



卡森國際控股有限公司

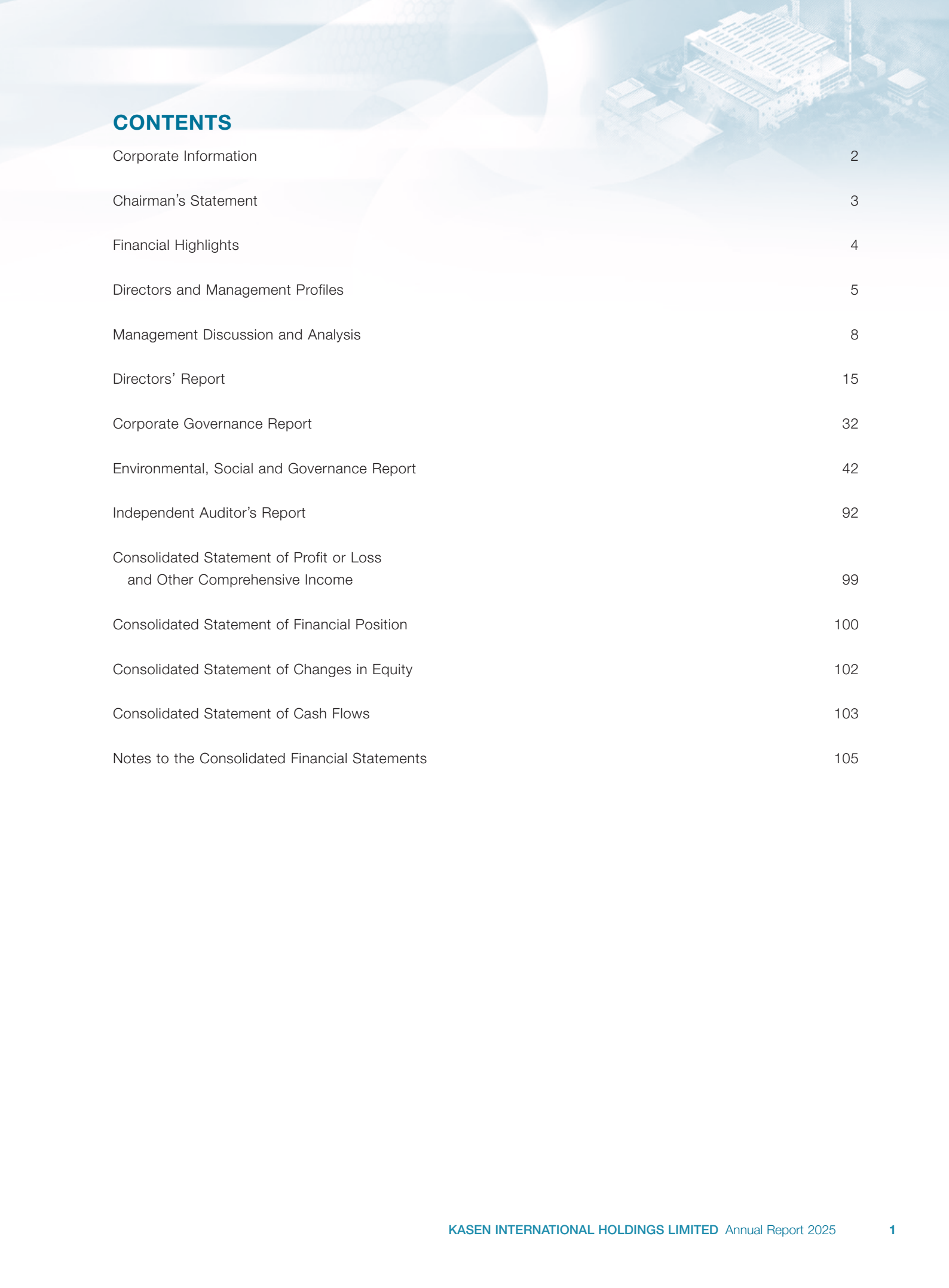
KASEN INTERNATIONAL HOLDINGS LIMITED

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

stock code : 496



Annual Report
2025



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHOW Hiu Tung
ZHOU Lingqiang
ZHANG Yuchuan

COMPANY SECRETARY

YIU Hoi Yan, Kate

STOCK CODE

0496.HK

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

LEGAL ADVISORS

As to Hong Kong law
DLA Piper Hong Kong

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

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

AUTHORISED REPRESENTATIVES

ZHOU Xiaohong
YIU Hoi Yan, Kate

COMPANY WEBSITE

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”, each a “Director”) of Kasen International Holdings Limited (the “Company”), I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2025.

In 2025, the international trade situation proved complex and volatile. Given that the Group's main business is closely tied to the trade policies in the United States, the Group has, after close monitoring and in-depth analysis, decided to continue to accelerate the relocation of upholstered furniture manufacturing capacity from mainland China to Cambodia, and to further increase the development efforts in the Cambodian industrial special economic zone. The major manufacturing capacity has been essentially relocated to Cambodia during the year. The Koh Kong Zhejiang Special Economic Zone (“Koh Kong Zhejiang SEZ”) has witnessed a promising investment attraction situation, with a significant increase in revenue, becoming a new highlight for the Group's sustainable development. In 2025, the Group's manufacturing and trading of upholstered furniture business, property development, industrial economic zone development and tourism resort-related operations (comprising water parks, hot spring resort, hotels and restaurants, etc.) recorded a consolidated turnover of approximately RMB1,110.7 million in aggregate, representing an increase of approximately 8.3% as compared with 2024. The consolidated profit attributable to owners of the Company was approximately RMB34.8 million, representing a year-on-year decrease of approximately 45.2%.

In 2025, the tariff rate for Cambodian exports to the United States was set at 19%, providing Cambodia with a highly competitive export advantage. The Group has prioritized Cambodia for its development, relocating its primary upholstered furniture manufacturing capacity to the country, which has solidified cooperation with major United States customers and successfully achieved the stable shift of export orders, thus laying a solid foundation for establishing Cambodia as the Group's principal production base for exporting upholstered furniture to the United States. Leveraging on its advantageous geographical location, comprehensive supporting infrastructure and one-stop enterprise services, the industrial special economic zone established by the Group in Cambodia has gained recognition from numerous customers in China and Southeast Asia, with a significant increase in revenue from sales/lease of land and factory, injecting robust momentum into the Group's strategic transformation and industrial structure upgrade. In China, the Group focused on accelerating the sales progress of existing real estate projects, and consolidated underperforming assets to enhance overall efficiency.

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

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

ZHU Zhangjin

Chairman

March 31, 2026

FINANCIAL HIGHLIGHTS RESULTS

	For the year ended December 31,				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	1,110,675	1,025,691	956,757	863,429	1,513,538
Profit before taxation	94,897	125,439	110,682	77,245	339,795
Profit attributable to owners of the Company	34,765	63,535	70,426	68,279	220,039

FINANCIAL POSITION

	At December 31,				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	291,829	301,685	567,542	460,310	279,567
Total borrowings	990,490	693,440	728,211	769,182	804,116
Total assets	6,761,420	6,292,614	5,982,778	5,821,706	5,974,392
Total liabilities	2,527,203	2,256,648	2,169,328	2,109,699	2,320,402
Equity attributable to owners of the Company	3,966,819	3,803,977	3,752,621	3,681,325	3,622,085

FINANCIAL AND OPERATING RATIOS

	At December 31,				
	2025	2024	2023	2022	2021
Dividend payout ratio (%) ¹	—	—	—	—	—
Debt to equity ratio (%) ²	23.4%	17.2%	19.1%	20.7%	22.0%
Net debt to equity ratio (%) ³	16.5%	9.7%	4.2%	8.3%	14.4%
Trade and bills receivable turnover days ⁴	47	48	33	24	37
Inventory turnover days ⁵	72	61	54	54	57
Current ratio (%) ⁶	286.3%	242.0%	256.9%	292.7%	250.4%
Earnings per share (RMB)					
Basic	0.02	0.04	0.05	0.05	0.15
Diluted	0.02	0.03	0.05	0.05	0.15

Notes:

1. The dividend per ordinary share divided by the profit attributable to owners of the Company per ordinary share.
2. Interest-bearing debt divided by total equity as at the end of the year.
3. Interest-bearing debt minus bank balances and cash divided by the total equity as at the end of the year.
4. 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 2025 has no material impact on the Group.



DIRECTORS AND MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

ZHU Zhangjin (朱張金), aged 60, 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 38 years of experience in the leather manufacturing industry, Mr. Zhu has extensive knowledge in the upholstered furniture industry in the People's Republic of China (the "PRC") and has been a successful entrepreneur in leather manufacturing related businesses. Mr. Zhu is also the vice chairman of the China Leather Association. In recognition of his contribution to promote the development of the leather manufacturing industry, Mr. Zhu was awarded the "Top Ten Businessmen in Zhejiang" in 2004. In 2006, Mr. Zhu was one of the 10 recipients of the prestigious "National May 4th Youth Award (全國五四青年獎章)". In 2007, Mr. Zhu received the National May Day Award (全國五一勞動獎章).

ZHOU Xiaohong (周小紅), aged 57, joined the Group in 1995 and has successively served as cashier, treasury manager, vice president and also acted as the chief financial officer of the Group for the period from September 28, 2020 to March 8, 2021. Ms. Zhou is currently the vice president of the Group in charge of the treasury operation and information centre. Ms. Zhou was appointed as an executive Director with effect from June 30, 2017. Ms. Zhou obtained a diploma in management from China University of Geosciences in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Hiu Tung (周曉東), aged 54, joined the Company as an independent non-executive Director on December 18, 2023. Mr. Chow has over 26 years of experience in accounting and internal control. Mr. Chow has been an independent non-executive director of China Datang Corporation Renewable Power Co., Limited, a company listed on the Stock Exchange (stock code: 1798) since November 2025, an independent non-executive director of Reach Energy Berhad (delisted from the Kuala Lumpur Stock Exchange on April 24, 2025) since March 2023, and an independent non-executive director of Great Wall Terroir Holdings Limited, a company listed on the Stock Exchange (stock code: 524) since March 2021. Mr. Chow had been an independent non-executive director of Majestic Dragon AeroTech Holdings Limited (formerly known as State Energy Group International Assets Holdings Limited), a company listed on the Stock Exchange (stock code: 918) from October 2018 to December 2021, an independent non-executive director of Future Bright Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 2212), from December 2014 to September 2018, and an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited), a company listed on the Stock Exchange (stock code: 254), from October 2013 to March 2015. Mr. Chow obtained his bachelor's degree in business administration in finance from The Hong Kong University of Science and Technology in November 1995 and obtained his master's degree in international business in December 2001 from The University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.

DIRECTORS AND MANAGEMENT PROFILES (cont'd)

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

ZHOU Lingqiang (周玲強), aged 62, 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 Decision-making 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 67, joined the Company as an independent non-executive Director on March 1, 2012. Mr. Zhang obtained a bachelor's degree in information management from The School of Information Management, Wuhan University in 1982. From 1982 to 1985, Mr. Zhang worked at the Ministry of Education. From 1985 to 1986, he served as a finance journalist of the China Economic Press. From 1986 to 1987, Mr. Zhang served as an assistant researcher at the China Association for Science and Technology. From 1988 to 1994, Mr. Zhang served as the division chief of The Development Research Centre of the State Council and was later appointed as the deputy chief executive of the centre in 1994 till 2002. Since 1998 up to present, Mr. Zhang has been serving as the director of the Beijing Owen Institute of Public Affairs, responsible for finance public affairs related matters. From 2001 to 2006, Mr. Zhang served as an independent director of Hubei Guangji Pharmaceutical Co., Ltd. From 2001 to 2008, Mr. Zhang served as an independent non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 8301). From 2019 to 2020, Mr. Zhang also served as an independent non-executive director of Huaxun Fangzhou Co. Ltd, a company listed on the Shenzhen Stock Exchange. Apart from his professional career, Mr. Zhang also serves as the vice chairman of China Electronic Commerce Association.

DIRECTORS AND MANAGEMENT PROFILES (cont'd)

SENIOR MANAGEMENT

YUAN Zhigang (袁志剛), aged 45, 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 Jiangnan University with a bachelor's degree in financial management in 2004.

ZHOU Xiaohong (周小紅), aged 57, is an executive Director. For the biographical details of Ms. Zhou, please refer to "Executive Directors" in this section.

PAN Yougen (潘幼根), aged 62, 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.

