,911,549**	**3,681,325**	**30,682**	**3,712,007**

	Attributable to equity holders of the Company											
	Share capital *RMB'000*	Share premium* *RMB'000*	Statutory reserve* *RMB'000*	Special reserve* *RMB'000*	Share option reserve* *RMB'000*	Other reserve* *RMB'000*	FVTOCI reserve* *RMB'000*	Translation reserve* *RMB'000*	Retained earnings* *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2021	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
Profit for the year	–	–	–	–	–	–	–	–	220,039	220,039	(6,872)	213,167
Other comprehensive income/(loss)	–	–	–	–	–	–	2,431	(1,420)	–	1,011	151	1,162
Total comprehensive income for the year	–	–	–	–	–	–	2,431	(1,420)	220,039	221,050	(6,721)	214,329
Balance at December 31, 2021	1,712	1,470,892	171,276	167,983	4,618	(41,703)	11,581	(7,544)	1,843,270	3,622,085	31,905	3,653,990

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2022

	NOTE	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before income tax		**77,245**	339,795
Adjustments for:			
Provision/(Reversal) of allowance for inventories, net		**930**	(433)
Amortization of intangible assets		**160**	48
Fair value of financial guarantee issued on initial recognition		**16,275**	–
Release of financial guarantees		**(5,425)**	(6,617)
Depreciation of property, plant and equipment		**60,425**	79,009
Depreciation of right-of-use assets		**23,909**	20,485
Finance costs		**63,139**	53,804
Impairment loss recognized in properties under development for sale		**623**	4,879
Impairment loss recognized in property, plant and equipment		**27,849**	–
Net provision of impairment loss recognized in respect of trade and other receivables, amounts due from non-controlling interests of subsidiaries and loan to an associate		**(3,692)**	56,684
Change in fair value of financial asset at fair value through profit or loss		**(9,177)**	(5,918)
Interest income		**(9,036)**	(1,223)
Gain on early termination of right-of-use assets		**(1,864)**	(51,559)
Gain on disposal of property, plant and equipment		**(24,547)**	(111,910)
Gain on disposal of subsidiaries	*40*	**(90,989)**	(24,422)
Share of loss of associates		**1,283**	–
Operating cash flows before working capital changes		**127,108**	352,622
Decrease in properties under development and held for sale		**17,635**	133,591
(Increase)/Decrease in restricted bank deposits		**(1,670)**	52,319
Decrease in inventories		**23,087**	2,812
Increase/(Decrease) in contract liabilities		**29,647**	(342,825)
(Increase)/Decrease in trade and other receivables		**(95,542)**	58,170
Decrease in trade, bills and other payables		**(45,974)**	(129,757)
Cash generated from operations		**54,291**	126,932
Land Appreciation Tax ("LAT") paid		**(28,618)**	(32,011)
LAT refund		**55,308**	–
Income tax paid		**(20,515)**	(10,870)
Withholding tax paid		**(15,000)**	–
Net cash from operating activities		**45,466**	84,051

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2022

	NOTE	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,008)**	(115,729)
Increase/(Decrease) of pledged bank deposits		**15,938**	(332)
Payment of subscription of unlisted investment fund		**(3,941)**	(31,016)
Capital injected for formation of an associate		**(500)**	(10,908)
Amount advanced to an associate		**–**	(59,092)
Repayment received from an associate		**30,400**	19,500
Interest received		**1,356**	1,223
Proceeds from disposal of an associate		**300**	–
Proceeds from disposal of property, plant and equipment		**93,658**	155,947
Proceeds from disposal of financial assets at fair value through profit or loss		**30,000**	–
Proceeds from early termination right-of-use assets		**50,344**	57,941
Net cash inflow from disposal of subsidiaries		**24,244**	24,073
Decrease in amounts due from non-controlling interests of subsidiaries		**36,040**	–
Net cash from investing activities		**269,831**	41,607
Cash flows from financing activities			
Proceeds from new bank and other borrowings		**363,702**	401,306
Repayment of bank and other borrowings		**(367,636)**	(477,579)
Interest paid		**(60,905)**	(51,244)
Interest elements of lease rentals paid		**(2,234)**	(2,560)
Capital elements of lease rentals paid		**(20,891)**	(16,419)
Payment on repurchase of shares	33(a)	**(18,494)**	–
Capital contribution from non-controlling interest		**6,640**	–
Decrease in amounts due to non-controlling interests of subsidiaries		**(25,949)**	–
Net cash used in financing activities		**(125,767)**	(146,496)
Net increase/(decrease) in cash and cash equivalents		**189,530**	(20,838)
Cash and cash equivalents at beginning of year		**279,567**	297,684
Effect of foreign exchange rate changes		**(8,787)**	2,721
Cash and cash equivalents at end of year, represented by bank balances and cash		**460,310**	279,567

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended December 31, 2022 were approved for issue by the Board of Directors on March 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of issued but not yet effective IFRSs and the impacts on the consolidated financial statement of the Group, if any, are disclosed in note 3.

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

2.1 Basis of preparation (cont'd)

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

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

2.2 Basis of consolidation

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

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

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

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

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

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

2.2 Basis of consolidation (cont'd)

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

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

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

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

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

2.3 Associates

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

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

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

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

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

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

2.3 Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

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

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

2.4 Foreign currency translation

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

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

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment (other than construction in progress and freehold land as described below and cost of right-of-use assets as described in note 2.15) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.15.

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

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

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

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

2.6 Intangible assets (other than goodwill)

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific intangible assets. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses (see note 2.20).

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

Computer software	5 years

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

Intangible assets are tested for impairment as described below in note 2.20.

2.7 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

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

2.7 Financial instruments (cont'd)

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

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

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

– amortized cost;

– FVTPL; or

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

The classification is determined by both:

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

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "Other gains and losses", except for provision for expected credit losses ("ECL") allowance of trade and other receivables, amounts due from non-controlling interests of subsidiaries and loan to an associate which is presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Non-equity investments held by the Group are classified into amortized cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.18).

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

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

2.7 Financial instruments (cont'd)

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

Subsequent measurement of financial assets (cont'd)

Debt investments (cont'd)

Financial assets at FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at 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 recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets at 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 amortized cost or FVTOCI and are mandatorily required to be measured at fair value since the contractual cash flows of the financial assets are not solely payments of principal and interest on the principal amount outstanding. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized 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 investments

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

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

2.7 Financial instruments (cont'd)

Financial liabilities

Classification and measurement of financial liabilities

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

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

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

All interest-related charges are recognized in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

Accounting policies of lease liabilities is set out in note 2.15.

Borrowings

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

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

Other financial liabilities

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

2.8 Offsetting financial instruments

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

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

2.9 Impairment of financial assets

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

2.9 Impairment of financial assets (cont'd)

Other financial assets measured at amortized cost and debt investments at FVTOCI

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

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

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

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

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

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

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

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

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

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

2.9 Impairment of financial assets (cont'd)

***Other financial assets measured at amortized cost and debt investments at FVTOCI** (cont'd)*

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

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortized cost and debt investments at FVTOCI are set out in note 45.5.

Financial guarantee contracts

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

2.10 Inventories

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

2.11 Properties under development and held for sale

Properties under development for sale represent leasehold and freehold land and building which are developed for future sale in the ordinary course of business. Properties under development for sale are transferred to properties held for sale upon completion of development. Properties under development and 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.

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 45.5.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 24.

2.13 Contract liabilities

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

2.14 Financial guarantees issued

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

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

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 as set out in note 2.9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized over the guarantee period.

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

2.15 Leases

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

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

2.15 Leases (cont'd)

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

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

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

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

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

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

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

(b) The Group as a lessor

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

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

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

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

2.16 Provisions

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

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

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

2.17 Share capital

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

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

2.18 Revenue recognition

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

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

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

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

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

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

2.18 Revenue recognition (cont'd)

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

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

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

Manufacture and trading of upholstered furniture

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

Properties development in the PRC

Revenue from sale of properties developed for sale in the PRC in the ordinary course of business is recognized 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 recognized over time since the contract does not give the Group an enforceable right to payment for performance completed to date.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (note 2.13). There is generally only one performance obligation (which is delivery of completed properties) and the consideration include no variable amount.

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

2.18 Revenue recognition (cont'd)

Other services

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

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

Interest income

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

Rental income

Accounting polices for rental income are set out in note 2.15.

2.19 Government grants

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

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

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

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

2.20 Impairment of non-financial assets

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

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

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

2.21 Employee benefits

Retirement benefit

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

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

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

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

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

2.21 Employee benefits (cont'd)

Housing funds, medical insurances and other social insurances

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

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

Short-term employee benefits

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

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

2.22 Borrowing costs

Given the Group has no qualifying assets during the year, all borrowing costs are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

2.23 Accounting for income taxes (cont'd)

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

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

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

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

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

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

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

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

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

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

- (i) the same taxable entity; or

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

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

2.24 Segment reporting

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

2.25 Dividend distribution

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

2.26 Share-based employee compensation

Equity-settled share-based payments transactions

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

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

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

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

2.27 Related parties

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

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

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

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

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. ADOPTION OF NEW AND AMENDED IFRSS AND CHANGES IN ACCOUNTING POLICIES

Amended IFRSs that are effective for annual periods beginning on January 1, 2022

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on January 1, 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendment to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRSs Standards 2018-2020

The adoption of the amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contract and related amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendment to IAS 1	Non-current Liabilities with Convenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 Effective date to be determined

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

3. ADOPTION OF NEW AND AMENDED IFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

Issued but not yet effective IFRSs (cont'd)

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

IFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual reporting period beginning on or after January 1, 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting judgements

Current and deferred income taxes

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. As at December 31, 2022, the carrying amounts of deferred tax assets are RMB66,119,000 (2021: RMB65,221,000). Details of deferred tax assets are set out in note 32.

As detailed in note 32, deferred tax liabilities have not been recognized as at December 31, 2022 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

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

(a) Critical accounting judgements (cont'd)

PRC land appreciation tax

As detailed in note 27, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its LAT calculation and payments with any local tax authorities in the PRC for certain property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognized LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provision in periods in which such taxes have been finalised with local tax authorities.

(b) Key sources of estimation uncertainties

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

Estimation of impairment of properties under development and held for sale

As explained in note 23, 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 necessary to be incurred in selling the properties based on prevailing and forecasted market conditions.

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

In addition, given the volatility of the property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the estimates would affect profit or loss in future years. As at December 31, 2022, the aggregate carrying amount of properties under development and held for sale is approximately RMB2,552,217,000, net of allowance of RMB50,044,000 (2021: RMB2,570,475,000, net of allowance of RMB49,421,000).

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

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

Estimation of impairment of trade and other receivables

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

As at December 31, 2022, the carrying amounts of trade and other receivables are RMB1,193,026,000 (2021: RMB1,061,945,000), net of impairment loss allowance of RMB97,058,000 (2021: RMB156,551,000).