COMPANY SECRETARY

YIU Hoi Yan, Kate (姚凱欣), aged 53, 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 30 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 disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board and members of senior management, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2025, the Group recorded a consolidated turnover of RMB1,110.7 million (2024: RMB1,025.7 million), representing an increase of approximately 8.3% when compared with 2024. The increase in revenue was mainly attributable to (1) the increase of approximately RMB216.6 million of revenue derived from the special economic zone segment newly operated in late 2024, (2) the increase of approximately RMB76.2 million in revenue from the manufacturing segment due to the increase in sales order received, which was partially offset by (3) the decrease of approximately RMB192.0 million in revenue from the property development segment since there was a decrease in the delivery of properties for the Group's property development projects during the year ended December 31, 2025 as compared to the year 2024.

The Group's gross profit for the year ended December 31, 2025 was RMB411.3 million (2024: RMB400.8 million), representing an increase of approximately RMB10.5 million or approximately 2.6% when compared with 2024. The Group's gross profit margin for the year ended December 31, 2025 was approximately 37.0% (2024: 39.1%).

Profit after income tax for the year ended December 31, 2025 increased slightly by approximately RMB1.8 million or approximately 2.6%, from RMB69.7 million to RMB71.5 million, as compared with 2024. However, after sharing profits to the non-controlling interests, the net profit attributable to owners of the Company was approximately RMB34.8 million for the year ended December 31, 2025 (2024: RMB63.5 million), representing a decrease of approximately RMB28.7 million or approximately 45.2% as compared with 2024. Further discussion is set out below in this section.

Review by Business Segments

The Group's reportable business segments in 2025 principally consist of manufacturing and trading of upholstered furniture, property development, special economic zone and others (comprising mainly travel and related services, catering and entertainment services and property management services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2025 together with the comparative figures for the year ended December 31, 2024:

	2025		2024		Year-on-year Change
	RMB'Million	%	RMB'Million	%	%
Manufacturing and Trading of Upholstered Furniture	628.1	56.5	551.9	53.8	13.8
Property development	135.2	12.2	327.2	31.9	(58.7)
Special Economic Zone	276.4	24.9	59.8	5.8	362.2
Others	71.0	6.4	86.8	8.5	(18.2)
Total	1,110.7	100.0	1,025.7	100.0	8.3

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the year ended December 31, 2025, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB628.1 million, representing an increase of approximately 13.8% as compared to the total turnover of approximately RMB551.9 million in the corresponding period of 2024. The Group recorded a net profit of approximately RMB40.0 million from manufacturing and trading of upholstered furniture business in 2025, representing a decrease of approximately 9.3% as compared to the net profit of approximately RMB44.1 million in the corresponding period of 2024. The tariff rate for Cambodian exports to the United States was set at 19%, providing Cambodia with a highly competitive export advantage. The Group has prioritized Cambodia for its development, relocating its primary upholstered furniture manufacturing capacity to the country, which has solidified cooperation with major United States customers and successfully achieved the stable shift of export orders, thus laying a solid foundation for establishing Cambodia as the Group's principal production base for exporting upholstered furniture to the United States.

Property Development Business

As at December 31, 2025, the Group had a total of seven property projects at various stages of development or held for sale in mainland China and Cambodia. The turnover from the property development segment was RMB135.2 million in 2025, representing a significant decrease of approximately 58.7% as compared to RMB327.2 million in 2024. The decrease in sales was mainly due to the decrease in delivery of properties in 2025 as compared to that in the corresponding period of last year. The operating loss from this segment in 2025 was RMB42.0 million (2024: an operating gain of RMB2.8 million).

The Group's property project portfolio as at December 31, 2025 is set out below.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Property Development Business (cont'd)

The table below sets out an analysis of the properties under development or held for sale as at December 31, 2025.

No.	Project Name	Total gross floor area ("GFA") (sq.m.)	GFA under development /completed (sq.m.)	Total saleable GFA (sq.m.)	Accumulated GFA sold as at December 31, 2025 (sq.m.)	Accumulated GFA delivered as at December 31, 2025 (sq.m.)	Average selling price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	217,466	215,493	19,667
2	Qianjiang Continent	775,292	775,292	670,065	670,065	670,065	—*
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	51,598	45,088	4,948
5	Qianjiang Oasis	334,899	334,899	260,296	254,276	254,161	—
6	Phnom Penh Kasen Garden (Phase 1)	64,527	64,527	63,782	38,731	17,639	10,580
Total		2,973,019	2,659,063	2,415,048	1,940,866	1,911,176	

* These projects were completed and all properties were delivered.

Special Economic Zone Operation Business

In August 2023, the Group obtained control of Zhejiang Special Economic Zone located in Koh Kong, Cambodia by way of equity acquisition. Approved by the Cambodian government, Koh Kong Zhejiang Special Economic Zone ("Koh Kong Zhejiang SEZ") is an industrial special economic zone featuring eco-manufacturing, circular economy, industrial clusters, green and low-carbon development, and its development objective is to become a demonstration zone for Sino-Cambodian cooperation in production capacity. The special economic zone has a strong capacity to absorb industries, and its industrial clusters cover light industry, heavy industry, chemical industry, renewable energy processing industry, etc. The Group regards the operation of the special economic zone as a major strategic initiative for the transformation and upgrading of its industrial structure. In late 2024 and 2025, the Group has fully launched its infrastructure construction and investment promotion work in the special economic zone. During the year under review, the Group has continued to promote the infrastructure construction in Koh Kong Zhejiang SEZ. The road network within the special zone has been substantially completed, with supporting facilities including water and power supply, smooth transportation and logistics, and one-stop services for businesses provided by government authorities. As a result, a large number of enterprises from the PRC and Southeast Asia were attracted to establish operations, and revenue recognised from the sale/lease of land and factory buildings in this segment amounted to approximately RMB276.4 million (2024: RMB59.8 million). Operating gain generated from this segment in 2025 was RMB75.4 million (2024: an operating gain of RMB20.2 million).

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	Koh Kong Zhejiang SEZ (Phase I)	Zhejiang Special Economic Zone, Cambodia	49%	8,294,968	Under development	2026	Industrial

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

RESULTS OVERVIEW (cont'd)

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the year ended December 31, 2025 were approximately RMB66.7 million, representing an increase of approximately 7.2% as compared to approximately RMB62.2 million in 2024. The increase was mainly due to the increase in the staff costs and marketing expenses in the property development segment and Koh Kong Zhejiang SEZ in 2025 as compared with 2024. The Group's selling and distribution costs as a percentage of turnover in 2025 were approximately 6.0% (2024: 6.0%).

The administrative expenses in 2025 were approximately RMB224.4 million, representing an increase of approximately 29.3% as compared to approximately RMB173.5 million in 2024. The increase in the administrative expenses was mainly due to the administrative expenses and staff remuneration incurred in the rapid development of Koh Kong Zhejiang SEZ since late 2024.

The Group's impairment loss on financial assets changed from approximately RMB7.5 million in 2024 to approximately RMB9.8 million of impairment loss provided in 2025 under the relevant accounting policies of the Group adopted in accordance with IFRS 9. Further details are disclosed in note 45.5 to the consolidated financial statements.

The Group's finance cost in 2025 was approximately RMB37.0 million, representing a decrease of approximately RMB17.3 million or 31.9%, as compared to approximately RMB54.3 million in 2024. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings and interest expense on lease liabilities as well as interest charges on convertible bonds. The decrease in finance cost was mainly due to (1) increase in the interest capitalization to property projects during the year under review, and (2) interest charges on the convertible bonds decreased by approximately RMB3.2 million. Further details of the new convertible bonds, please refer to the paragraph headed "Issue and Conversion of Convertible Bonds" of "Directors' Report" on pages 29 to 30 of this annual report.

The Group recorded a net gain of approximately RMB17.0 million in other gains and losses in 2025, while it recorded a net gain of approximately RMB14.2 million in 2024. For details of the other gains and losses, please refer to note 7 to the consolidated financial statements.

The Group's income tax in 2025 was approximately RMB23.4 million, representing a decrease of approximately RMB32.4 million or 58.1%, as compared to approximately RMB55.8 million in 2024. The decrease mainly resulted from the refund of PRC land appreciation tax of approximately RMB36.2 million.

Based on the aforesaid factors, profit after income tax for the year increased slightly by approximately RMB1.8 million or approximately 2.6%, from RMB69.7 million to RMB71.5 million, as compared with the year 2024. However, after sharing profits to the non-controlling interests, the net profit attributable to owners of the Company in 2025 decreased by approximately 45.2% to approximately RMB34.8 million (2024: RMB63.5 million).

CAPITAL EXPENDITURE

Capital expenditure in 2025 increased to approximately RMB306.6 million (including construction in progress of approximately RMB249.9 million) from approximately RMB167.3 million in 2024. The capital expenditure mainly comprised the amount of approximately RMB305.6 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year ended December 31, 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Bank Borrowings

As at December 31, 2025, the Group's bank borrowings amounted to approximately RMB990.5 million (in which approximately 46.6% (2024: 17.8%) was denominated in USD and approximately 53.4% (2024: 82.2%) was denominated in RMB), representing an increase of approximately 42.8% from approximately RMB693.4 million as at December 31, 2024. As at December 31, 2025, the Group had outstanding bank borrowings of approximately RMB215.4 million repayable within one year and approximately RMB775.1 million repayable after one year (2024: approximately RMB184.4 million repayable within one year and approximately RMB509.0 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2025, the inventory turnover period increased to 72 days (2024: 61 days).

In 2025, the Group continued to maintain a strict credit policy. The trade and bills receivables turnover days of the Group's manufacturing and trading of upholstered furniture segment was 47 days in 2025 (2024: 48 days).

The trade and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 86 days in 2025 (2024: 64 days).

As at December 31, 2025, the Group's current ratio was 286.3% (December 31, 2024: 242.0%). The Group's cash and cash equivalent was approximately RMB291.8 million as at December 31, 2025 (December 31, 2024: approximately RMB301.7 million). As at December 31, 2025, cash and cash equivalent balance of the Group was approximately 40.4% (2024: 80.4%) denominated in RMB, approximately 59.1% (2024: 18.8%) denominated in USD, approximately 0.5% (2024: 0.7%) denominated in HKD and Japanese Yen, and less than 0.1% (2024: 0.1%) denominated in other currencies. This represents a gearing ratio of 25.0% as at December 31, 2025 (December 31, 2024: 18.2%) and a net debt-to-equity ratio of 17.6% as at December 31, 2025 (December 31, 2024: 10.3%). The gearing ratio is based on bank borrowings to owners' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to owners' equity. In 2025, 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, 2025.

Capital Structure

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

MATERIAL ACQUISITION AND DISPOSAL

On January 6, 2025, a wholly-owned subsidiary of the Company, namely Zhejiang Baosen Furniture Co., Ltd. ("Zhejiang Baosen") entered into a lease agreement with a non-wholly owned subsidiary of the Company, namely Koh Kong Zhejiang Sez Co., Ltd. ("Koh Kong Zhejiang"), pursuant to which Zhejiang Baosen agreed to lease the land with an aggregate site area of 14,981 sq.m., located at Koh Kong Zhejiang SEZ, Ou Chrov Village, Boeng Preav Commune, Srae Ambel District, Koh Kong Province, Cambodia from Koh Kong Zhejiang for a total rent payable of US\$674,145 for renewable terms of ninety-nine years each from January 6, 2025. The land will be used by Zhejiang Baosen for the construction and operation of a factory complex for the manufacturing of furniture in Cambodia. Koh Kong Zhejiang is owned as to 51% by Ms. Zhu Jiayun who is the daughter of Mr. Zhu Zhangjin, an executive Director. Thus, Koh Kong Zhejiang is a connected person of the Company. For further details, please refer to the announcement of the Company dated January 6, 2025.



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

MATERIAL ACQUISITION AND DISPOSAL (cont'd)

On June 18, 2025, Haining Hengsen Furniture Co., Ltd. (海寧恒森傢俱有限公司) (“Haining Hengsen”), a wholly-owned subsidiary of the Company, entered into the property transfer agreement, pursuant to which Haining Hengsen 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. 5 Jianshe Road, Xieqiao Town, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 26,737.1 sq.m. (including the buildings, fixtures erected thereon and the equipment) for a total consideration of RMB56,069,142. For further details, please refer to the announcements of the Company dated June 18, 2025 and July 15, 2025.

Save as disclosed, the Group did not have any material acquisitions or disposal of its subsidiaries, associates or joint ventures during the year ended December 31, 2025.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS

Save as disclosed, the Company had no other significant investments held during the year ended December 31, 2025.

CONTINGENT LIABILITIES

As at December 31, 2025, the Group had certain contingent liabilities. For details, please refer to note 44 “FINANCIAL GUARANTEE CONTRACTS” to the consolidated financial statements.