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

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation or amortization and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections, used in the impairment test. The carrying amounts of property, plant and equipment, right-of-use assets and intangible asset at the reporting date are set out in notes 14, 15 and 17 to the consolidated financial statements respectively.

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

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

Fair value measurement of financial instruments

Financial asset at FVTPL amounting to RMB41,805,000 (2021: RMB55,970,000) as at December 31, 2022 is measured at fair value with fair value being determined based on significant unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may affect the investees' business. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures regarding the fair value measurement of these financial instruments are set out in note 45.7.

Depreciation charges of property, plant and equipment

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

Determination of the lease term in lease contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities. During the years ended December 31, 2022 and 2021, all extension options in leases of premises, have not been included in the calculation of lease liabilities.

5. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being CODM, who is responsible for allocating resources and assessing performance of the operating segment, has identified the Groups' operating and reportable segments as below and further described in note 2.24:

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

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

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

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

For the year ended December 31, 2022:

	Manufacturing *RMB'000*	**Properties development** *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
External sales	**599,778**	**173,421**	**90,230**	**–**	**863,429**
Inter-segment sales	**–**	**–**	**1,014**	**(1,014)**	**–**
	599,778	**173,421**	**91,244**	**(1,014)**	**863,429**

For the year ended December 31, 2021:

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	784,171	602,815	126,552	–	1,513,538
Inter-segment sales	–	–	2,750	(2,750)	–
	784,171	602,815	129,302	(2,750)	1,513,538

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Disaggregation of revenue from contracts with customers

For the year ended December 31, 2022:

	Manufacturing	Properties development	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Primary geographical markets					
United States	493,320	–	–	–	493,320
PRC, including HK	75,233	173,421	91,244	(1,014)	338,884
Europe	5,681	–	–	–	5,681
Others	25,544	–	–	–	25,544
	599,778	173,421	91,244	(1,014)	863,429
Major products and services					
Sales of upholstered furniture	599,778	–	–	–	599,778
Sales of properties	–	173,421	–	–	173,421
Travel & tourism-related services	–	–	34,345	–	34,345
Catering & entertainment	–	–	26,009	(1,014)	24,995
Property management services	–	–	30,890	–	30,890
	599,778	173,421	91,244	(1,014)	863,429
Timing of revenue recognition					
At a point in time	599,778	173,421	26,009	(1,014)	798,194
Transferred over time	–	–	65,235	–	65,235
	599,778	173,421	91,244	(1,014)	863,429

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

For the year ended December 31, 2021:

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Primary geographical markets					
United States	650,313	–	–	–	650,313
PRC, including HK	76,325	602,815	129,302	(2,750)	805,692
Europe	33,459	–	–	–	33,459
Others	24,074	–	–	–	24,074
	784,171	602,815	129,302	(2,750)	1,513,538
Major products and services					
Sales of upholstered furniture	784,171	–	–	–	784,171
Sales of properties	–	602,815	–	–	602,815
Travel & tourism-related services	–	–	58,447	–	58,447
Catering & entertainment	–	–	29,534	–	29,534
Property management services	–	–	41,321	(2,750)	38,571
	784,171	602,815	129,302	(2,750)	1,513,538
Timing of revenue recognition					
At a point in time	784,171	602,815	29,534	–	1,416,520
Transferred over time	–	–	99,768	(2,750)	97,018
	784,171	602,815	129,302	(2,750)	1,513,538

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

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

	2022 *RMB'000*	2021 *RMB'000*
Segment profit/(loss)		
– Manufacturing *(note)*	**80,436**	184,759
– Properties development	**(35,573)**	101,109
– Others	**(6,386)**	(27,377)
	38,477	258,491
Unallocated corporate income/(expense)	**16,546**	(24,047)
Unallocated other gains and losses	**4,727**	(21,277)
	59,750	213,167

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

For the year ended December 31, 2022

	Manufacturing *RMB'000*	**Properties development** *RMB'000*	**Others** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Share of loss of associates	**–**	**(1,283)**	**–**	**–**	**(1,283)**
Interest income	**1,041**	**7,789**	**201**	**5**	**9,036**
Depreciation and amortization of non-current assets	**(25,681)**	**(45,405)**	**(2,374)**	**(11,034)**	**(84,494)**
Finance costs	**(9,483)**	**(34,271)**	**(19,349)**	**(36)**	**(63,139)**
Income tax (expense)/credit	**(38,180)**	**27,416**	**(6,731)**	**–**	**(17,495)**

For the year ended December 31, 2021

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Interest income	130	319	771	3	1,223
Depreciation and amortization of non-current assets	(29,046)	(34,191)	(13,487)	(22,818)	(99,542)
Finance costs	(14,092)	(35,240)	(4,431)	(41)	(53,804)
Income tax expense	(41,062)	(53,889)	(31,677)	–	(126,628)

5. REVENUE AND SEGMENT INFORMATION (cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2.24. Segment profit/(loss) mainly represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain/(loss). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Unallocated corporate income/(expense) mainly include fair value changes of financial guarantee and financial assets at FVTPL.

In 2021, the segment profit from manufacturing segment included the gain from early termination of right-of-use assets of RMB51,559,000 and gain on disposal of property plant and equipment of RMB104,399,000 (note 7(a)). In 2022, the segment profit from manufacturing segment included the gain from disposal of a building and affiliated equipment and fixture located in Haining City, Zhejiang Province, the PRC (note 7).

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

Segment assets

	2022 ***RMB'000***	2021 *RMB'000*
Manufacturing	**1,155,470**	1,222,958
Properties development	**4,126,012**	4,080,058
Others	**404,768**	479,203
Total segment assets	**5,686,250**	5,782,219
Unallocated	**135,456**	192,173
Consolidated assets	**5,821,706**	5,974,392

Segment liabilities

	2022 ***RMB'000***	2021 *RMB'000*
Manufacturing	**350,665**	445,203
Properties development	**1,594,631**	1,641,574
Others	**100,029**	208,681
Total segment liabilities	**2,045,325**	2,295,458
Unallocated	**64,374**	24,944
Consolidated liabilities	**2,109,699**	2,320,402

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

– all assets are allocated to operating segments other than interest in associates, investments in financial assets, deferred tax assets and head office assets;

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

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

Geographical information

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

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

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

	Revenue from external customers Year ended December, 31		Non-current assets At December, 31	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States	**493,320**	650,313	**–**	–
PRC, including HK	**338,884**	805,692	**1,111,421**	1,510,097
Europe	**5,681**	33,459	**–**	–
Others	**25,544**	24,074	**168,294**	140,450
	863,429	1,513,538	**1,279,715**	1,650,547

Information about major customer

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

	2022	2021
	RMB'000	*RMB'000*
Customer A *(note)*	**326,810**	367,030

Note: Revenue from Manufacturing segment.

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Geographical information (cont'd)

Information about major customer *(cont'd)*

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

	2022	2021
	RMB'000	*RMB'000*
Sale of goods		
Upholstered furniture	**599,778**	784,171
Residential properties	**173,421**	602,815
	773,199	1,386,986
Provision of services		
Others *(note)*	**90,230**	126,552
	863,429	1,513,538

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

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

As at December 31, 2022 and 2021, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

6. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Government grants *(note a)*	**4,247**	2,988
Interest income *(note b)*	**9,036**	1,223
Sub-contracting fee income	**145**	85
Others *(note c)*	**7,713**	976
	21,141	5,272

Notes:

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

(b) Interest income include unwinding impact of loan to an associate of approximately RMB7,680,000 (2021: RMBnil) for the year ended December 31, 2022.

(c) Others mainly includes income from certain value-added services and rental 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.

7. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Gain on early termination of right-of-use asset *(note a)*	**1,864**	51,559
Net foreign exchange gain/(loss)	**24,251**	(16,153)
Donation	**(35)**	(70)
Penalty	**(135)**	(157)
Change in fair value of financial asset at fair value through profit or loss	**9,177**	5,918
Fair value of financial guarantee issued on initial recognition *(note b)*	**(16,275)**	–
Gain on disposal of property, plant and equipment, net *(note a)*	**24,547**	111,910
Gain on disposal of subsidiaries *(note 40)*	**90,989**	24,422
Net gain from sale of scrap materials	**–**	909
Release of financial guarantees *(note b)*	**5,425**	6,617
Others	**(2,911)**	(2,451)
	136,897	182,504

7. OTHER GAINS AND LOSSES (cont'd)

Notes:

(a) In 2022, the amounts mainly include the gains from disposal of a building and affiliated equipment and fixture located in Haining City, Zhejiang Province, the PRC of RMB17,989,000 to an independent third party for total considerations of RMB98,820,000. In 2021, the amounts mainly include the gains from land resumption for which, Haining Hidea Furniture Co., Ltd (the "Haining Hidea"), a wholly-owned subsidiary of the Company, entered into a land resumption agreement with Haining Jianshan New Area Administrative Committee (the "Haining Jianshan Administrative Committee"), a local government bureau, on September 16, 2021. Pursuant to the land resumption agreement, Haining Hidea 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 RMB180,144,000. A gain on early termination of right-of-use assets of RMB51,559,000 related to the surrendered land use rights as a result of modification of lease and gain on disposal of property, plant and equipment of RMB104,399,000 related to the surrendered of erected building are recognized in the profit or loss.

(b) The provision of financial guarantees represented the fair value of the financial guarantees recognized at its initial recognition (note 44(b)). The release of financial guarantees recognized in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

8. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest charges on bank and other borrowings	**60,905**	51,244
Interest charges on lease liabilities	**2,234**	2,560
	63,139	53,804

9. PROFIT BEFORE INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
Amortization of intangible assets	**160**	48
Depreciation of property, plant and equipment	**60,425**	79,009
Depreciation of right-of-use assets	**23,909**	20,485
Total depreciation and amortization	**84,494**	99,542
Auditor's remuneration		
– Audit service	**2,300**	2,000
– Non-audit service	**800**	800
(Reversal of) impairment loss/impairment loss on financial assets, net		
– Trade receivables	**(474)**	(1,532)
– Other receivables	**(518)**	56,116
– Amounts due from non-controlling interests of subsidiaries	**–**	(600)
– Loan to an associate	**(2,700)**	2,700
	(3,692)	56,684
Cost of inventories under Manufacturing segment recognized as expenses (including net reverse of allowance of inventories of RMB930,000) (2021: RMB433,000)	**418,652**	553,385
Cost of properties under properties development segment recognized as cost of sale	**131,258**	317,579
Expenses relating to short term leases	**2,233**	1,085
Impairment loss on property, plant and equipment *(note 14(c))*	**26,447**	–
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	**158,461**	187,332
– Contributions to defined contribution retirement plans	**13,322**	12,689
	171,783	200,021

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	*Note*	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2022					
Executive directors:					
Mr. Zhu Zhangjin, Kasen ("Mr. Zhu")		**–**	**617**	**11**	**628**
Ms. Zhou Xiaohong		**–**	**280**	**–**	**280**
Mr. Zhu Ruijun	*(i)*	**–**	**314**	**16**	**330**
		–	**1,211**	**27**	**1,238**
Independent Non-Executive directors:					
Mr. Du Haibo		**155**	**–**	**–**	**155**
Mr. Zhang Yuchuan		**155**	**–**	**–**	**155**
Mr. Zhou Lingqiang		**155**	**–**	**–**	**155**
		465	**–**	**–**	**465**
Year ended December 31, 2021					
Executive directors:					
Mr. Zhu Zhangjin, Kasen		–	599	11	610
Ms. Zhou Xiaohong		–	280	–	280
Mr. Zhu Ruijun	*(i)*	–	360	22	382
		–	1,239	33	1,272
Independent Non-Executive directors:					
Mr. Du Haibo		149	–	–	149
Mr. Zhang Yuchuan		149	–	–	149
Mr. Zhou Lingqiang		148	–	–	148
		446	–	–	446

Note:

(i) Mr. Zhu Ruijun resigned as an executive director of the Company with effect from October 7, 2022.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (cont'd)

(a) Directors' remuneration (cont'd)

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended December 31, 2022 and 2021.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended December 31, 2022 and 2021.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director, whose emoluments are reflected in the analysis presented in note 10(a). The emoluments paid to the remaining four (2021: four) individuals during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
Basic salaries and allowances	**2,119**	3,605
Retirement benefit scheme contributions	**66**	79
	2,185	3,684

The emoluments fell within the following bands:

	2022	2021
	Number of individuals	
Emolument bands		
Nil – HK$1,000,000	**4**	3
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
Over HK$2,000,000	**–**	1
	4	4

11. INCOME TAX EXPENSE

	Note	**2022** **RMB'000**	2021 RMB'000
Current income tax - PRC Enterprise Income Tax ("EIT")			
- Current year		**35,774**	91,507
- (Over)/Under-provision in respect of prior years		**(3,698)**	679
- Withholding tax on dividend		**15,000**	–
		47,076	92,186
LAT		**(26,517)**	38,855
Deferred tax	*32*	**(3,064)**	(4,413)
Total income tax expense		**17,495**	126,628

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2022 **RMB'000**	2021 RMB'000
Profit before income tax	**77,245**	339,795
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	**(8,747)**	87,218
Tax effect of tax preference in tax rule relate to new and high technology enterprise	**(8,523)**	(8,167)
Tax effect on non-deductible expenses	**32,677**	13,686
Tax effect on non-taxable income	**(21,169)**	(2,019)
Tax effect of deductible temporary differences not recognized	**1,824**	1,529
Tax effect of deductible temporary difference previously not recognized	**–**	(774)
Tax effect on LAT charges	**(2,482)**	(9,714)
LAT charges	**(26,517)**	38,855
Tax effect of tax losses not recognized	**38,980**	7,214
Utilisation of tax losses previously not recognized	**–**	(1,879)
Under-provision in respect of prior years	**(3,548)**	679
Withholding tax on dividend	**15,000**	–
Income tax expense	**17,495**	126,628

11. INCOME TAX EXPENSE (cont'd)

Notes:

(a) PRC EIT

Under the Law of the People's Republic of China on Enterprise Income Tax and implementation Regulation of the Enterprise Income Tax Law (the "EIT Law"), other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25%. The PRC EIT Law also allows enterprises to apply for the certificates of "High and New Technology" ("HNTE") which entitled qualified companies to enjoy a preferential income tax rate of 15%. In 2022 and 2021, three of the Group's PRC subsidiaries are qualified as a HNTE.

(b) PRC LAT

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

(c) Hong Kong profits tax

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first Hong Kong dollars ("HK$") 2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. For the years ended December 31, 2022 and 2021, Hong Kong profits tax of one of the subsidiaries of the Group is calculated in accordance with the two-tiered profits tax rates regime.

(d) Cayman Islands corporate tax

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any corporate tax in Cayman Islands for the years ended December 31, 2022 and 2021.

(e) British Virgin Islands profit tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended December 31, 2022 and 2021.

(f) Cambodia corporate tax

Taxation arising in Cambodia is calculated at the tax rate 20% prevailing in Cambodia.

12. DIVIDEND

The Board does not recommend the payment of a final dividend for the years ended December 31, 2022 and 2021.

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB68,279,000 (2021: RMB220,039,000) by the weighted average number of ordinary shares in issue during the years December 31, 2022 and 2021. The earnings per share is calculated using the weighted average number of ordinary shares of 1,487,975,076 (2021: 1,493,636,881) shares issued during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2022 and 2021 do not assume the exercise of the Company's outstanding share options which had anti-dilutive effect and would result in an addition in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the years ended December 31, 2022 and 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land *RMB'000*	Buildings *RMB'000*	Plant and equipment *RMB'000*	Motor vehicles *RMB'000*	Fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At January 1, 2021	215,332	885,524	276,784	40,687	54,380	511,202	1,983,909
Additions	–	25,597	25,606	6,825	2,826	54,875	115,729
Transfer from prepayment for plant and equipment	–	–	–	–	–	13,775	13,775
Transfer	–	68,758	–	–	–	(68,758)	–
Transfer to properties under development	(190,640)	–	–	–	–	–	(190,640)
Disposal	–	(114,482)	(6,440)	(6,786)	(3,864)	–	(131,572)
Disposal of a subsidiary *(note 40)*	–	–	(672)	–	–	–	(672)
Exchange realignment	(565)	(105)	(985)	(42)	(40)	–	(1,737)
At December 31, 2021	24,127	865,292	294,293	40,684	53,302	511,094	1,788,792
Additions	–	255	555	194	777	6,227	8,008
Disposal	–	(75,415)	(340)	(3,130)	(7,978)	–	(86,863)
Disposal of a subsidiary *(note 40)*	–	(111,042)	(107,224)	(7,365)	(561)	–	(226,192)
Exchange realignment	2,229	281	279	190	85	–	3,064
At December 31, 2022	**26,356**	**679,371**	**187,563**	**30,573**	**45,625**	**517,321**	**1,486,809**
DEPRECIATION AND IMPAIRMENT							
At January 1, 2021	–	258,132	146,161	27,998	41,299	–	473,590
Depreciation expense	–	48,857	22,130	1,916	6,106	–	79,009
Eliminated on disposal	–	(71,119)	(6,497)	(7,100)	(2,819)	–	(87,535)
Disposal of a subsidiary *(note 40)*	–	–	(290)	–	–	–	(290)
Exchange realignment	–	(9)	(28)	(22)	(6)	–	(65)
At December 31, 2021	–	235,861	161,476	22,792	44,580	–	464,709
Depreciation expense	–	38,601	15,821	1,647	4,356	–	60,425
Impairment	–	27,849	–	–	–	–	27,849
Eliminated on disposal	–	(34)	(861)	(2,844)	(13)	–	(3,752)
Disposal of a subsidiary *(note 40)*	–	(15,656)	(30,114)	(494)	(5,428)	–	(51,692)
Exchange realignment	–	37	37	115	29	–	218
At December 31, 2022	**–**	**286,658**	**146,359**	**21,216**	**43,524**	**–**	**497,757**
CARRYING AMOUNTS							
At December 31, 2022	**26,356**	**392,713**	**41,204**	**9,357**	**2,101**	**517,321**	**989,052**
At December 31, 2021	24,127	629,431	132,817	17,892	8,722	511,094	1,324,083

Note: With a review of financial statements presentation, certain comparative figures of property, plant and equipment were reclassified to conform with the current year's presentation.

The net book value of buildings pledged as security for the bank borrowings and the general banking facilities of the Group and certain connected parties is RMB12,464,000 (2021: RMB155,458,000) (note 43).

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

(a) As at December 31, 2022, the title deeds of buildings in the PRC with carrying amount of RMBnil (2021: RMB50,298,000) 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.

(b) As at December 31, 2022, the freehold land with carrying amount of USD3,780,000 (equivalent to approximately RMB26,356,000) (2021: USD3,780,000 (equivalent to approximately RMB24,101,000)) were situated in Cambodia of which the Group has obtained the relevant title deeds.

(c) Due to the adverse impact of the COVID-19 pandemic on the hotel operation in Changbai Mountain, the PRC, the Group assessed the recoverable amount of this loss-making CGU, determined on the basis of its value in use using discounted cash flow method. The recoverable amount of the CGU has been reduced to RMB13,000,000 and impairment losses of RMB26,447,000 was recognized on a building for the year ended December 31, 2022.

15. RIGHT-OF-USE ASSETS

	Leasehold land	**Buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	Note a	*Note b*	
At January 1, 2021	129,565	59,856	189,421
Early termination	(6,314)	–	(6,314)
Depreciation	(3,263)	(17,222)	(20,485)
Exchange realignment	–	250	250
At December 31, 2021 and January 1, 2022	119,988	42,884	162,872
Additions	–	31,550	31,550
Early termination	(5,637)	(1,137)	(6,774)
Depreciation	(3,113)	(20,796)	(23,909)
Lease modification	–	(308)	(308)
Disposal of a subsidiary *(note 40)*	(21,799)	–	(21,799)
Exchange realignment	–	(724)	(724)
At December 31, 2022	**89,439**	**51,469**	**140,908**

Notes:

a) The Group is the registered owner of the land use right in the PRC where the Group's manufacturing facilities and waterpark facilities are located. Lump sum payments were made upfront to acquire these leasehold interests from relevant government authorities. All of these land use right has remaining lease term of between 10 and 50 years respectively.

Other than payments based on rateable values set by the relevant government authorities, there are no ongoing payments to be made under the terms of these land leases. These payments vary from time to time and are payable to the relevant government authorities.

b) The Group has obtained the right to use certain properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years (2021: 2 to 5 years). None of the leases includes variable lease payments.

16. INTERESTS IN ASSOCIATES

	2022	2021
	RMB'000	*RMB'000*
Unlisted shares, at cost	**19,088**	18,888
Loan to an associate	**6,492**	31,912
Share of loss of an associate	**(1,283)**	–
Less: Allowance for impairment *(note)*	**–**	(2,700)
	24,297	48,100

Note: Loan to an associate represent unsecured interest free loan provide to Yancheng Kasen which are expected to repay after 12 months from the date of borrowing. Management considered the amount due to be low credit risk of default as the associate has strong capacity to meet the contractual cash flow obligations, and the allowance for loss is determined on 12-month ECL basis.