PLEDGE OF ASSETS

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

CAPITAL AND OTHER COMMITMENTS

As at December 31, 2025, the Group had contracted, but not provided for, total capital and other expenditure of RMB2,767.1 million (2024: RMB2,936.2 million), in which an amount of RMB140.8 million (2024: RMB465.9 million) was in respect of properties under development. 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 trade receivables may be exposed to exchange rate fluctuation. During the year ended December 31, 2025, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group had cash or cash equivalent denominated in US dollars of approximately US\$24.5 million as at December 31, 2025. The Group did not implement any hedging activities but will continue to closely monitor the situation and make necessary arrangement as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

EMPLOYEES AND EMOLUMENT POLICIES

As at December 31, 2025, the Group employed a total of approximately 3,066 full-time employees (December 31, 2024: approximately 2,431), including management staff, technicians, salespersons and workers. In 2025, the Group's total expense on the remuneration of employees was approximately RMB189.6 million (2024: approximately RMB177.0 million), representing approximately 17.1% (2024: 17.3%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly on an annual basis. Apart from contributions to the provident fund scheme (for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

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

FUTURE PLANS AND PROSPECTS

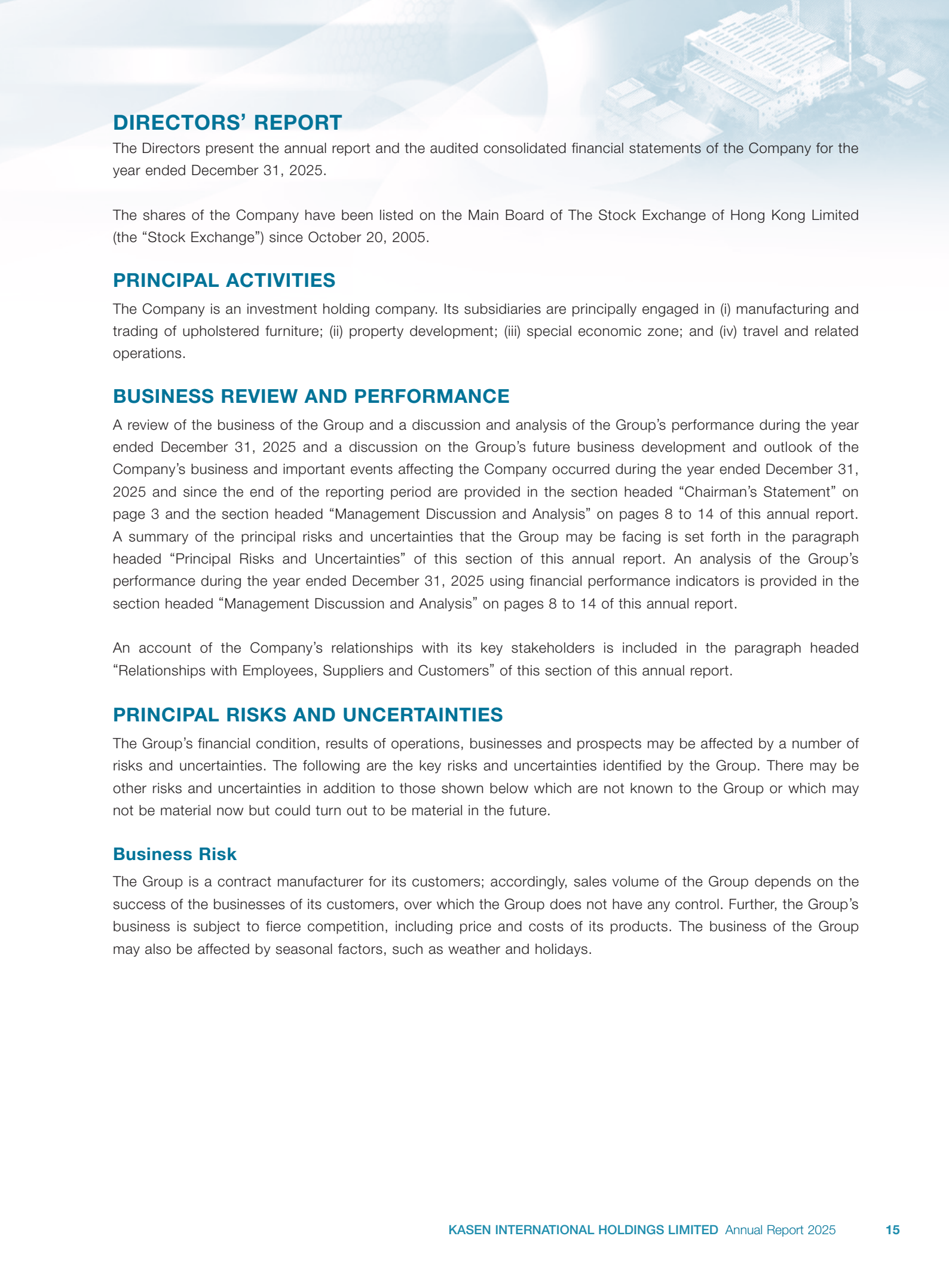
In 2024, the Group added two new businesses, namely construction and operation of industrial special economic zones and international power and energy development, which have been regarded as strategic emerging industries and received substantial resource investment. During 2025, the industrial special economic zone sector achieved substantial revenue growth and became a new highlight of the Group's business development. The construction of the power plant in Mongolia has been progressing steadily as scheduled, ensuring that it will commence operation and power generation in 2027. The Group will continue to increase investment in the above emerging business segments, making them an important safeguard supporting the Group's strategic transformation and the optimization and upgrading of its industrial structure.

In the field of upholstered furniture business, the Group has substantially established a layout where the Cambodian production base is primary and the production base in mainland China is secondary. Taking full advantage of Cambodia's benefits in tariffs, labor, domestic policies and tax incentives, the Group will continue to enhance the overall competitiveness of its upholstered furniture products, maintaining the Group's advantageous position among international upholstered furniture OEM manufacturers.

In the field of property development, the Group will adopt more flexible sales policies to fully accelerate the sales of projects in China, with a view to rapidly recovering funds and disposing of inefficient property assets in parallel. As for the real estate projects in Phnom Penh, Cambodia, the Group will adjust its development pace in accordance with the local property market conditions to ensure that profitability is the top priority.

In the field of tourism resort business, as China's cultural tourism market continues to demonstrate robust growth momentum, the Group will take this opportunity to seek partners while ensuring the stable operation of this business segment, thereby promoting the optimization and integration of relevant assets and business.

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, 2025.

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year ended December 31, 2025 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, 2025 and since the end of the reporting period are provided in the section headed "Chairman's Statement" on page 3 and the section headed "Management Discussion and Analysis" on pages 8 to 14 of this annual report. A summary of the principal risks and uncertainties that the Group may be facing is set forth in the paragraph headed "Principal Risks and Uncertainties" of this section of this annual report. An analysis of the Group's performance during the year ended December 31, 2025 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 14 of this annual report.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Business Risk

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

DIRECTORS' REPORT (cont'd)

PRINCIPAL RISKS AND UNCERTAINTIES (cont'd)

Environmental Risk

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

Liquidity Risk

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 99.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2025 (2024: Nil).

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

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company to be held on May 29, 2026, the register of members of the Company will be closed from May 26, 2026 to May 29, 2026 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on May 22, 2026. The record date for the purpose of determining the eligibility of the Shareholders to attend and vote at the AGM is May 29, 2026.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to Shareholders as at December 31, 2025, calculated in accordance with International Financial Reporting Standards, was approximately RMB1,646.6 million.



DIRECTORS' REPORT (cont'd)

FIVE YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2025, the Group had acquired property, plant and equipment of approximately RMB305.6 million (including construction in progress of approximately RMB249.9 million) for operational purpose.

Details of these and other movements in the property, plant and equipment of the Group during the year ended December 31, 2025 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

On June 2, 2025, the Company issued 393,399,471 ordinary shares in relation to the conversion of the three batches of convertible bonds issued during the year ended December 31, 2024. The conversion price is HK\$0.36 per share. The closing market price is HK\$0.33 as at June 2, 2025. For details of the conversion of such convertible bonds, please refer to section headed "Issue and Conversion of Convertible Bonds" below.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2025, the aggregate sales attributable to the Group's five largest customers comprised approximately 92.2% of the Group's manufacturing and trading of upholstered furniture segment's sales and the sales attributable to the Group's largest customer were approximately 38.2% of the Group's manufacturing and trading of upholstered furniture segment's sales.

The aggregate purchases during the year ended December 31, 2025 attributable to the Group's five largest suppliers were approximately 14.2% of the Group's manufacturing and trading of upholstered furniture segment's purchases and the purchases attributable to the Group's largest supplier were approximately 3.8% of the Group's manufacturing and trading of upholstered furniture segment's purchases.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that the employees, customers and suppliers are the key to corporate sustainability and are keen on developing long-term relationships with these stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can pursue 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.



DIRECTORS' REPORT (cont'd)

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

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

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

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a manufacturer and property developer in the PRC and Cambodia, the Group is subject to various environmental laws and regulations set by the PRC and Cambodia national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended December 31, 2025, the Group had in all material respects complied with relevant environmental laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable environmental laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

WORKPLACE QUALITY

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



DIRECTORS' REPORT (cont'd)

WORKPLACE QUALITY (cont'd)

The Group believes that employees are 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 2025 and up to the date of this annual report are:

Executive Directors

ZHU Zhangjin (*Chairman*)
ZHOU Xiaohong

Independent Non-executive Directors

CHOW Hiu Tung
ZHOU Lingqiang
ZHANG Yuchuan

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

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

Confirmation from Directors under Rule 3.09D

There was no appointment of Director during the year ended 31 December 2025.

DIRECTORS' REPORT (cont'd)

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, 2025 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. Chow Hiu Tung	Mr. Chow has been an independent non-executive director of China Datang Corporation Renewable Power Co., Limited, a company listed on the Stock Exchange (stock code: 1798) since November 2025.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at December 31, 2025, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix C3 to the Listing Rules are as follows:

DIRECTORS' REPORT (cont'd)

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

Long Positions in Shares and Underlying Shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Note 2)
	Directly beneficially owned	Founder of a discretionary trust	Total number of shares interested	
Zhu Zhangjin ("Mr. Zhu") (Note 1)	12,360,000	949,044,584	961,404,584	52.35%
Zhou Xiaohong	9,514,561	–	9,514,561	0.52%

Notes:

1. Mr. Zhu is the settlor of a Bermuda purpose trust ("Trust"), of which the family members of Mr. Zhu are beneficiaries, and Prosperity and Wealth Limited (a Bermuda private trust company) is the trustee. The entire issued share capital of Joyview Enterprises Limited ("Joyview") is held by Prosperity and Wealth Limited as trustee of the Trust. As at December 31, 2025, Joyview held 949,044,584 Shares. Mr. Zhu was deemed to be interested in all the Shares and underlying Shares in which Joyview had interest by virtue of the SFO. Mr. Zhu was also personally and directly interested in 12,360,000 Shares.
2. Calculated on the basis of 1,836,541,352 Shares in issue as at December 31, 2025.

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, 2025.

DIRECTORS' REPORT (cont'd)

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, 2025, the Company had no outstanding options granted pursuant to the 2005 Share Option Scheme.

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

Upon the termination of the 2015 Share Option Scheme (i.e. May 29, 2025), a new share option scheme was adopted by the Company pursuant to a resolution of the Shareholders passed on May 30, 2025 (the "2025 Share Option Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The 2025 Share Option Scheme became effective on May 30, 2025 and the options issued pursuant to the 2025 Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at December 31, 2025, no options have been granted by the Company under the 2025 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 in issue on October 20, 2005 (i.e. 101,404,536 Shares), the total number of Shares of which options may be granted under the 2015 Share Option Scheme is not permitted to exceed 10% of the Shares in issue on May 29, 2015 (i.e. 116,232,298 Shares) and the total number of Shares of which options may be granted under the 2025 Share Option Scheme is not permitted to exceed 10% of the Shares in issue on May 30, 2025 (i.e. 144,314,188 Shares) 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 in issue at any point of time, without prior approval from the Shareholders.

In relation to any options granted under all of the 2005 Share Option Scheme, the 2015 Share Option Scheme and the 2025 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 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 Share. Each grantee shall pay the Company a consideration of HK\$1.00 upon acceptance of the option granted.

DIRECTORS' REPORT (cont'd)

SHARE OPTION SCHEMES (cont'd)

All of the 2005 Share Option Scheme, the 2015 Share Option Scheme and the 2025 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 2025 Share Option Scheme, the 2025 Share Option Scheme shall be valid and effective for a period of 10 years from the date (i.e. May 30, 2025) on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the 2025 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-year period or otherwise as may be required in accordance with the provisions of the 2025 Share Option Scheme.

As at January 1, 2025, the number of options available for grant under the 2015 Share Option Scheme was 116,232,298 shares. As at December 31, 2025, the number of options available for grant under the 2025 Share Option Scheme was 144,314,188 shares. As at December 31, 2025, the total number of shares available for issue under the 2025 Share Option Scheme was 144,314,188 shares, which represented approximately 7.9% of the shares in issue as at the date of this annual report. As at the date of this annual report, the remaining life of 2025 Share Option Scheme is approximately nine years and two months.

Details of movement of the share options during the year ended December 31, 2025, being share options granted pursuant to the 2005 Share Option Scheme on May 26, 2015, were as follows:

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

Notes:

- These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 and were then vested and exercisable at HK\$1.37 per Share from January 1, 2016 to May 25, 2025. The closing price of shares of the Company immediately before the date of grant of share options was HK\$1.38.
- These share options represent personal interest held by the relevant participants as beneficial owner.
- During the year ended December 31, 2025, none of these share options were exercised, and all of them had lapsed.

DIRECTORS' REPORT (cont'd)

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2025, the following persons (other than Directors or chief executives of the Company stated in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this section of the annual report) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Short position	Long position	Percentage of the Company's issued share capital ⁽⁴⁾
Joyview ⁽¹⁾	Beneficial owner	–	949,044,584	51.68%
Prosperity and Wealth Limited ⁽¹⁾	Trustee	–	949,044,584	51.68%
Team Ease Limited ⁽²⁾	Beneficial owner	–	235,043,057	12.80%
Xu Helin ⁽²⁾	Interest in controlled corporation	–	235,043,057	12.80%
Zhu Jiayun ⁽³⁾	Beneficial owner	–	123,267,194	6.71%

Notes:

1. Mr. Zhu is the settlor of the Trust, of which the family members of Mr. Zhu are beneficiaries, and Prosperity and Wealth Limited (a Bermuda private trust company) is the trustee. The entire issued share capital of Joyview is held by Prosperity and Wealth Limited as trustee of the Trust. As at December 31, 2025, Joyview held 949,044,584 Shares or approximately 51.68%.
2. Team Ease Limited is a company beneficially owned by Xu Helin.
3. Ms. Zhu Jiayun is the daughter of Mr. Zhu. Pursuant to the terms and conditions of the sale and purchase agreement dated September 29, 2023 entered into between Ms. Zhu Jiayun, the Company and a subsidiary of the Company (details of which are set out in the Company's circular dated November 23, 2023), the Company would (upon fulfillment of certain conditions) issue to Ms. Zhu Jiayun (or her nominee(s)) a further batch of the Convertible Bonds in aggregate principal amount of HK\$44,376,190, which would be convertible into 123,267,194 Shares at the conversion price of HK\$0.36 per Share (subject to adjustment). As at December 31, 2025, the issuance of such further batch of the Convertible Bonds was still pending.
4. Calculated on the basis of 1,836,541,352 Shares in issue as at December 31, 2025.

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, 2025.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option schemes disclosed in the section "Share Option Schemes" of this annual report, at no time during the year ended December 31, 2025 was the Company or any of its subsidiaries a party to any arrangements which enables any Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



DIRECTORS' REPORT (cont'd)

CONNECTED TRANSACTION

On January 6, 2025, a wholly-owned subsidiary of the Company, namely Zhejiang Baosen Furniture Co., Ltd. ("Zhejiang Baosen") entered into a lease agreement with a non-wholly owned subsidiary of the Company, namely Koh Kong Zhejiang Sez Co., Ltd. ("Koh Kong Zhejiang"), pursuant to which Zhejiang Baosen agreed to lease the land with an aggregate site area of 14,981 sq.m., located at Koh Kong Zhejiang SEZ, Ou Chrov Village, Boeng Preav Commune, Srae Ambel District, Koh Kong Province, Cambodia from Koh Kong Zhejiang for a total rent payable of US\$674,145 for renewable terms of ninety-nine years each from January 6, 2025. The land will be used by Zhejiang Baosen for the construction and operation of a factory complex for the manufacturing of furniture in Cambodia. Koh Kong Zhejiang is owned as to 51% by Ms. Zhu Jiayun who is the daughter of Mr. Zhu Zhangjin, an executive Director. Thus, Koh Kong Zhejiang is a connected person of the Company. For further details, please refer to the announcement of the Company dated January 6, 2025.

Save 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, 2025.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2025, the following transactions were entered into by the Group with its connected persons, or subsisted during the year ended December 31, 2025. 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 October 30, 2024, Yujie entered into a renewal agreement with the Group (the "2024 Yujie Renewal Agreement") for a term of 3 years which will expire on December 31, 2027.

Pursuant to the 2024 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, 2025, the aggregate amount of the transactions under the 2024 Yujie Renewal Agreement was approximately RMB416,000 and the actual transaction amount did not exceed the annual cap amount of RMB5,000,000.

DIRECTORS' REPORT (cont'd)

CONTINUING CONNECTED TRANSACTIONS (cont'd)

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

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

For further details of the 2024 Yujie Renewal Agreement, please refer to the announcement of the Company dated October 30, 2024.

(2) Agreement for providing guarantee to the CCT Group

On October 30, 2024, Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren, Haining Lingjia New Material Technology Company Limited ("Lingjia New Material"), and Haining Schinder Leather Company Limited ("Haining Schinder") entered into an agreement with the Group for a term of 3 years which will expire on December 31, 2027 (the "2024 CCT Master Agreement").

Pursuant to the 2024 CCT Master Agreement, the Group agreed to provide the guarantee to Haining Schinder; and each of Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material (collectively referred to as the "CCT Counter Guarantors") agreed to jointly and severally provide the counter guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to Haining Schinder up to the amount of the annual caps, subject to the terms and conditions of the relevant agreement.

During the year ended December 31, 2025, the aggregate value of bank facilities guaranteed by the Group to Haining Schinder and the associated costs under the 2024 CCT Master Agreement with the maximum amount of approximately RMB170,000,000 and the actual transaction amount did not exceed the annual cap amount of RMB170,000,000.

Mr. Zhu Zhangjin is a Director and the controlling shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu Zhangjin and wholly own Lingjia New Material. Therefore, Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under the Listing Rules and transactions under the 2024 CCT Master Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

For further details of the 2024 CCT Master Agreement, please refer to the announcement of the Company dated October 30, 2024, and the circular dated December 10, 2024.

DIRECTORS' REPORT (cont'd)

CONTINUING CONNECTED TRANSACTIONS (cont'd)

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

- a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions set out as above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the relevant annual caps as disclosed.

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

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are no less favorable to the Group than terms to or from independent third parties; and
- (iii) in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than disclosed above, there was no other transaction which needs to be disclosed as connected transaction in accordance with the requirements of the Listing Rules during the year ended December 31, 2025.

DIRECTORS' REPORT (cont'd)

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2025, the Group had certain transactions with “related parties” as defined under the applicable accounting standards. Except for the connected transaction and continuing connected transactions as set forth in the section headed “Connected Transaction” and “Continuing Connected Transactions” on pages 25 to 27 of this annual report, none constitutes a connected transaction as defined under Chapter 14A of the Listing Rules. The Company confirms it has complied with all disclosure requirements under the Chapter 14A under the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed “Connected Transaction” and “Continuing Connected Transactions” of this annual report, and save for the interests of Joyview and Ms. Zhu Jiayun in the Convertible Bonds (details of which are disclosed in the sections headed “Substantial Shareholders” above and “Issue and Conversion of Convertible Bonds” below), there were no transactions, arrangements or contracts of significance in which a Director had a material interest, whether directly or indirectly, and subsisted at the end of the year or at any time during the year ended December 31, 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2025.

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

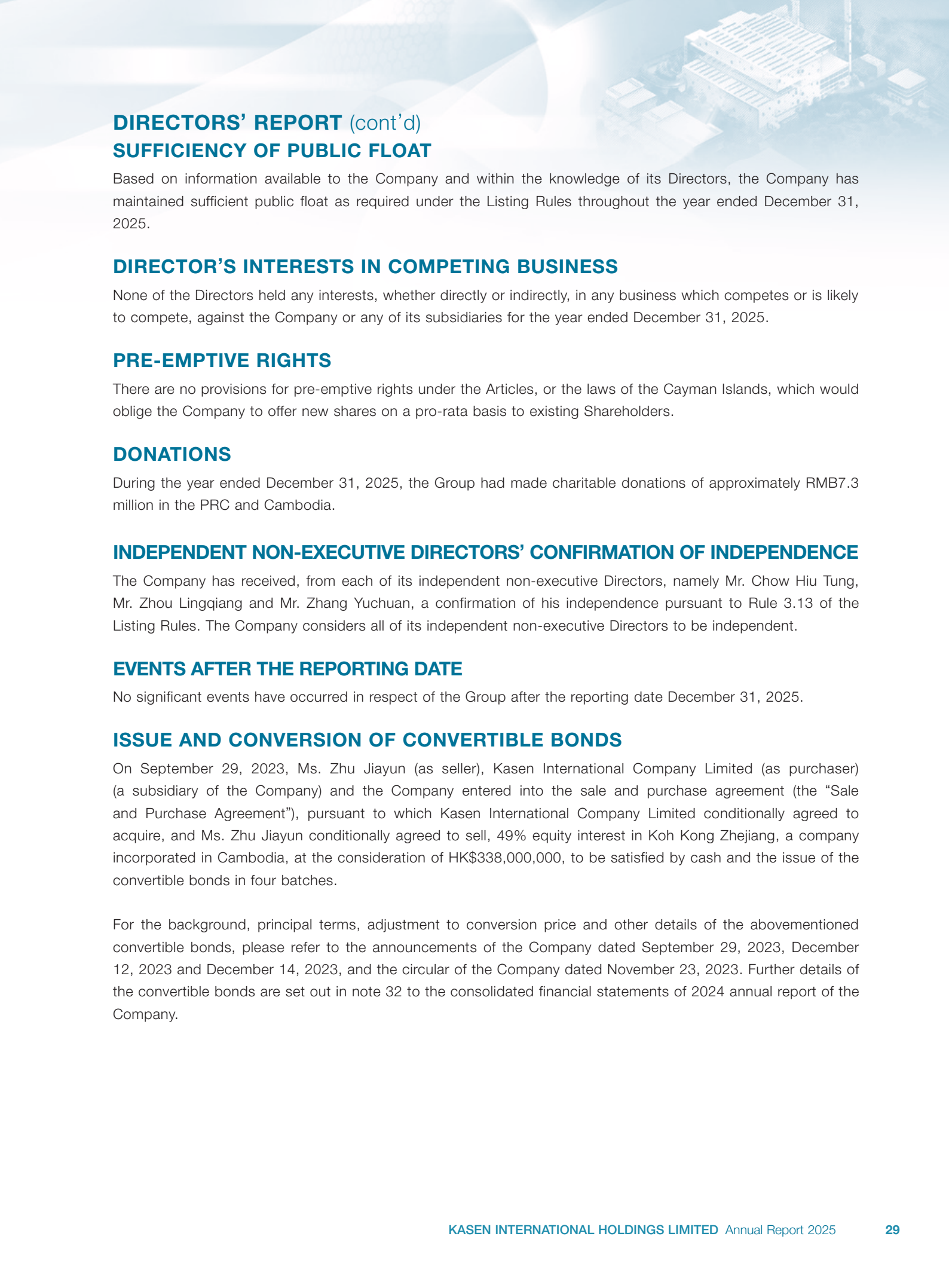
No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2025.

INDEMNITY AND INSURANCE PROVISIONS

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

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

Save as disclosed in the section headed “Issue and Conversion of Convertible Bonds” below, at no time during the year under review, did the Company or any of its subsidiaries purchase, sell or redeem any of the Company's listed securities (including sale or transfer of treasury shares). As at December 31, 2025, the Company did not hold any treasury shares.



DIRECTORS' REPORT (cont'd)

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, 2025.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests, whether directly or indirectly, in any business which competes or is likely to compete, against the Company or any of its subsidiaries for the year ended December 31, 2025.

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, 2025, the Group had made charitable donations of approximately RMB7.3 million in the PRC and Cambodia.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EVENTS AFTER THE REPORTING DATE

No significant events have occurred in respect of the Group after the reporting date December 31, 2025.

ISSUE AND CONVERSION OF CONVERTIBLE BONDS

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

For the background, principal terms, adjustment to conversion price and other details of the abovementioned convertible bonds, please refer to the announcements of the Company dated September 29, 2023, December 12, 2023 and December 14, 2023, and the circular of the Company dated November 23, 2023. Further details of the convertible bonds are set out in note 32 to the consolidated financial statements of 2024 annual report of the Company.