The details of the associates of the Group as at December 31, 2022 and 2021 are set out below:

Name of company	**Form of business structure**	**Country/place establishment and operation**	**Particulars of registered capital**	**Proportion of effective interest held**	**Principal activities**
Hainan Kasen Elderly Care Services Limited ("Kasen Elderly")* 海南卡森養老服務有限公司 *(Note a)*	Limited liability company	The PRC	RMB5,000,000	– (2021: 30%)	Elderly care services in Hainan Province
Yancheng Urban Investment Kasen Property Development Co., Limited ("Yancheng Kasen")* 鹽城城投卡森置業有限公司 *(Note b)*	Limited liability company	The PRC	RMB40,000,000	27.27% (2021: 27.27%)	Property development project in Jiangsu Province
Jiaxing Guangsentan Technology Co., Limited ("Jiaxing Guangsentan")* 嘉興廣森碳科技有限公司 *(Note c)*	Limited liability company	The PRC	RMB1,000,000	50% (2021: Nil)	Provision of technology and application service#

16. INTERESTS IN ASSOCIATES (cont'd)

Notes:

(a) In July 2022, the Group has entered into an agreement to transfer its entire interest in Kasen Elderly to other investors of Kasen Elderly. The gain from the transfer was immaterial to the Group's consolidated financial statements for the year ended December 31, 2022.

(b) In April 2021, the Group has joined with certain parties to set up Yancheng Kasen with beneficial interest of 27.27%. By considering that the Group has the power to appoint two out of the five directors of Yancheng Kasen, and the Group has no sufficient dominant voting rights to direct the relevant activities of Yancheng Kasen unilaterally, the directors of the Company conclude that the Group only has significant influence over Yancheng Kasen and therefore it is classified as an associate of the Group.

(c) In April 2022, the Group has joined with an independent third party to set up Jiaxing Guangsentan with beneficial interest of 50%. By considering that the Group has no sufficient dominant voting right to direct the relevant activities of Jiaxing Guangsentan unilaterally, the directors of the Company conclude that the Group only has significant influence over Jiaxing Guangsentan and therefore it is classified as an associate of the Group.

* *The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.*

\# *Jiaxing Guangsentan not yet commenced business as at December 31, 2022.*

16. INTERESTS IN ASSOCIATES (cont'd)

Set out below are the summarised financial information of the material associate which is accounted for using the equity method:

Yancheng Kasen

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current assets	**532,631**	338,413
Non-current assets	**239**	329
Non-current liabilities	**–**	(105,000)
Current liabilities	**(497,575)**	(195,654)
Net assets	**35,295**	38,088

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**–**	–
Profit or loss from continuing operation	**(2,792)**	(1,912)
Loss for the year	**(2,792)**	(1,912)

The unrecognized share of loss and accumulated unrecognized losses of Yancheng Kasen was RMB524,000 and RMB524,000, respectively, as at December 31, 2021.

A reconciliation of the above summarised financial information to the carrying amount of each of the interest in Yancheng Kasen is set out below:

	2022	2021
	RMB'000	*RMB'000*
Net assets of Yancheng Kasen	**35,295**	38,088
Proportion of the Group's ownership interest in Yancheng Kasen	**27.27%**	27.27%
The Group's share of net assets of Yancheng Kasen	**9,625**	10,387
Other adjustment *(note)*	**7,680**	7,680
	17,305	18,067

Note: It represents the deemed capital contribution from the interest-free loan provided to Yancheng Kasen on initial recognition.

16. INTERESTS IN ASSOCIATES (cont'd)

Aggregate information of associate that is not individually material:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount of individually immaterial associate in the consolidated statement of financial position	**500**	300
The Group's share of profit	**–**	–

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

17. INTANGIBLE ASSETS

	Computer software
	RMB'000
COST	
At January 1, 2021	6,025
Disposal of a subsidiary *(note 40)*	(93)
At December 31, 2021	5,932
Disposal of a subsidiary *(note 40)*	(738)
At December 31, 2022	**5,194**
ACCUMULATED AMORTIZATION	
At January 1, 2021	5,178
Provided for the year	48
Disposal of a subsidiary *(note 40)*	(23)
At December 31, 2021	5,203
Provided for the year	160
Disposal of a subsidiary *(note 40)*	(266)
Exchange realignment	1
At December 31, 2022	**5,098**
CARRYING AMOUNTS	
At December 31, 2022	**96**
At December 31, 2021	729

18. PREPAYMENT FOR ACQUISITION OF FREEHOLD LAND

	2022	2021
	RMB'000	*RMB'000*
Freehold land in		
– Sihanoukville, Cambodia *(note)*	**125,362**	114,763

Note: Except for US$1,000,000 (equivalent to approximately RMB6,965,000 (2021: US$1,000,000 (equivalent to approximately RMB6,376,000) which was refundable, the other US$17,000,000 (equivalent to approximately RMB118,397,000 (2021: US$17,000,000 (equivalent to approximately RMB108,387,000) 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 with no dispute with the vendor and there was no recoverability concern for these prepayment made.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	RMB'000	*RMB'000*
Financial asset at fair value through other comprehensive income		
– Listed equity investment *(note)*	**18,763**	19,603

Note: The listed equity investments represent 4,000,554 shares (approximately 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, 2022 and 2021 were based on quoted market price at Shenzhen Stock Exchange.

As at December 31, 2022, 4,000,000 (2021: 4,000,000) of the HCLM shares amounted to RMB18,763,000 (2021: RMB19,603,000) have been pledged to secure the banking facilities of the Group and certain connected parties (note 43).

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Financial asset at fair value through profit or loss		
– Unlisted investment fund A *(note i)*	**41,805**	25,970
– Unlisted investment fund B *(note ii)*	**–**	30,000
	41,805	55,970

Notes:

(i) On February 28, 2020, the Company's wholly owned subsidiary, Cardina International Company Limited ("Cardina") entered into a limited partnership agreement which committed to a capital contribution not exceeding US$10,000,000 by instalments (equivalent to approximately RMB70,750,000) in Asia Greentech Fund I LP (the "Greentech Fund"). This Greentech Fund was established principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in green energy sectors with focus on solar, hydro, waste to energy and other green projects that have applications in Asia.

Cardina is a limited partner in this Greentech Fund and the operational and financing decisions of Greentech Fund is responsible by the general partner. Up to December 31, 2022, the Group's capital contribution to the Greentech Fund was US$4,073,000 (2021: US$3,458,000).

(ii) On November 18, 2021, the Company's wholly owned subsidiary, Zhejiang Kasen Industrial Group Co., Limited ("Zhejiang Kasen") entered into a limited partnership agreement which committed to a capital contribution not exceeding RMB99,000,000 by instalments in Smart Carbon (Chongqing) Private Equity Investment Fund Partnership (the "Smart Carbon"). The Smart Carbon was establish principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in carbon sink business investment and smart energy to invest in ecological forestry carbon sink, smart energy, carbon emission reduction, and carbon trading-related businesses in China.

Zhejiang Kasen is a limited partner in the Smart Carbon and the operational and financing decisions of Smart Carbon Fund is responsible by the general partner. As at December 31, 2021, the Group's capital contribution to the Smart Carbon Fund was RMB30,000,000.

On December 26, 2022, Zhejiang Kasen entered into a transfer agreement and transferred its interest in the Smart Carbon to an independent third party and received refund of its capital contribution of RMB30,000,000.

21. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**39,159**	37,916
Work in progress	**8,923**	19,924
Finished goods	**21,561**	35,820
Total, net of allowance for inventories	**69,643**	93,660

22. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**81,279**	108,747
Less: allowance for impairment	**(17,341)**	(17,815)
	63,938	90,932
Deposits paid for acquisition of land for development for sale *(note a)*	**603,988**	603,988
Less: allowance for impairment	**(627)**	(627)
	603,361	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale *(note b)*	**32,129**	32,129
Less: allowance for impairment	**(32,129)**	(32,129)
	–	–
Advance payment for purchase of inventories *(note c)*	**2,748**	4,203
Prepaid other taxes *(note d)*	**85,476**	137,587
	88,224	141,790
Deposit, prepayments and other receivables *(note e)*	**418,846**	331,842
Receivable from disposal of a subsidiary *(note 40(a))*	**65,618**	–
Less: allowance for impairment	**(46,961)**	(105,980)
	437,503	225,862
	1,193,026	1,061,945

22. 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 recognized the deposits paid to the Vendor in respect of land acquisition ("Sanya Deposits") amounted to RMB636,856,000 and Sanya Kasen was required to pay the remaining balance of RMB52,800,000 to the Vendor. Up to December 31, 2022, the remaining balance due to the Vendor was RMB10,811,000 (2021: RMB10,811,000).

In accordance with the Agreement, the Vendor would assist to apply to local government for converting such land from agricultural land into construction land before transfer of the land title and obtaining various development plans and permits. If the land area was successfully converted into construction land, the Group was required to pay an additional 40% of the land cost to the local government based on the market value of the land at the time of transfer, together with corresponding taxes and surcharges. For those land areas which could not be converted into construction land, it would be transferred to the Group in form of agriculture land without additional cost.

Up to December 31, 2022, 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 obtained the title deeds of partial land with area of 155,857 sq. meters during 2018 to 2020 for starting its business plan.

The management of the Group is of the view that the Agreement remains enforceable and the Group is able to complete the land transfer of the remaining area of 1,268,123 sq. meters and would carry out the procedures for transfer of land title deeds progressively according to its business plan. Accordingly, there is no impairment loss on remaining Sanya Deposits as at December 31, 2022 and 2021.

(b) In prior years, the Group paid deposits of Malaysian ringgit ("RM") 21,000,000 for acquisitions of two parcels of reclaimed land in Malaysia to the Malaysia vendor. Due to disputes on the work progress of the reclaimed land in Malaysia performed by the Malaysia vendor, the Group and the Malaysia vendor reached an agreement through the Court in Malaysia for termination of the legal proceeding in 2017 under which the Malaysia vendor agreed to refund part of the Malaysia Deposits to the Group by monthly instalments starting from 2017. However, the vendor had failed to repay the remaining balance of RM6,887,400 (equivalent to RMB11,405,000) since 2018. Management considered the remaining balances had been in default and a full provision had been recognized in prior year. Except for approximately RM1,000,000 (equivalent to RMB1,650,000) repayments received from Malaysia vendor after payment reminders sent through the Company's lawyer during 2020 which has been recognized as reversal of impairment loss of trade and other receivables in profit or loss in 2020, there was no further repayment from Malaysia vendor.

(c) The Group had made advance payments for purchase of inventories to secure the inventory supply. These advance payments are non-refundable and expected to be realised within twelve months from the end of the reporting period.

22. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

(d) The amounts are prepaid tax and surcharges levied. The Group paid on behalf of properties buyers to the tax authority in advance based on the respective tax rate and expects to be realised within twelve months from the end of the reporting period when the properties are completed and control transfer to customers and revenue is recognized.

(e) The amounts mainly representing:

(i) balancing payment from the land resumption plan of Haining Hidea signed with Haining Jianshan New Area Administrative Committee with an amount of approximately RMBnil (2021: RMB50,344,000), amount of which was fully settled in 2022;

(ii) RMB57,900,000 due from Xinanjiang, a former subsidiary of the Group which became insolvent and under liquidation since April 2020, Xinanjiang was principally engaged in operation of hot spring resort in Zhejiang, the PRC. The entire equity interest in Xinanjiang was acquired by the Group at a consideration of RMB34,970,000 from an independent third party on September 26, 2011 and the equity interest in Xinanjiang held by the Group was subsequently diluted to 55%. During 2021, the independent administrator has received an offer from an independent third party to acquire the entire equity interest of Xinanjiang. Subject to the voting result in creditors meeting for the proposed disposal, the net proceed from the selling of entire equity interest of Xinanjiang would be used to settle the amounts due to creditors (including the Group). The management has recognized additional expected credit loss of RMB39,900,000 in profit or loss during the year ended December 31, 2021 based on the expected outcome of the liquidation at end of reporting period. The disposal has been voted in favor of by the creditors in 2022 and the Group has received the net proceed of approximately RMB16.2 million in capacity of creditor during the year ended December 31, 2022. As at December 31, 2022, no outstanding balance was due from Xinanjiang.

(iii) 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.

22. 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:

	2022	2021
	RMB'000	*RMB'000*
0-60 days	**52,059**	82,115
61-90 days	**3,188**	3,153
91-180 days	**7,384**	4,508
181-365 days	**3,527**	1,790
Over 1 year	**15,121**	17,181
	81,279	108,747

The Group's trade receivable balances included debtors which are related parties, details of which are set out in note 38(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 receivables are set out in note 45.5.

The movement in the ECL allowance of trade and other receivables is as follows:

	2022	2021
	RMB'000	*RMB'000*
Balance at beginning of the year	**156,551**	102,082
ECL allowance recognized during the year, net of reversal	**(992)**	54,584
Written-off	**(58,501)**	–
Disposal of subsidiaries	**–**	(115)
Balance at end of the year	**97,058**	156,551

23. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	RMB'000
COST	
At January 1, 2021	2,562,847
Addition of development expenditure	196,583
Transfer from property, plant and equipment *(note 14)*	190,640
Sales of properties	(330,174)
At December 31, 2021	2,619,896
Addition of development expenditure	95,075
Sales of properties	(112,710)
At December 31, 2022	**2,602,261**
IMPAIRMENT	
At January 1, 2021	44,542
Impairment loss recognized for the year	4,879
At December 31, 2021	49,421
Impairment loss recognized for the year	623
At December 31, 2022	**50,044**
CARRYING VALUES	
At December 31, 2022	**2,552,217**
At December 31, 2021	2,570,475

The carrying values are presented as:

	2022	2021
	RMB'000	*RMB'000*
Properties under development for sale	**1,786,540**	1,858,589
Properties held for sale	**765,677**	711,886
	2,552,217	2,570,475

As at December 31, 2022, RMBnil (2021: RMB75,280,000) of the properties under development are expected to be realised after more than twelve months from the end of the reporting period.

As at December 31, 2022, RMB1,015,540,000 (2021: RMB1,475,852,000) properties under development and held for sale pledged as security for the borrowings and the general banking facilities of the Group and certain connected parties (note 43).

24. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSIT FOR PROPERTY DEVELOPMENT BUSINESS/BANK BALANCES AND CASH

(a) Pledged bank deposits

The amount mainly represents deposits pledged to banks to secure the short-term bank facilities granted to the Group.

The deposits carry a fixed interest rate range from 0.30% to 1.50% (2021: 0.30% to 1.55%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings that are with maturity dates not over 1 year.

As December 31, 2022, included in pledged bank deposit of the Group was RMB88,750,000 (2021: RMB104,688,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

As December 31, 2022, pledged bank deposits of RMB88,750,000 (2021: RMB104,688,000) pledged as security for the bank borrowings and the general banking facilities of the Group and certain connected parties (note 43).

(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 0.5% (2021: 0.3% to 0.5%) per annum.

As at December 31, 2022, included in restricted bank deposits for property development business of the Group was RMB4,024,000 (2021: RMB2,354,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

(c) Bank balances and cash

Bank balances and cash comprised of bank deposits with short maturity at prevailing deposit interest rate of 0.30% (2021: 0.30%) per annum and cash on hand.

As at December 31, 2022, included in cash and bank balance of the Group was RMB392,560,000 (2021: RMB240,188,000) 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.

25. AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS OF SUBSIDIARIES

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

26. PREPAID INCOME TAX

The balance mainly represents the prepaid PRC enterprise income tax relating to the pre-sales proceeds according to the relevant regulation. The balance is expected to be realised in profit or loss within twelve months from the end of the reporting period when the properties complete and control transfer to customers and revenue is recognized.

27. PREPAID LAND APPRECIATION TAX

The balance mainly represents the prepaid LAT on the basis of the pre-sale proceeds in accordance with the requirement of PRC tax authorities. The balance is expected to be realised in profit or loss within twelve months from the end of the reporting period when the properties complete and control transfer to customers and revenue is recognized.

28. TRADE, BILLS AND OTHER PAYABLES

	2022 ***RMB'000***	2021 *RMB'000*
Trade payable	**237,738**	440,066
Bills payable	**–**	10,500
Other payables *(note i)*	**162,200**	171,384
Advance from a director of the Company *(note ii)*	**5,689**	5,208
Other tax payable	**12,361**	10,940
Accruals	**35,617**	37,952
Financial guarantees *(note 44(b))*	**10,850**	–
	464,455	676,050

Notes:

(i) Other payables mainly included guarantee deposits received from the contractors as securities for properties construction, which would be refunded to the contractors on completion of the properties construction in accordance with specific terms.

(ii) The advance is unsecured, interest-free and repayable on demand.

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group was granted by its suppliers average credit period of 60 days. The ageing analysis of the trade, bills payables based on invoice date, is follows:

	2022 ***RMB'000***	2021 *RMB'000*
0-60 days	**165,296**	311,130
61-90 days	**8,506**	55,339
91-180 days	**5,494**	6,623
181-365 days	**1,909**	8,845
1-2 years	**21,723**	27,955
Over 2 years	**34,810**	40,674
	237,738	450,566

29. LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2022	2021
	RMB'000	*RMB'000*
Total minimum lease payments:		
Within 1 year	**24,502**	16,239
After 1 year but within 2 years	**21,059**	13,840
After 2 years but within 5 years	**9,720**	15,882
	55,281	45,961
Future finance charge on lease liabilities	**(2,938)**	(3,399)
Present value of lease liabilities	**52,343**	42,562

	2022	2021
	RMB'000	*RMB'000*
Present value of minimum lease payments:		
Within 1 year	**22,550**	14,442
After 1 year but within 2 years	**20,202**	12,753
After 2 years but within 5 years	**9,591**	15,367
	52,343	42,562
Less: Portion due within one year included under current liabilities	**(22,550)**	(14,442)
Portion due after one year included under non-current liabilities	**29,793**	28,120

During the year ended December 31, 2022, the total cash outflows for the leases is RMB25,358,000 (2021: RMB21,539,000).

30. CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities arising from:		
Manufacturing and trading of upholstered furniture	**6,645**	4,070
Property development	**474,208**	450,076
Other services	**8,325**	5,385
	489,178	459,531

30. CONTRACT LIABILITIES (cont'd)

The Group receives payments from customers based on the terms established in contracts. Payments are usually received in advance of the performance under the contracts as follows:

Manufacturing and trading of upholstered furniture

The Group might request certain new customers to place deposit on acceptance of orders, with the remainder of the consideration at the delivery of the finished goods.

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 and tourism services, with the remainder of the consideration at the completion of services provided.

(a) Revenue recognized in relation to contract liabilities

	2022	2021
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**223,982**	600,185

(b) Unsatisfied sales contracts

The Group's revenue from unsatisfied sales contracts is expected to be recognized within one year.

31. BANK BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Analysed by:		
- Secured	**710,612**	708,000
- Unsecured	**58,570**	96,116
	769,182	804,116
- Denominated in United States Dollars (foreign currency)	**36,912**	7,396
- Denominated in RMB	**732,270**	796,720
	769,182	804,116

As at December 31, 2022 and 2021, the Group's bank borrowings were repayable as follows:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount repayable *(Note)*		
Within one year	**217,764**	204,366
In the second year	**114,418**	84,750
In the third to fifth years	**167,000**	195,000
After the fifth year	**270,000**	320,000
	769,182	804,116
Less: Amounts shown under current liabilities	**(217,764)**	(204,366)
Amounts shown under non-current liabilities	**551,418**	599,750

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements, none of the bank borrowings due for repayment after one year contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

Bank borrowings are fixed-rate borrowings and carry interests ranging from 2.95% to 9.00% (2021: 3.06% to 8.27%) per annum.

The bank borrowings included unsecured bank borrowings of RMB43,670,000 (2021: RMB96,116,000), which were guaranteed by Mr. Zhu, the director of the Company and an independent third party.

Certain borrowings were also secured by the assets owned by the Group and details of the assets are set out in note 43.

32. DEFERRED TAXATION

The amounts recognized in the consolidated statement of financial position are as follows:

	2022	2021
	RMB'000	*RMB'000*
Deferred tax assets recognized in the consolidated statement of financial position	**66,119**	65,221
Deferred tax liabilities recognized in the consolidated statement of financial position	**(19,786)**	(22,162)
Net deferred tax assets	**46,333**	43,059

The movement of net deferred tax assets is as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**43,059**	39,456
Credited to profit or loss *(note 11)*	**3,064**	4,413
Credited/(Charged) to comprehensive income	**210**	(810)
At the end of the year	**46,333**	43,059

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Unrealised profit on intra-group transactions	**Fair value change of FVTOCI**	**LAT provision**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	10,184	(3,050)	32,322	39,456
(Charged)/Credited to profit or loss	(2,437)	–	6,850	4,413
Charged to comprehensive income	–	(810)	–	(810)
At December 31, 2021 and January 1, 2022	7,747	(3,860)	39,172	43,059
Credited to profit or loss	486	–	2,578	3,064
Credited to comprehensive income	–	210	–	210
At December 31, 2022	**8,233**	**(3,650)**	**41,750**	**46,333**

32. DEFERRED TAXATION (cont'd)

Other deductible temporary differences not recognized at the end of the reporting period mainly include impairment of property, plant and equipment, impairment of property under development and held for sale, allowance of trade and other receivables and allowance for inventories.

No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law and Implementation Regulations, PRC withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to off-shore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. For the Group, the application rate is 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 RMB1,776,699,000 (2021: RMB2,079,062,000).

The directors of the Company are of the view that the undistributed earnings of the PRC subsidiaries as of December 31, 2022 and 2021 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.