DIRECTORS' REPORT (cont'd)

ISSUE AND CONVERSION OF CONVERTIBLE BONDS (cont'd)

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

On March 18, 2024, the Company issued the second batch convertible bonds in the principal amount of HK\$33,800,353 to the Bondholder. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and has been/shall be payable semi-annually in arrears by the Company to the Bondholder at the close of business on September 17, 2024, March 17, 2025 and the bond maturity date on September 17, 2025. On June 2, 2025, full conversion of the second batch convertible bonds at the initial conversion price of HK\$0.36 per conversion share took place and 93,889,869 shares were issued.

On December 11, 2024, the Company issued the third batch convertible bonds in the principal amount of HK\$58,013,228 to the Bondholder. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and shall be payable semi-annually in arrears by the Company to the Bondholder at the close of business on June 10, 2025, December 10, 2025 and the bond maturity date on June 10, 2026. On June 2, 2025, full conversion of the third batch convertible bonds at the initial conversion price of HK\$0.36 per conversion share took place and 161,147,855 shares were issued.

For more details in relation to the completion of the conversion of the convertible bonds into a total of 393,399,471 new issued shares of the Company, please refer to announcement of the Company dated June 2, 2025.

As at December 31, 2025, the Company did not have any outstanding convertible bonds.

As at the date of this report, the fourth batch convertible bonds in the principal amount of HK\$44,376,190 have not yet been issued by the Company, and their issue is expected to take place on or around the third quarter of 2026.



DIRECTORS' REPORT (cont'd)

AUDIT COMMITTEE

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

The annual results of the Company for the year ended December 31, 2025 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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
Director

March 31, 2026

CORPORATE GOVERNANCE REPORT

The Board and management are committed to maintaining a high standard of corporate governance based on the principles of transparency, independence, integrity and accountability. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. Therefore, the Company continuously reviews and improves its corporate governance standards to ensure maximum compliance with the relevant laws and codes.

The Company has complied with code provisions (the “CG Code Provisions”) set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix C1 of the Listing Rules throughout the year ended December 31, 2025, except for the following deviation:

CODE PROVISION C.2.1

Under CG Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the year under review, the Company did not separate the roles of chairman and chief executive. Mr. Zhu Zhangjin assumed the role as both the chairman and CEO of the Company responsible for overseeing the operations of the Group during the year ended December 31, 2025. Despite the deviation from the CG Code Provision C.2.1, Mr. Zhu Zhangjin provides solid and continuous leadership to the Group with his extensive experience and knowledge in management and ensures the continuity of the Group’s operations. 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 interests of the Company and its shareholders. As such, the Board considers that the deviation from CG Code Provision C.2.1 is appropriate in the current situation. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group’s operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company is unable to determine when the appointment of a chief executive officer for the Company can be effected.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended December 31, 2025, each of them has complied with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE REPORT (cont'd)

BOARD OF DIRECTORS

The primary responsibilities of the Board are to establish long term strategies, administer 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 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, 2025, the Board comprised five members, including two executive Directors and three independent non-executive Directors. The Board members for the year ended December 31, 2025 and up to the date of this annual report are shown below:

Executive Directors

ZHU Zhangjin (*Chairman and Chief Executive Officer*)

ZHOU Xiaohong

Independent Non-executive Directors

CHOW Hiu Tung

ZHOU Lingqiang

ZHANG Yuchuan

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

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

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

During the year ended December 31, 2025, the Company has purchased Directors & Officers Liability and Company Reimbursement Insurance for all of its Directors and some of its senior management.

NON-EXECUTIVE DIRECTOR

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

CORPORATE GOVERNANCE REPORT (cont'd)

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 directors' 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, 2025, all Directors of the Company namely, Mr. Zhu Zhangjin, Ms. Zhou Xiaohong, Mr. Chow Hiu Tung, Mr. Zhou Lingqiang and Mr. Zhang Yuchuan received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Furthermore, all Directors attended in-house seminars covering the topics of disclosure requirements under the Listing Rules and SFO during the year ended December 31, 2025. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

BOARD COMMITTEES

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

Audit Committee

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

Mr. CHOW Hiu Tung	<i>(Chairman of the Audit Committee)</i>
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.

CORPORATE GOVERNANCE REPORT (cont'd)

BOARD COMMITTEES (cont'd)

Audit Committee (cont'd)

During the year ended December 31, 2025, the Audit Committee performed the following Company's corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

During the year ended December 31, 2025, 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 with reference to the code provisions of the CG Code.

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 authority 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, 2025, the Remuneration Committee held two meetings to review the remuneration policy and structure and make recommendations to the Board about the remuneration package of the Directors and senior management based on their individual performance. The Remuneration Committee also reviewed and/or approved matters relating to the 2025 Share Option Scheme under Chapter 17 of the Listing Rules during the year ended December 31, 2025.

CORPORATE GOVERNANCE REPORT (cont'd)

BOARD COMMITTEES (cont'd)

Remuneration Committee (cont'd)

The remuneration of Directors and the members of the senior management by band for the year ended December 31, 2025 is set out below:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	6
HK\$1,000,001 to HK\$1,500,000	–
HK\$1,500,001 to HK\$2,000,000	1
Over HK\$2,000,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix C1 to the Listing Rules are set out in note 10 to the consolidated financial statements. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2025.

Nomination Committee

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

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

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointment or reappointment of Directors and Board succession. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, diversity and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors. 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, 2025, the Nomination Committee held one meeting to discuss about the appointment of directors.

CORPORATE GOVERNANCE REPORT (cont'd)

Gender Diversity of Employees

As at 31 December 2025, the Group has a total of 3,066 employees, and the ratio of male to female employees is approximately 1: 0.83 (As at 31 December 2024: 1: 0.69). The ratio of male to female senior management is approximately 1: 0.33 (As at 31 December 2024: 1: 0.33). Considering that the Group is mainly engaged in manufacturing and trading of upholstered furniture; land and property development; and tourism resort-related operations, the employees mainly consist of general workers, most of them are generally male, as a result, the Nomination Committee considered that the current ratio of male and female employees is relatively balanced.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and Nomination Committee as well as general meetings of the Company during the year ended December 31, 2025 is set out below:

Name of Directors	Attendance/Number of Meetings					Annual General Meeting held on May 30, 2025
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting	Extraordinary General Meeting held on May 30, 2025	
Executive Directors						
Mr. ZHU Zhangjin <i>(Chairman)</i>	4/4	N/A	N/A	N/A	1/1	1/1
Ms. ZHOU Xiaohong <i>(Member of Remuneration Committee and Member of Nomination Committee)</i>	4/4	1/1	N/A	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. CHOW Hiu Tung <i>(Chairman of Audit Committee and Chairman of Nomination Committee)</i>	4/4	N/A	3/3	1/1	1/1	1/1
Mr. ZHOU Lingqiang <i>(Member of Audit Committee, Member of Nomination Committee and Chairman of Remuneration Committee)</i>	4/4	1/1	3/3	1/1	1/1	1/1
Mr. ZHANG Yuchuan <i>(Member of Audit Committee and Member of Remuneration Committee)</i>	4/4	1/1	3/3	N/A	1/1	1/1

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

CORPORATE GOVERNANCE REPORT (cont'd)

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

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2025, 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, 2025 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, 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, 2025 amounted to approximately RMB2.5 million and RMB0.4 million. 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 the Company's 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.

CORPORATE GOVERNANCE REPORT (cont'd)

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

During the year ended December 31, 2025, the Company implemented risk management and internal control based on four 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, 2025, 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 proper implementation on mechanisms of the handling and dissemination of inside information. For the year ended December 31, 2025, 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 views 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 is responsible to assess the independence of each independent non-executive Director at least annually.

CORPORATE GOVERNANCE REPORT (cont'd)

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, 2025.

CONSTITUTIONAL DOCUMENTS

There were no changes made to the Company's constitutional documents during the year ended December 31, 2025 and up to the date of this report.

The full text of the up-to-date Articles of Association is available on the Company's website (<http://www.irasia.com/listco/hk/kasen/index.htm>) and the website of the Stock Exchange (www.hkexnews.hk).

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

There are no provisions in the Articles or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the abovementioned procedures.

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



CORPORATE GOVERNANCE REPORT (cont'd)

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS (cont'd)

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

Taking advantage 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 was effective during the year ended December 31, 2025. Shareholders may send their enquiries and concerns and investors are welcome to write directly to the Company at its place of business in Hong Kong for any inquiries through the following means:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

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

Kasen actively supports the Belt and Road Initiative by leveraging its extensive international market experience to invest in and develop economic zones across countries along the Belt and Road. The Company focuses on establishing integrated economic zones that emphasise ecological manufacturing, circular economy practices, industrial clustering, and green, low-carbon development.

As a developer of high-quality energy infrastructure and green, low-carbon industrial parks, Kasen is firmly committed to sustainable development. The Company has successfully established and commenced operation of the first phase of the Zhejiang Special Economic Zone in Cambodia, with comprehensive plans in place for subsequent phases of development. In parallel, Kasen promotes the coordinated development of traditional and renewable energy, while actively advancing international power projects overseas.

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

Scope of the Report

The Report examines the Group’s ESG management approaches, and corresponding performance within our operational boundaries, which mainly include our manufacturing businesses of upholstered furniture in Zhejiang and property development in Hainan of the People’s Republic of China (“**PRC**” or “**China**”) during the period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**” or “**2025**”). Unless otherwise specified, the data includes the following subsidiaries and scope of the Report remains the same as last year.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

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 Code (the “**ESG Reporting Code**”), under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”). The Report has been reviewed and approved by the board of directors (the “**Board**”) of the Company. Throughout the Report, we adopt the reporting principles of Materiality, Quantitative, Balance, and Consistency, as described below:

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

Contact and Feedback

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

VALUES AND MISSIONS



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

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



Environment

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



Social

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



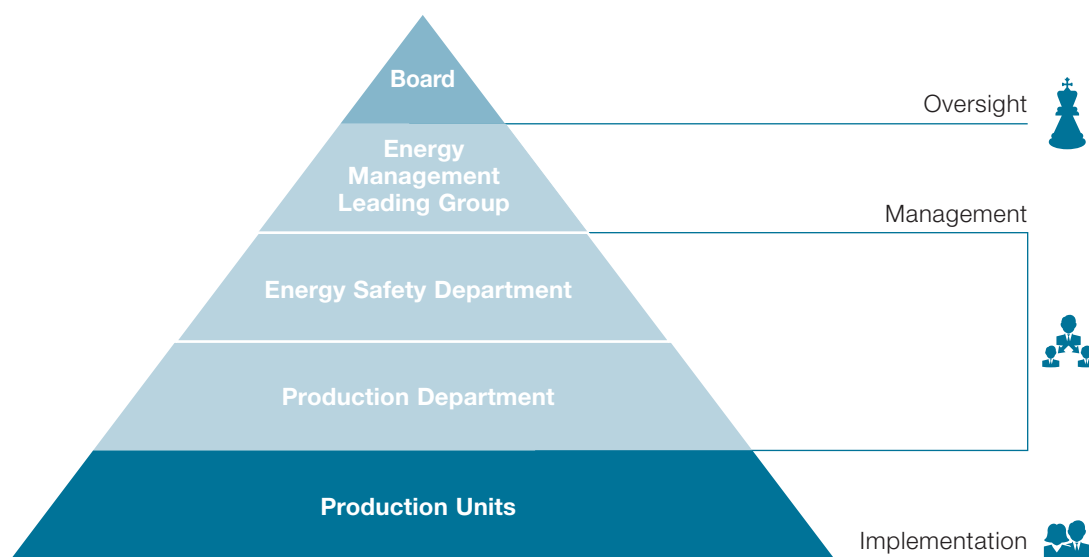
Governance

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

ESG GOVERNANCE

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



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

ESG GOVERNANCE (cont'd)

The Board

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

Energy Management Leading Group

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

Energy Safety Department

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

Production Department

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

Production Unit

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

ESG Risk Management

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

STAKEHOLDER ENGAGEMENT

To better understand stakeholders' expectations and concerns regarding the Group's ESG issues, as well as the social and environmental impacts of our operations, Kasen maintained close and ongoing engagement with key stakeholders throughout the Reporting Period. Insights gathered through stakeholder engagement enable the Group to continuously enhance its ESG performance by refining management strategies and approaches, and by developing targeted action plans to address identified ESG issues.