32. DEFERRED TAXATION (cont'd)

At the end of the reporting period, the Group has unused tax losses of RMB342,255,000 (2021: RMB170,399,000) available for offset against future profits. No deferred tax asset has been recognized for these tax losses due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB6,113,000 (2021: RMB6,826,000) can be carried forward indefinitely. The remaining amount of RMB336,142,000 (2021: RMB163,573,000) expires in the following years:

	2022	2021
	RMB'000	*RMB'000*
2022	**–**	9,568
2023	**63,610**	27,423
2024	**41,790**	33,765
2025	**50,074**	62,646
2026	**28,790**	30,171
2027	**151,878**	–
	336,142	163,573

33. SHARE CAPITAL

	Number of ordinary shares (in thousand) at US$0.00015 each	***US$'000***
Authorised:		
At January 1, 2021, December 31, 2021, January 1, 2022 and December 31, 2022	**266,666,667**	**40,000**

	2022			2021		
	Number in thousand	***US$***	***RMB'000***	*Number in thousand*	*US$*	*RMB'000*
Issued but fully paid:						
Ordinary shares of US$0.00015 each	**1,493,637**	**224,046**	**1,712**	1,493,637	224,046	1,712
Repurchase of shares *(note a)*	**(50,495)**	**(7,575)**	**(58)**	–	–	–
	1,443,142	**216,471**	**1,654**	1,493,637	224,046	1,712

Note:

a) During the year ended December 31, 2022, the Company had repurchased 50,495,000 ordinary shares in total on the Stock Exchange at an aggregate consideration of approximately HK$20,868,000 and such shares were cancelled in November 2022.

33. SHARE CAPITAL (cont'd)

Month/year	Number of shares repurchased	Purchase price per Share		Aggregate purchase consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
October 2022 *(note i)*	33,352,000	0.4000	0.3950	13,340,575
November 2022 *(note ii)*	17,143,000	0.4400	0.4350	7,527,730
	50,495,000			20,868,305

Notes: i) The shares repurchased were cancelled on November 17, 2022.

ii) The shares repurchased were cancelled on November 29, 2022.

34. RESERVES

(a) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(b) Special reserve

The special reserve arose from the reorganisation completed in 2004.

(c) Share option reserve

Share option reserve represents the fair value of share options granted by the Company to employees recognized and is dealt with in accordance with the accounting policy set out in note 2.26.

(d) Other reserve

Other reserve represents reserve on acquisition, reserve on acquisition/disposal of interest in subsidiaries without change of control.

The reserve on acquisition represents the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries acquired by the Company.

The reserve on acquisition/disposal of interest in subsidiaries without change of control represents the difference between the consideration paid/received and the carrying amount of the share of net assets acquired/disposed of.

(e) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI reserve held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in note 2.7.

(f) Translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2022**	2021
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a subsidiary		**868,453**	868,453
Right-of-use assets		**1,616**	2,440
Other receivables		**385**	–
		870,454	870,893
Current assets			
Other receivables		**1,218**	1,148
Amounts due from subsidiaries		**954,132**	690,861
Cash and cash equivalents		**9,591**	1,598
		964,941	693,607
Current liabilities			
Other payables		**1,121**	1,281
Amounts due to subsidiaries		**274,127**	–
Lease liability		**757**	2,501
		276,005	3,782
Non-current liabilities			
Lease liability		**877**	–
Net current assets		**688,936**	689,825
Net assets		**1,558,513**	1,560,718
Equity			
Share capital	*33*	**1,654**	1,712
Reserves *(note)*		**1,556,859**	1,559,006
Total equity		**1,558,513**	1,560,718

Approved and authorised for issue by the board of directors on March 31, 2023.

Zhu Zhangjin, Kasen	**Zhou Xiaohong**
Director	*Director*

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Note: Movements of the Company's reserves

	Share premium *RMB'000*	Special reserve *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2021	1,470,892	168,659	4,618	(65,278)	1,578,891
Loss and total comprehensive expense for the year	–	–	–	(19,885)	(19,885)
At December 31, 2021 and January 1, 2022	1,470,892	168,659	4,618	(85,163)	1,559,006
Repurchase of shares *(note 33(a))*	(18,436)	–	–	–	(18,436)
Profit and total comprehensive income for the year	–	–	–	16,289	16,289
At December 31, 2022	1,452,456	168,659	4,618	(68,874)	1,556,859

36. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2022 and 2021 are as follows:

Name of company	Country/place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Directly held by the Company					
Kasen International Co., Ltd. 卡森國際有限公司	Cayman Islands	Limited liability company	US$10	100% (2021: 100%)	Investment holding
Investwise International Limited 智威國際有限公司	British Virgin Islands	Limited liability company	US$1	100% (2021: 100%)	Trading of furniture and sofas
Indirectly held by the Company					
Cardina International Co., Ltd. 凱迪納國際有限公司	Cayman Islands	Limited liability company	US$1	100% (2021: 100%)	Investment holding
Richmond (Hong Kong) International Co., Ltd. 富華(香港)國際有限公司	Hong Kong	Limited liability company	HK$100	100% (2021: 100%)	Trading of leather, furniture and sofas
Zhejiang Kasen Industrial Group Co., Limited* 浙江卡森實業集團有限公司 *(note b)*	The PRC	Limited liability company	RMB896,240,000	100% (2021: 100%)	Investment holding and import/ export trading

36. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2022 and 2021 are as follows: (cont'd)

Name of company	Country/place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Haining Kareno Furniture Co., Ltd.* 海寧卡雷諾家私有限公司 *(note a)*	The PRC	Limited liability company	US$7,280,000	100% (2021: 100%)	Production and sale of upholstered furniture
Haining Hengsen Furniture Co., Ltd.* 海寧恒森家具有限公司	The PRC	Limited liability company	RMB50,000,000	100% (2021: 100%)	Production of furniture and glass fiber reinforces plastic products and wood processing
Zhejiang Kasen Property Development Co., Ltd* 浙江卡森置業有限公司	The PRC	Limited liability company	RMB600,000,000	100% (2021: 100%)	Investment holding
Haining Hainix Sofa Co., Ltd* 海寧漢林沙發有限公司 *(note a)*	The PRC	Limited liability company	US$10,000,000	100% (2021: 100%)	Production and sale of sofas, dining chairs and other furniture products
Haining Hidea Furniture Co., Ltd.* 海寧慧達家具有限公司 *(note a)*	The PRC	Limited liability company	US$8,000,000	100% (2021: 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	The PRC	Limited liability company	RMB260,000,000	100% (2021: 100%)	Property development
Hainan Boao Kasen Property Development Co., Ltd. ("Hainan Boao")* 海南博鰲卡森置業有限公司	The PRC	Limited liability company	RMB100,000,000	92% (2021: 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 a)*	The PRC	Limited liability company	RMB97,750,000	100% (2021: 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	The PRC	Limited liability company	RMB80,000,000	89% (2021: 89%)	Property development
Jiangsu Kasen Property Development Co., Ltd. ("Jiangsu Kasen") 江蘇卡森置業有限公司*	The PRC	Limited liability company	RMB50,000,000	55% (2021: 55%)	Property development

36. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2022 and 2021 are as follows: (cont'd)

Name of company	Country/place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Hainan Sanya Kasen Property Development Co., Ltd. ("Sanya Kasen")* 海南三亞卡森置業有限公司	The PRC	Limited liability company	RMB20,000,000	80.5% (2021: 80.5%)	Property development
Cambodia Kasen Guoji Real Estate Co., Ltd. ("Cambodia Kasen") *(note c)*	Cambodia	Limited liability company	US$2,868,948	49% (2021: 49%)	Property development
Kasen International Paper Co. Ltd *(note c)*	Cambodia	Limited liability company	US$1,000,000	49% (2021: 49%)	Investment holding
Kasen International Eco-Manufacture Co. Ltd	Cambodia	Limited liability company	Riel86,400,000,000	100% (2021: 100%)	Investment holding

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

Notes:

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

(b) The companies are foreign owned enterprises.

(c) As per Cambodian local regulations, foreign entities have a limitation of 49% at maximum for equity holding for local company which possess freehold land and certain types of properties in Cambodia. However, the Group had the majority right and power over the control of the company (e.g. electing and removing the board of directors and directing the operation of business). The management therefore consider it as a subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

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

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Hainan Boao

	2022	2021
	RMB'000	*RMB'000*
Proportion of ownership interests and voting rights held by non-controlling interests	**8%**	8%
Current assets	**1,753,991**	1,797,050
Non-current assets	**122,894**	130,716
Current liabilities	**(1,175,645)**	(1,243,138)
Non-current liabilities	**(504,300)**	(244,950)
Equity attributable to owners of the Company	**181,185**	406,860
Non-controlling interest	**15,755**	32,818

	2022	2021
	RMB'000	*RMB'000*
Revenue	**140,971**	299,490
Expenses	**(257,660)**	(257,374)
(Loss)/Profit and total comprehensive (expense)/income attributable to the owner of the Company	**(107,354)**	38,747
(Loss)/Profit and total comprehensive (expense)/income attributable to non-controlling interest	**(9,335)**	3,369
(Loss)/Profit and total comprehensive (expense)/income for the year	**(116,689)**	42,116
Net cash (used in)/from operating activities	**(64,481)**	161,540
Net cash used in investing activities	**70,058**	675
Net cash outflow from financing activities	**(11,700)**	(212,065)
Net cash outflow	**(6,123)**	(49,850)

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

Cambodia Kasen

	2022	2021
	RMB'000	*RMB'000*
Proportion of ownership interests and voting rights held by non-controlling interests	**51%**	51%
Current assets	**338,007**	249,551
Non-current assets	**5,935**	2,740
Current liabilities	**(378,167)**	(302,196)
Non-current liabilities	**(36,912)**	–
Equity attributable to owners of the Company	**(34,857)**	(24,453)
Non-controlling interest	**(36,280)**	(25,452)

	2022	2021
	RMB'000	*RMB'000*
Revenue	**–**	–
Expenses	**(34,257)**	(12,363)
Loss and total comprehensive expense attributable to the owner of the Company	**(16,786)**	(6,058)
Loss and total comprehensive expense attributable to non-controlling interest	**(17,471)**	(6,305)
Loss and total comprehensive expense for the year	**(34,257)**	(12,363)
Net cash from/(used in) operating activities	**23,797**	(492)
Net cash from/(used in) investing activities	**3,901**	(1,026)
Net cash (used in)/from financing activities	**(52,792)**	58
Net cash outflow	**(25,094)**	(1,460)

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

Jiangsu Kasen

	2022	2021
	RMB'000	*RMB'000*
Proportion of ownership interests and voting rights held by non-controlling interests	**45%**	45%
Current assets	**312,371**	288,343
Non-current assets	**11,728**	51,958
Current liabilities	**(148,248)**	(136,200)
Equity attributable to owners of the Company	**96,718**	133,443
Non-controlling interest	**79,133**	70,658

	2022	2021
	RMB'000	*RMB'000*
Revenue	**6,007**	305,121
Expenses and other gains and losses	**33,219**	(269,968)
Profit and total comprehensive income attributable to the owner of the Company	**21,574**	19,334
Profit and total comprehensive income attributable to non-controlling interest	**17,652**	15,819
Profit and total comprehensive income for the year	**39,226**	35,153
Net cash (used in)/from operating activities	**(39,189)**	352,692
Net cash from/(used in) investing activities	**40,000**	(152,658)
Net cash used in from financing activities	**–**	(195,512)
Net cash inflow	**811**	4,522

38. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.27. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions.