Through effective and structured communication with our key stakeholder groups, the Group collected valuable feedback and perspectives, which are summarised in the table below:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

STAKEHOLDER ENGAGEMENT (cont'd)

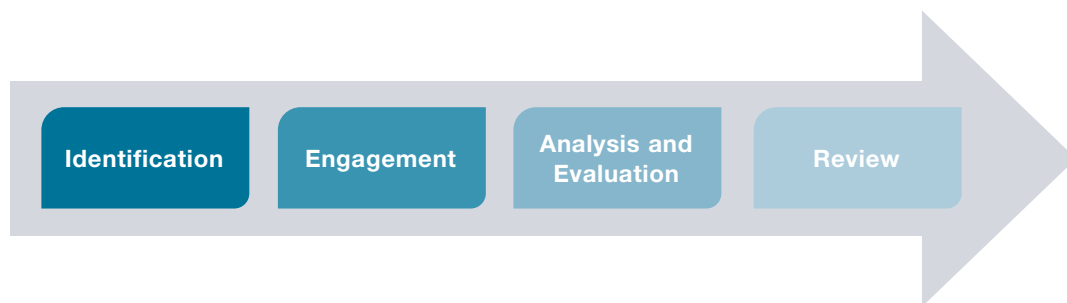
Types of stakeholder groups	Concerned topics	Communication channels
Non-governmental organisations	• Environmental protection • Increasing the input in community public welfare	• Email • Phone calls • Charity donations and voluntary services
Community	• Supporting local economic development • Participating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

MATERIALITY ASSESSMENT

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

Initially, a comprehensive list of potential ESG topics was developed by categorising common environmental, social and governance issues. Key stakeholder groups were then identified for engagement, including representatives of the Board and senior management, employees, customers, investors and shareholders, suppliers and business partners, and the community. These stakeholders were invited to participate in a survey in which 34 ESG topics were assessed based on their relevance to the Group's business operations and their importance to stakeholders. The survey results were consolidated and reviewed by management, and subsequently incorporated into the Group's ongoing ESG reporting and the formulation of strategies to address material areas of concern.

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



Steps to conduct a materiality assessment

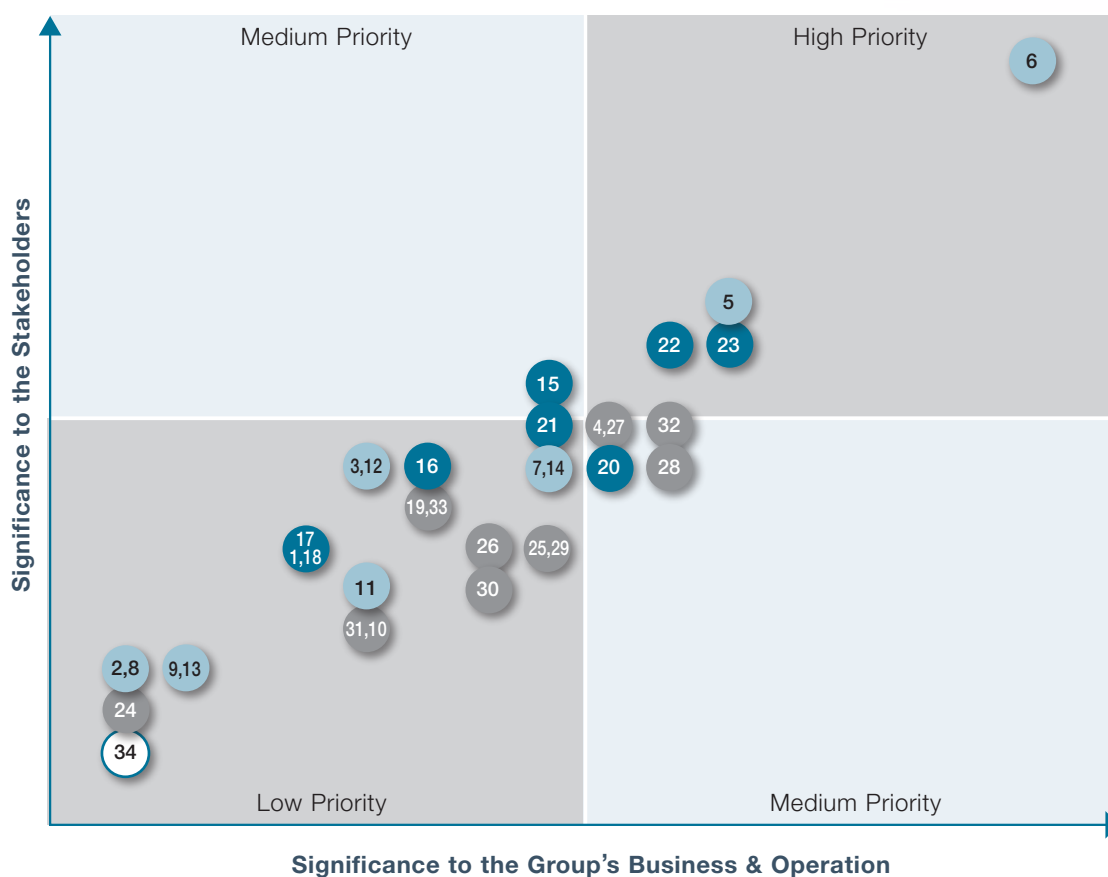
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

MATERIALITY ASSESSMENT (cont'd)

The ESG-related topics were prioritised and mapped in the materiality matrix below. Topics positioned in the upper-right quadrant of the matrix are identified as the most material, reflecting their high significance to the Group's business operations and the level of concern expressed by stakeholders.

The priorities are as follows:

Materiality Matrix



Environment

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

Employment

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

Social

Operation

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

Community

34. Community involvement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

MATERIALITY ASSESSMENT (cont'd)

Key concerns from stakeholders	Our responses	Section
Circular economy	We are committed to embedding circular economy principles across our operations. Through our Waste Disposal Policy, we segregate hazardous waste from non-hazardous waste to ensure proper treatment. We have set a clear target to reduce landfill waste intensity, and by 2030, we aim to transition our entire packaging portfolio to renewable, reusable, recyclable or compostable options, thereby promoting resource efficiency and circularity.	GREEN PRODUCTION — Waste Management
Nature-related risk and opportunity management	We recognise the importance of managing nature-related risks to safeguard our business operations and the environment. Our production facilities are positioned to maintain a safe distance from residential and agricultural areas, and we have installed exhaust collection and purification systems to minimise environmental impact. In addition, our business contingency plan addresses acute physical risks from extreme weather, with designated personnel monitoring weather alerts and coordinating safety measures. These efforts help us enhance operational resilience and capture opportunities in the low-carbon transition.	GREEN PRODUCTION — Emission Management & GREEN PRODUCTION — Climate Risk Preparedness
Prevention of child labour and forced labour	Our Child Labour Policy and Forced Labour Policy establish clear guidelines to prevent exploitative practices during recruitment. We strictly verify identification documents to ensure compliance with minimum age requirements. If child labour is discovered, we take immediate remedial actions, including safely returning the minor to their family and providing necessary support. We also safeguard employees' freedom of employment, resignation and movement, with the Employee Handbook reinforcing the role of trade unions in upholding labour rights. Through these measures, we are committed to providing ethical and dignified job opportunities.	RESPONSIBLE EMPLOYMENT — Employment Conditions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

SUSTAINABLE OPERATIONS

At Kasen, we are committed to acting in the best interests of the Group and its stakeholders, including customers, suppliers and the local community. This commitment is reflected in our continuous efforts to enhance product quality and promote fairness, transparency and effectiveness across our supply chain.

We demonstrate our capability to deliver high-quality products through a comprehensive quality management system, supported by a robust supplier selection and management framework that strengthens supply chain resilience. Across all aspects of our operations—from sourcing raw materials to manufacturing, logistics, service delivery and community engagement—we strive to create shared value for the stakeholders and communities with whom we operate.

Guided by the principles of environmental responsibility, social harmony and sound governance, the Group aims to drive long-term sustainable development.

Customer Satisfaction Enhancement

Kasen places a strong emphasis on product quality and customer satisfaction. The Group is committed to delivering upholstered furniture products that meet high quality standards, alongside providing excellent customer service. On an annual basis, Kasen conducts customer satisfaction surveys to assess key performance indicators, including product quality, delivery timeliness and customer service performance. To ensure a comprehensive and representative evaluation, the Group maintains a survey response rate of at least 80%.

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

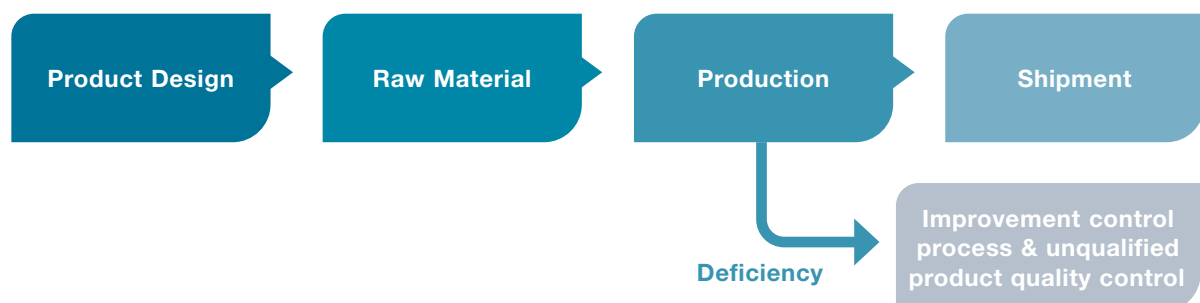
To enhance service quality, the Group has established a structured customer feedback mechanism to systematically collect and assess customer opinions. Feedback is gathered through multiple channels, including in-person meetings, online surveys, emails and telephone communications. Any complaints or suggestions identified during routine interactions are properly recorded and documented before being escalated to the relevant departments for follow-up. The Quality Control Department is responsible for formulating and implementing corrective measures in response to the issues raised. Throughout the Reporting Period, we did not receive any complaints related to our products or services.

The Group values all feedback as an opportunity for continuous improvement. By emphasising transparency, accountability and timely resolution, we strive to uphold high standards of customer satisfaction and quality assurance.

Quality Management System

For its upholstered furniture product line, the Group has implemented a quality management system accredited to the international standard ISO 9001:2015. This certification demonstrates the Group's commitment to achieving measurable objectives in areas such as product safety, durability and customer satisfaction.

Product Life Cycle:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

SUSTAINABLE OPERATIONS (cont'd)

Customer Satisfaction Enhancement (cont'd)

Quality Management System (cont'd)

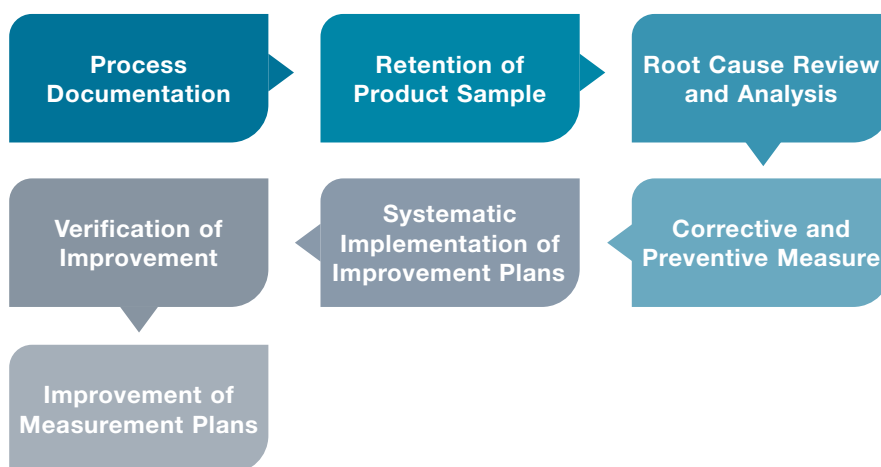
Kasen establishes its quality objectives with ISO 9001:2015 as a guiding framework, ensuring alignment with the Group's overall business direction. These objectives are reviewed periodically to confirm their continued relevance and effectiveness. ISO 9001:2015 certification demonstrates that the Group has implemented systematic processes to consistently deliver high-quality products.

The Group maintains stringent quality standards and controls throughout the entire product life cycle, from design and raw material sourcing to manufacturing and shipment. The Quality Management Department, led by the Department Manager, is responsible for end-to-end quality control across product development, design, production and transportation processes. The function is supported by a dedicated team of 15 quality inspection personnel, comprising 3-4 staff responsible for incoming material inspections, 6 staff overseeing production processes and semi-finished product inspections, 2-3 staff conducting final product inspections, and 2-3 staff performing overall quality assessments. In addition, personnel from technical development, sewing, final product production, frontline management and supervisory teams actively participate in quality assurance processes.

During the product design stage, potential safety risks are identified and preventative measures are implemented with consideration for end-user requirements. These safety risk prevention measures are aligned with the PRC Standards of Light Industry for Upholstered Furniture (Sofas) and the ISO 9001 quality management framework. The Heads of the Technology Department and the Quality Management Department are jointly responsible for ensuring the effective implementation of these measures.

The Group's experienced quality control team conducts regular inspections of raw materials, work-in-progress and finished goods in accordance with established quality protocols. Inspection criteria cover key parameters including strength, durability, aesthetics and product safety.

During the production phase, scheduled equipment maintenance is implemented to ensure operational reliability and production consistency. In the event that defects are identified, the Group follows its improvement control procedures and non-conforming product control processes to identify root causes, formulate corrective actions and address issues in a timely manner. The relevant procedures and guidance are set out as follows:





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

SUSTAINABLE OPERATIONS (cont'd)

Customer Satisfaction Enhancement (cont'd)

Quality Management System (cont'd)

In addition, the Group stands behind its products by offering a one-year limited warranty, reflecting confidence in product performance and a strong commitment to customer satisfaction. This warranty underscores the Group's customer-centric approach and dedication to quality. The entire process is subject to oversight and periodic review by the General Manager to ensure continuous improvement and adherence to the Group's high standards.

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

Intellectual Property ("IP") and Privacy Protection

The Group recognises the importance of respecting intellectual property rights in maintaining stakeholder trust. To safeguard proprietary information, effective policies and control measures have been implemented across the Group.

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

Confidentiality is also emphasised in our Employee Handbook. Sample production details and financial data from clients or partners require prior consent to disclose. In addition, the Group complies with all applicable intellectual property laws and regulations governing its operations, including the Patent Law and Trademark Law of the People's Republic of China.

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

The Group remains committed to ethical operations and the protection of stakeholder interests through strong intellectual property stewardship. Ongoing training and awareness programmes help employees understand their responsibilities in complying with established protocols, thereby supporting the maintenance of high standards of corporate governance.

Supply Chain Management

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

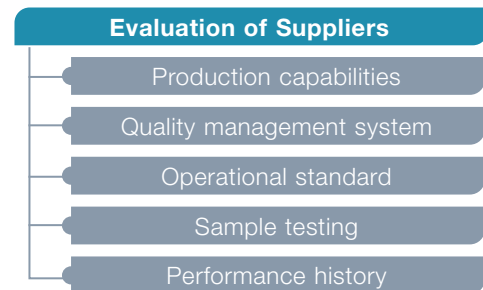
SUSTAINABLE OPERATIONS (cont'd)

Supply Chain Management (cont'd)

Supplier Selection and Evaluation

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

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



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

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

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

SUSTAINABLE OPERATIONS (cont'd)

Upholding of Highest Business Ethics

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

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

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

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

Whistleblowing System

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT

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

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

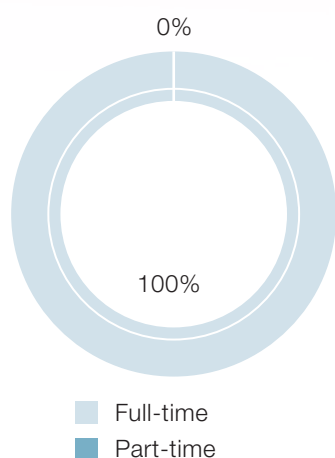
As of 31 December 2025, there were a total of 176 employees. The information on our total workforce and turnover rated by different categories are illustrated below:

Staff Information	2025	2024
Total number of employees	176	195
By employment type		
Full-time	176	189
Part-time	0	6
By employment category		
General Staff	141	109
Management/Supervisor	19	60
Senior Management	16	26
By age group		
Below 30	36	6
30-50	114	128
Over 50	26	61
By gender		
Male	112	117
Female	64	78
By geographical region		
PRC	169	189
Hong Kong	7	6

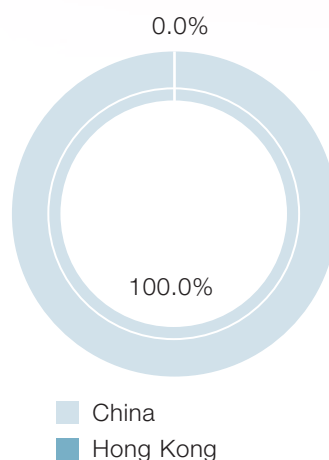
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

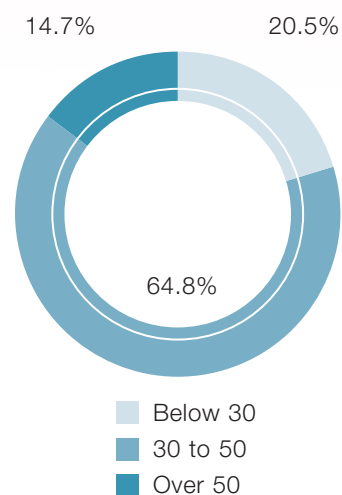
**Total Workforce
by Employment Type**



**Total Workforce
by Geographical Region**



**Total Workforce
by Age Group**



During the Reporting Period, the overall turnover rate of employees was 18.18%.

Turnover	2025	2024
Employee turnover rate¹	18.18%	50.26%
By age group		
Below 30	19.44%	116.67%
30-50	21.93%	41.41%
Over 50	0.00%	62.30%
By gender		
Male	15.18%	46.15%
Female	23.44%	56.41%
By geographical region		
PRC	18.93%	51.85%
Hong Kong	0.00%	0.00%

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions

At Kasen, we recognise that our people are fundamental to the Group's success. The Group strives to foster an equitable and inclusive working environment in which employees feel valued and engaged in our collective growth. The Human Resources Policy and Employee Handbook provide a structured framework for employment management and support the continuous enhancement of employment practices.

The Group offers competitive remuneration and benefits packages designed to attract and retain talent. These packages comprise basic salary, discretionary bonuses, medical insurance, and allowances for housing, meals and transportation. In addition to statutory holidays, employees are entitled to various forms of paid leave, including marriage leave, maternity leave, compassionate leave and family visiting leave.

Looking ahead, the Group will continue to refine its employee value proposition through ongoing employee engagement and feedback, as well as benchmarking against emerging global best practices, with the aim of further enhancing the overall employee experience.

Fair Employment

The Group implements a fair and transparent employment system that recognises and rewards employees based on their performance, contributions and capabilities, ensuring that all employment decisions are merit-based and non-discriminatory. Annual performance appraisals are conducted to evaluate employee performance, with high-performing employees eligible for discretionary bonuses or salary increments.

Clear and well-documented recruitment and promotion procedures are in place to ensure that decisions are made based on job-related criteria, including qualifications, skills and relevant experience. Where candidates possess comparable qualifications, internal candidates are given priority for promotion over external applicants. In addition, the Group has entered into an Economic Responsibility Assessment Agreement to further reinforce accountability and performance management.

Diversity, Equity and Inclusion

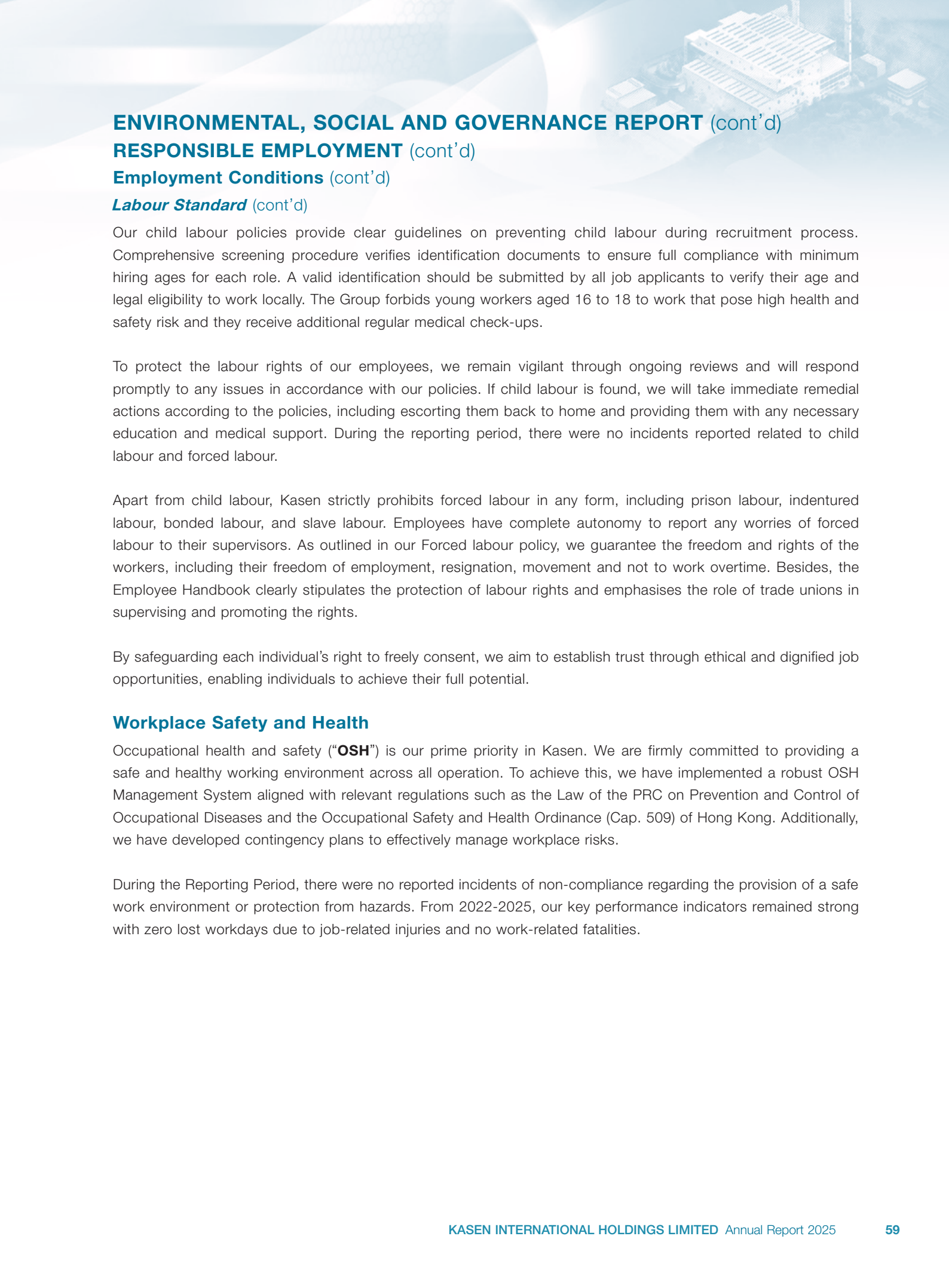
As an equal opportunity employer, Kasen is committed to fostering an inclusive working environment in which all employees are valued, respected and supported. The Group adopts a zero-tolerance approach towards discrimination, unfair treatment and harassment of any kind, as clearly set out in the Employee Handbook. The Group seeks to respect and accommodate individuals from diverse backgrounds.

The Employee Handbook places strong emphasis on the well-being and empowerment of women, including special arrangements such as flexible working hours and appropriate support for expectant and new mothers.

Maintaining a respectful, equitable and fulfilling workplace for all employees remains integral to Kasen's long-term success and its broader social responsibility objectives.

Labour Standard

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Employment Conditions (cont'd)

***Labour Standard* (cont'd)**

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

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

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

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

Workplace Safety and Health

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

During the Reporting Period, there were no reported incidents of non-compliance regarding the provision of a safe work environment or protection from hazards. From 2022-2025, our key performance indicators remained strong with zero lost workdays due to job-related injuries and no work-related fatalities.