(a) During the years ended December 31, 2022 and 2021, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

	2022	2021
	RMB'000	*RMB'000*
Sales of scrap material by the Group		
Haining Yujie Material Recycling Co., Ltd ("Haining Yujie") *(note)* 海寧宇潔物資回收有限公司*	**864**	1,140

* The English translation of the name of the company established in the PRC are for reference only. The official name of these the company is in Chinese.

Note: Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited ("Sunbridge")'s general meeting. Mr. Zhu has significant influence and beneficial interests in Haining Yujie, through Sunbridge during 2022 and 2021. The directors of the Company confirmed the transactions are conducted in accordance to the Chapter 14A of the Listing Rules.

(b) Details of the amounts due from related parties are as follows:

	2022	2021
	RMB'000	*RMB'000*
Starcorp Corporation Pty. Ltd. *(note)*	**1,103**	1,079
Hainging Yujie *(note)*	**291**	921
	1,394	2,000

Note: The amounts are trading in nature, unsecured, interest-free and settle according to agreed credit terms.

38. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2022	2021
	RMB'000	*RMB'000*
Salaries and allowances	**2,490**	2,428
Retirement benefit scheme contributions	**64**	70
	2,554	2,498

(d) Financial guarantees

Please refer to note 44(b) for the details of financial guarantees provided to related parties.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The tables below set out the reconciliation of liabilities arising from financing activities.

	Bank borrowings	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**804,116**	880,568
Cash flows:		
– Additions	**363,702**	401,306
– Repayment	**(367,636)**	(477,579)
– Disposal of a subsidiary *(note 40(a))*	**(31,000)**	–
– Interest paid	**(60,905)**	(51,244)
Non-cash:		
– Interest expenses *(note 8)*	**60,905**	51,244
– Exchange alignment	**–**	(179)
At the end of the year	**769,182**	804,116

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Reconciliation of liabilities arising from financing activities (cont'd)

	Lease liabilities	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**42,562**	59,355
Cash flows:		
– Capital element of lease payments paid	**(23,125)**	(18,979)
Non-cash:		
– Interest expenses *(note 8)*	**2,234**	2,560
– Lease modification	**(308)**	–
– Entering into new lease	**31,550**	–
– Exchange alignment	**(570)**	(374)
At the end of the year	**52,343**	42,562

	Amounts due to non-controlling interests of subsidiaries	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**104,514**	105,122
Cash flows:		
– Repayment	**(25,949)**	–
Non-cash:		
– Exchange alignment	**–**	(608)
At the end of the year	**78,565**	104,514

40. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Yancheng Dayangwan Changle Health Development Co., Ltd* （鹽城大洋灣長樂健康發展有限公司）("Yancheng Dayangwan")

In July 2022, the Group disposed of its entire equity interest in Yancheng Dayangwan to the non-controlling shareholder of Yancheng Dayangwan for a cash consideration of RMB93,740,000. A gain of disposal of subsidiary of RMB90,734,000 was recognized in the profit or loss for the year ended December 31, 2022. Assets and liabilities disposed of as at the date of disposal are as follows:

	Yancheng Dayangwan *RMB'000*
Property, plant and equipment *(note 14)*	174,500
Right-of-use assets *(note 15)*	21,799
Intangible assets *(note 17)*	472
Trade and other receivables	16,728
Bank balances and cash	1,802
Trade and other payables	(180,521)
Bank and other borrowings	(31,000)
Tax payables	(23)
Net assets disposed of	3,757
Gain on disposal of a subsidiary	
Consideration received and receivables	93,740
Net assets disposed of	(3,757)
Non-controlling interest	751
Gain on disposal	90,734
An analysis of the net cash flow of cash and cash equivalent in respect of the disposal of a subsidiary is as follows:	
Cash consideration received during the year ended December 31, 2022	28,122
Bank balances and cash disposal of	(1,802)
	26,320

As at December 31, 2022, the consideration receivable was amounted to approximately RMB65,618,000 (note 22). The consideration receivable was fully settled subsequent to the year ended December 31, 2022.

40. DISPOSAL OF SUBSIDIARIES (cont'd)

(b) Disposal of Yancheng Sujia Property Service Co., Ltd.* (鹽城市蘇嘉物業服務有限公司) ("Yancheng Sujia")

In November 2022, the Group disposed of its entire equity interest in Yancheng Sujia to an independent third party for nil consideration. A gain of disposal of subsidiary of RMB255,000 was recognized in the profit or loss for the year ended December 31, 2022. Assets and liabilities disposed of as at the date of disposal are as follows:

	Yancheng Sujia *RMB'000*
Trade and other receivables	240
Bank balances and cash	2,076
Trade and other payables	(2,571)
Net liabilities disposed of	(255)
Gain on disposal of a subsidiary	
Consideration received and receivables	–
Net liabilities disposed of	255
Gain on disposal	255
An analysis of the net cash flow of cash and cash equivalent in respect of the disposal of a subsidiary is as follows:	
Cash consideration received during the year ended December 31, 2022	–
Bank balances and cash disposal of	(2,076)
	(2,076)

40. DISPOSAL OF SUBSIDIARIES (cont'd)

(c) Disposal of Hainingshi Sihaizhijia Property Management Co., Ltd.*（海寧市四海之家物業管理有限公司）("Haining Sihaizhijia")

In June 2021, the Group disposed of its entire equity interest in Haining Sihaizhijia to an independent third party for a cash consideration of RMB25,300,000. A gain of disposal of subsidiary of RMB24,422,000 was recognized in the profit or loss for the year ended December 31, 2021. Assets and liabilities disposed of as at the date of disposal are as follows:

	Haining Sihaizhijia *RMB'000*
Property, plant and equipment	382
Intangible assets	70
Trade and other receivables	5,982
Bank balances and cash	1,227
Trade and other payables	(1,288)
Contract liabilities	(5,495)
Net assets disposed of	878
Gain on disposal of a subsidiary	
Consideration received	25,300
Net assets disposed of	(878)
Gain on disposal	24,422
An analysis of the net cash flow of cash and cash equivalent in respect of the disposal of a subsidiary is as follows:	
Cash consideration received during the year ended December 31, 2021	25,300
Bank balances and cash disposal of	(1,227)
	24,073

* The English translation of the name of the company established in the PRC are for reference only. The official name of the company is in Chinese.

41. SHARE OPTION

A share option scheme was adopted by the Company pursuant to a board resolution passed on 26 September 2005 (the "2005 Share Option Scheme") for the primary purpose of providing incentives to directors, eligible employees and third party service providers of the Company. The 2005 Share Option Scheme became effective on October 20, 2005 and the option issued pursuant to the 2005 Share Option Scheme will expire with no later than 10 years from the date of grant of the option. Under the 2005 Share Option Scheme, the board of directors of the Company may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

A new share option scheme was adopted by the Company pursuant to shareholders resolution passed on 29 May 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 29 May 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, 2022 and 2021, no options have been granted by the Company under the 2015 Share Option Scheme.

At December 31, 2022, 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 (2021: 10,850,000), representing 0.75% (2021: 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.

41. SHARE OPTION (cont'd)

The following tables disclose details of the Company's share options granted under the 2005 Share Option Scheme held by the directors and eligible employees of the Company and its subsidiaries. The tables disclose movements in such holdings during the years ended December 31, 2022 and 2021:

Directors	2022 Number of options	2022 Weighted average exercise price HK$	2021 Number of options	2021 Weighted average exercise price HK$
At the beginning of the year and at the end of the year	**4,000,000**	**1.37**	4,000,000	1.37
Exercisable at the end of the year	**4,000,000**	**1.37**	4,000,000	1.37

Eligible employees	2022 Number of options	2022 Weighted average exercise price HK$	2021 Number of options	2021 Weighted average exercise price HK$
At the beginning of the year and at the end of the year	**6,850,000**	**1.37**	6,850,000	1.37
Exercisable at the end of the year	**6,850,000**	**1.37**	6,850,000	1.37

Notes:

(i) All outstanding share options were vested from May 26, 2015 to December 31, 2015 with exercisable period from January 1, 2016 to May 25, 2025.

(ii) The options outstanding at December 31, 2022 had exercise price of HK$1.37 (2021: HK$1.37) and the remaining contractual life of the outstanding share options at the reporting date was 2.4 years (2021: 3.4 years).

(iii) No share options were exercised, lapsed or cancelled during the years ended December 31, 2022 and 2021.

42. CAPITAL AND OTHER COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Commitments for acquisition/addition of:		
– Property, plant and equipment	**2,295,956**	2,262,995
– Property under development	**391,733**	153,998
– Contribution to investment funds	**41,283**	110,710
	2,728,972	2,527,703

43. PLEDGED ASSETS

As at December 31, 2022, the facilities were secured by:

(i) pledge of buildings of the Group with net book value of RMB12,464,000 (2021: RMB155,458,000) (note 14);

(ii) pledge of bank deposit of the Group of RMB88,750,000 (2021: RMB104,688,000) (note 24);

(iii) listed equity investments of the Group of RMB18,763,000 (2021: RMB19,603,000) (note 19); and

(iv) pledge of certain properties under development and held for sale of the Group of RMB1,015,540,000 (2021: RMB1,475,852,000) (note 23).

44. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB64,472,000 at December 31, 2022 (2021: RMB657,160,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

During the year ended December 31, 2022, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited ("CCT Group") (the "CCT Master Guarantee") and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts (before the updates on CCT Master Guarantee on June 30, 2022) of RMB393,000,000 (December 31, 2021: RMB394,800,000) and RMB370,000,000 (December 31, 2021: RMB374,100,000) respectively. The fair value of the Financial Guarantees at January 1, 2022 amounting to approximately RMB16,275,000 was recognized as liabilities in the consolidated statement of financial position and the corresponding amount was debited to profit or loss. The fair value of Financial Guarantee provided for the CCT Group and an independent third party on initial recognition was determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer independent to the Group. Subsequently approximately RMB5,425,000 was recorded as the release of Financial Guarantees recognized in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

44. FINANCIAL GUARANTEE CONTRACTS (cont'd)

(b) Financial guarantee issued (cont'd)

As at December 31, 2022 and 2021, the directors of the Company has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognized in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognized less cumulative amortization.

The movement of financial guarantee liabilities as shown as below:

During 2022, the CCT Group had continued negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. On June 30, 2022, the maximum guaranteed amount has reduced to approximately RMB308,000,000. Details of the updates on CCT Master Guarantee were disclosed in the announcement of the Company dated June 30, 2022.

The maximum amounts guaranteed by the Group as at December 31, 2022 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 (2021: RMB394,800,000) and RMB370,000,000 (2021: RMB374,100,000) respectively.

	2022 ***RMB'000***	2021 *RMB'000*
At the beginning of the year	**–**	6,617
Recognition of fair value of financial guarantee contracts at initial recognition *(note 7)*	**16,275**	–
Release of financial guarantee liabilities *(note 7)*	**(5,425)**	(6,617)
At the end of the year	**10,850**	–

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity.

The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

45.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Financial asset at fair value through other comprehensive income	**18,763**	19,603
Financial asset at fair value through profit or loss	**41,805**	55,970
Financial assets at amortized cost		
– Amounts due from non-controlling interest of subsidiaries	**–**	36,040
– Loan to an associate	**6,492**	29,212
– Trade and other receivables	**291,819**	286,928
– Pledged bank deposits	**88,750**	104,688
– Restricted bank deposits for property development business	**4,024**	2,354
– Cash and cash equivalents	**460,310**	279,567
	911,963	814,362
Financial liabilities		
Financial liabilities at amortized cost		
– Trade, bills and other payables	**452,094**	665,110
– Amounts due to non-controlling interest of subsidiaries	**78,565**	104,514
– Bank borrowings	**769,182**	804,116
– Lease liabilities	**52,343**	42,562
	1,352,184	1,616,302

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.2 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The functional currency of the Company and majority of its subsidiaries (except for subsidiaries in Cambodia) is RMB since the majority of the revenue of the companies are derived from operations in the PRC.

The Group's exposure to foreign currency risk related primarily to the sales and purchases that are denominated in US$ and such related balance 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 US$.

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**105,733**	115,951	**8,226**	29,952
HK$	**–**	1,290	**–**	–
Other currencies	**1,410**	7,304	**–**	5

The following table illustrates the sensitivity of the Group's profit for the year and equity in regards to an appreciation in RMB against US$. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	**Decrease in profit for the year**	**Decrease in equity**
		RMB'000	***RMB'000***
2022			
US$	**5%**	**(3,655)**	**(3,655)**
2021			
US$	5%	(4,300)	(4,300)

The same % depreciation in RMB against the respective foreign currencies would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.3 Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed rate pledged bank deposits, lease liabilities and bank borrowings as set out in notes 24, 29 and 31 respectively. It is the Group's policy to keep its borrowings at fixed rate of interest as to minimise the cash flow interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to restricted bank deposits and bank balances because these balances carry interest at prevailing deposit interest rates and they are of short maturity.

In order to mitigate the interest rate risk, the Group entered into fixed-rates borrowings with a short maturity date with different contractual terms. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

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

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates with effect from the beginning of the year and all other variables are held constant. This sensitivity analysis is provided internally to key management personnel.

	2022		2021	
	Increase/ (Decrease) in profit for the year	**Increase/ (Decrease) in equity**	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Interest rate:				
– Increase by 100 (2021: 50) basis point	**(4,148)**	**(4,148)**	(2,120)	(2,120)
– Decrease by 100 (2021: 50) basis point	**4,148**	**4,148**	2,120	2,120

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.4 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity and debt securities classified as financial assets at FVTOCI (non-recycling) and its unlisted investment fund classified as financial assets at FVTPL respectively.

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, FVTOCI reserve would increase/decrease by RMB938,000 (2021: RMB980,000) for the Group as a result of the changes in fair value of financial asset at FVTOCI, and there would be equal and opposite impact on FVTOCI 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 45.7.

45.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits for property development business, pledged bank deposit, trade and other receivables, loan to an associate and amounts due from non-controlling interest. The Group's maximum exposure to credit risk in relation to financial assets is limited to their carrying amounts as disclosed in note 45.1.

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. The Group reviews regularly the recoverable amount of receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group maintained export credit insurance of major overseas customers to protect the Group against the risk that the overseas customers may default settlement.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.5 Credit risk (cont'd)

(i) ***Trade receivables*** *(cont'd)*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customers rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 51.2% (2021: 48.0%) of the total trade receivables were due from the Group's three (2021: three) customers.

On the above basis, the ECL for trade receivables as at December 31, 2022 and 2021 was determined as follows:

			2022	
	Expected loss rate	**Gross carrying amount** *RMB'000*	**Loss allowance provision** *RMB'000*	**Net carrying amount** *RMB'000*
Current	0.9%	**55,172**	**(509)**	**54,663**
Within 60 days past due	1.2%	**4,857**	**(58)**	**4,799**
61 – 90 days past due	1.9%	**2,447**	**(47)**	**2,400**
91 – 180 days past due	46.5%	**1,859**	**(865)**	**994**
181 – 365 days past due	52.7%	**2,289**	**(1,207)**	**1,082**
More than 365 days past due	100.0%	**14,655**	**(14,655)**	**–**
		81,279	**(17,341)**	**63,938**

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.5 Credit risk (cont'd)

(i) Trade receivables (cont'd)

	2021			
	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance provision *RMB'000*	Net carrying amount *RMB'000*
Current	0.4%	84,900	(326)	84,574
Within 60 days past due	1.6%	3,365	(54)	3,311
61-90 days past due	2.9%	1,503	(44)	1,459
91-180 days past due	27.0%	881	(238)	643
181-365 days past due	54.7%	1,589	(869)	720
More than 365 days past due	98.6%	16,509	(16,284)	225
		108,747	(17,815)	90,932

(ii) Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables, loan to an associate, pledged bank deposits, restricted bank deposits for property development business, amounts due from non-controlling interest of subsidiaries and cash and cash equivalents.

As at December 31, 2022, impairment of other receivables with gross carrying amount of RMB183,777,000 (2021: RMB83,062,000), are assessed based on the 12-month ECLs as there is no significant increase in credit risk and a loss allowance of RMB1,427,000 (2021: RMB1,988,000) is recognized. Impairment of other receivables with gross carrying amount of RMB7,495,000 (2021: RMB51,331,000), are assessed based on the life-time ECLs as there is significant increase in credit risk and a loss allowance of RMB275,000 (2021: RMB4,027,000) is recognized. In respect of impairment of other receivables with gross amount of RMB116,326,000 (2021: RMB200,339,000), these balance are credit impaired of which and assessed based on life-time ECL (credit impaired), a loss allowance of RMB78,015,000 (2021: RMB132,721,000) is recognized as at December 31, 2022.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.5 Credit risk (cont'd)

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

As at December 31, 2022, impairment of loan to an associate with gross carrying amount of RMB6,492,000 (2021: RMB31,912,000), is assessed based on the 12-month ECLs as the counterparty is assessed as low credit risk and a reversal of loss allowance of RMB2,700,000 (2021: provision for loss allowance of RMB2,700,000) is recognized, given the associate has repaid majority of the balance and the Group expects to receive full settlement from the associate in the next twelve months.

During the year, there was transfer of loss allowance of RMB4,000 and RMB103,000 (2021: RMB1,520,000 and RMB246,000) from 12-month ECLs and life-time ECLs respectively to life-time ECLs (credit impaired).

For cash and cash equivalents, restricted bank deposits for property development business and pledged bank deposit, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

45.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade, bills and other payables, bank borrowings, lease liabilities and amounts due to non-controlling interest of subsidiaries and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.6 Liquidity risk(cont'd)

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at December 31, 2022 and 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	Weighted average effective interest rate	Within 1 year or on demand	1-2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022						
Non-derivative financial liabilities						
Trade, bills and other payables		452,094	–	–	452,094	452,094
Bank borrowings	6.19%	247,181	146,864	541,493	935,538	769,182
Lease liabilities	4.47%	24,502	21,059	9,720	55,281	52,343
Amounts due to non-controlling interests of subsidiaries		78,565	–	–	78,565	78,565
Total		802,342	167,923	551,213	1,521,478	1,352,184
Financial guarantees issued:						
Maximum amount guaranteed		1,477,806	–	–	1,477,806	10,850

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.6 Liquidity risk (cont'd)

	Weighted average effective interest rate	Within 1 year or on demand	1-2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021						
Non-derivative financial liabilities						
Trade, bills and other payables		665,110	–	–	665,110	665,110
Bank borrowings	6.08%	276,366	240,750	482,654	999,770	804,116
Lease liabilities	4.47%	16,239	13,840	15,882	45,961	42,562
Amounts due to non-controlling interests of subsidiaries		104,514	–	–	104,514	104,514
Total		1,062,229	254,590	498,536	1,815,355	1,616,302
Financial guarantees issued:						
Maximum amount guaranteed		1,444,060	–	–	1,444,060	–

45.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.7 Fair value measurements of financial instruments (cont'd)

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Fair value as at December 31, 2022 *RMB'000*	**Fair value as at December 31, 2021** *RMB'000*	**Fair value hierarchy**
Financial assets at fair value through other comprehensive income			
– Listed equity investment *(note a)*	**18,763**	19,603	Level 1
Financial assets at fair value through profit or loss			
– Unlisted investment fund *(note b)*	**41,805**	55,970	Level 3

There have been no transfers into or out of Level 3 during the years ended December 31, 2022 and 2021.

Notes:

(a) The fair value of listed equity investment is based on the quoted bid price in an active market as at December 31, 2022 and 2021.

(b) The fair value of unlisted investment fund is determined using adjusted net assets value.

The fair value of unlisted investment funds is positively correlated to the underlying net assets value. As at December 31, 2022, management consider the underlying net assets value of the investment funds as significant unobservable input, and it is estimated that with other variable held constant, and increase/decrease in 5% of underlying net assets values would have increased/decreased the Company's profit by approximately RMB2,090,000 (2021: RMB2,799,000).

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (cont'd)

45.7 Fair value measurements of financial instruments (cont'd)

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**55,970**	19,572
Additions	**3,941**	31,016
Disposal	**(30,000)**	–
Fair value gain recognized in profit or loss	**9,177**	5,918
Exchange realignment	**2,717**	(536)
At the end of the year	**41,805**	55,970

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

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

The fair value of the non-current portion of bank borrowings calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities approximate to its carrying amount at year ended dates.

46. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as receipts under securitisation arrangements less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

46. CAPITAL MANAGEMENT (cont'd)

The net debt to equity ratio at the end of the reporting period was:

	2022	2021
	RMB'000	*RMB'000*
Bank borrowings		
– Current	**217,764**	204,366
– Non-current	**551,418**	599,750
Cash and cash equivalents	**(460,310)**	(279,567)
Net debt	**308,872**	524,549
Total equity	**3,712,007**	3,653,990
Net debt to equity ratio	**8.3%**	14.4%