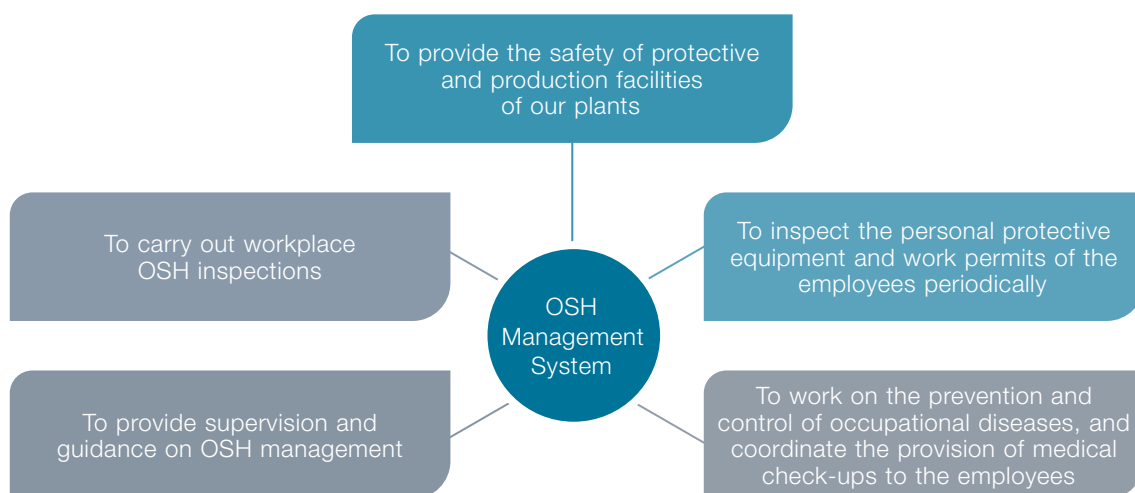
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

OSH Management System

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



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

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

Guided by the principle of “Safety First, Prevention First”, Kasen ensures all employees receive annual OSH training to increase their awareness of safety responsibilities and standards. We believe that everyone should be accountability for protecting both themselves and their colleagues. In 2025, our focus was on the preventative practices for OSH incidents, attaining our goal of zero-incident and reflecting our commitment to continuous OSH performance enhancement. Besides, annual emergency fire drill helps employees to develop evacuation, emergency response skills and a coordinated team mindset in the event of a fire.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

OSH Management System (cont'd)

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Workplace Safety and Health (cont'd)

Work-life Balance

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

During the Reporting Period, the Group organised employee welfare activities aimed at promoting work-life balance, personal well-being and team bonding. On 18 June 2025, employees participated in a floral arrangement workshop, providing an opportunity for creative expression, stress relief and social interaction outside of daily work routines. Such activities foster a positive and inclusive workplace culture, enhance employee engagement.



On 23 April 2025, the Group organised an employee spring outing as part of its employee welfare initiatives. The activity provided employees with an opportunity to relax, engage in outdoor and cultural experiences, and interact with colleagues in an informal setting outside the workplace. Through such activities, the Group aims to support employees' physical and mental well-being, strengthen team cohesion, and foster an inclusive and positive corporate culture.

Additionally, Kasen organised March 8th International Women's Day activities as part of its employee engagement initiatives. The event comprised organised group activities and cultural visits, providing employees with opportunities to participate in collective experiences, enhance communication, and strengthen team interaction. Kasen emphasis on fostering an inclusive corporate culture and encouraging employee participation through well-structured staff programmes.



The Group fosters a vibrant workplace culture that emphasises community engagement and employee well-being. By continuing to prioritise these efforts, the Group strives to cultivate a sustainable and inclusive working environment that supports the long-term growth, engagement and satisfaction of its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Training and Development

Kasen recognises that employee development is essential to the Group's long-term success, as a skilled and capable workforce enables the Group to adapt effectively to change. An annual training plan is established, covering orientation training, technical training and on-the-job training. The programme is tailored to meet the specific needs of employees and aligned with their respective roles to support both organisational objectives and individual career development. Training topics include procurement management, quality management, digitalisation initiatives and the prevention of OSH incidents.

The Group's promotion pathway framework rewards employee career progression in a fair and transparent manner through periodic performance reviews. High-performing employees may be recognised through promotions, salary adjustments and additional benefits.

The Training and Development Policy provide a structured framework to support effective training management across the Group. In addition to mandatory training programmes, employees are offered learning credit vouchers to self-select courses that best suit their development needs. The Group may reimburse expenses for external training programmes, subject to satisfactory attendance and completion, thereby complementing the Group's in-house training offerings. To support continuous improvement, post-training feedback is collected to assess training effectiveness and identify areas for enhancement.

As at 31 December 2025, the training profiles of the Group's employees are presented below:

Training Profile	2025	Average	2024	Average
	Number of Staff Trained (Percentage)	Training hours (hours)	Number of Staff Trained (Percentage)	Training hours (hours)
Staff Training	7 (3.98%)	0.04	43 (22.05%)	0.19
By employment category				
General Staff	7 (4.96%)	0.05	20 (18.35%)	0.16
Management/Supervisor	0 (0.00%)	0.00	15 (25.00%)	0.20
Senior Management	0 (0.00%)	0.00	8 (30.77%)	0.31
By gender				
Male	5 (4.46%)	0.04	32 (27.35%)	0.21
Female	2 (3.13%)	0.03	11 (14.10%)	0.15

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

RESPONSIBLE EMPLOYMENT (cont'd)

Training and Development (cont'd)

In 2025, the Group's training initiatives focused on enhancing the skills and competencies of employees across a range of management and operational functions. These programmes were designed to equip staff with practical knowledge and tools to support effective performance in their respective roles. By promoting continuous learning and professional development, the Group fostered a culture of growth and adaptability, ensuring that employees are well prepared to respond to the evolving needs of the industry. Details of the training sessions conducted during the year are set out below:

Daily Management Skills Enhancement for Frontline Supervisors

Comprehensive Quality Management: Quality Control Before, During, and After

Empowering Warehouse Management through Information Technology and Intelligence

Procurement Cost Control and Real Case Negotiation Practical Training

Practical Financial Management Course

Excellence in PMC: Agile Production Planning and Precise Material Control

Lean6S and Visual Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

COMMUNITY ENGAGEMENT

The Group is committed to fulfilling its corporate social responsibility by creating shared value for the communities in which it operates through responsible business practices and philanthropic initiatives. Guided by its corporate objectives of environmental responsibility, social harmony and sound governance, the Group strives to promote the long-term sustainable development of the enterprise.

Community activities

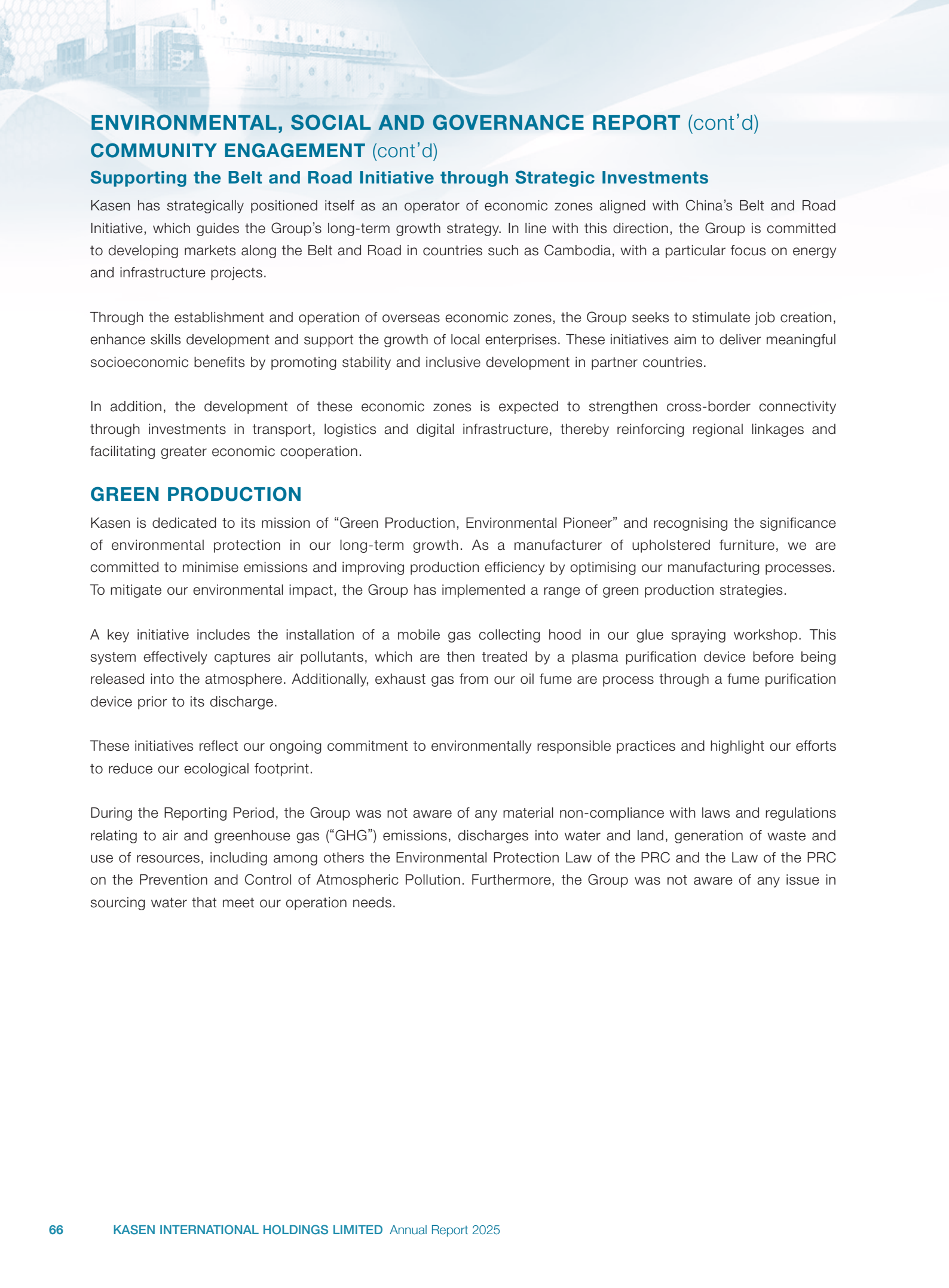


On 9 September 2025, the Group organised a civilisation volunteer service activity as part of its community investment initiatives. Total of 16 employees participated as volunteers by providing on-site guidance and assistance to community members, supporting the promotion of civic values and cultural awareness. Such activities contribute to the Group's community engagement efforts and form part of its volunteer service performance indicators, reflecting the Group's commitment to responsible corporate citizenship and positive social impact.

Additionally, a previously idle public building in Huafeng Village was transformed into a smart reading room equipped with modern reading facilities, attracting strong interest from local residents. The initiative, themed around the promotion of "spiritual civilisation", aims to enhance the community's reading experience and foster a culture of literacy. For over two decades, the Group has partnered with Huafeng Village to support economic, cultural, educational, technological and ecological development, contributing to rural revitalisation while supporting the Group's high-quality and sustainable growth.



On 17 May 2025, the Group partnered with Shandong Engineering Vocational University and Asia Euro University (Cambodia) to establish Ban-Mo College (Cambodia), providing vocational skills and Chinese language training to empower local communities, reinforcing its commitment to sustainable social impact and community development.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

COMMUNITY ENGAGEMENT (cont'd)

Supporting the Belt and Road Initiative through Strategic Investments

Kasen has strategically positioned itself as an operator of economic zones aligned with China's Belt and Road Initiative, which guides the Group's long-term growth strategy. In line with this direction, the Group is committed to developing markets along the Belt and Road in countries such as Cambodia, with a particular focus on energy and infrastructure projects.

Through the establishment and operation of overseas economic zones, the Group seeks to stimulate job creation, enhance skills development and support the growth of local enterprises. These initiatives aim to deliver meaningful socioeconomic benefits by promoting stability and inclusive development in partner countries.

In addition, the development of these economic zones is expected to strengthen cross-border connectivity through investments in transport, logistics and digital infrastructure, thereby reinforcing regional linkages and facilitating greater economic cooperation.

GREEN PRODUCTION

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

GREEN PRODUCTION (cont'd)

Emission Management

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

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

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

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

Greenhouse Gas Emissions

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

In 2025, the Group generated 252 tonnes of carbon dioxide equivalent ("tCO₂e").

Air Emissions Compliance

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

GREEN PRODUCTION (cont'd)

Emission Management (cont'd)

Greenhouse Gas Emissions (cont'd)

GHG Emissions ²	Unit	2025	2024
Scope 1 ³	tCO ₂ e	0	255
Scope 2 ⁴	tCO ₂ e	250	923
Scope 3 ⁵	tCO ₂ e	2	3
Total GHG emission	tCO ₂ e	252	1,181
Intensity	tCO ₂ e/Full-time Employee ("FTE")	1.43	6.05
	tCO ₂ e/Revenue (Million RMB)	0.65	5.17

Our Targets on GHG Emissions

	Environmental Targets (Base year FY2021)	GHG emission	
		2025	2024
	By 2025, reduce absolute Scopes 1 and 2 GHG emissions by 35%	252 ⁶	1,181
	By 2030, reduce absolute Scopes 1 and 2 GHG emissions by 50%		

As of the Reporting Period, Scope 1 and 2 GHG emissions have decreased by 89.83% from the 2021 base year, successfully achieving both targets ahead of schedule.

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

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

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

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

⁶ The significant attributed to a decrease in fuel consumption and electricity usage, driven by energy efficiency improvements and operational changes aligned with the Company's emission reduction targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

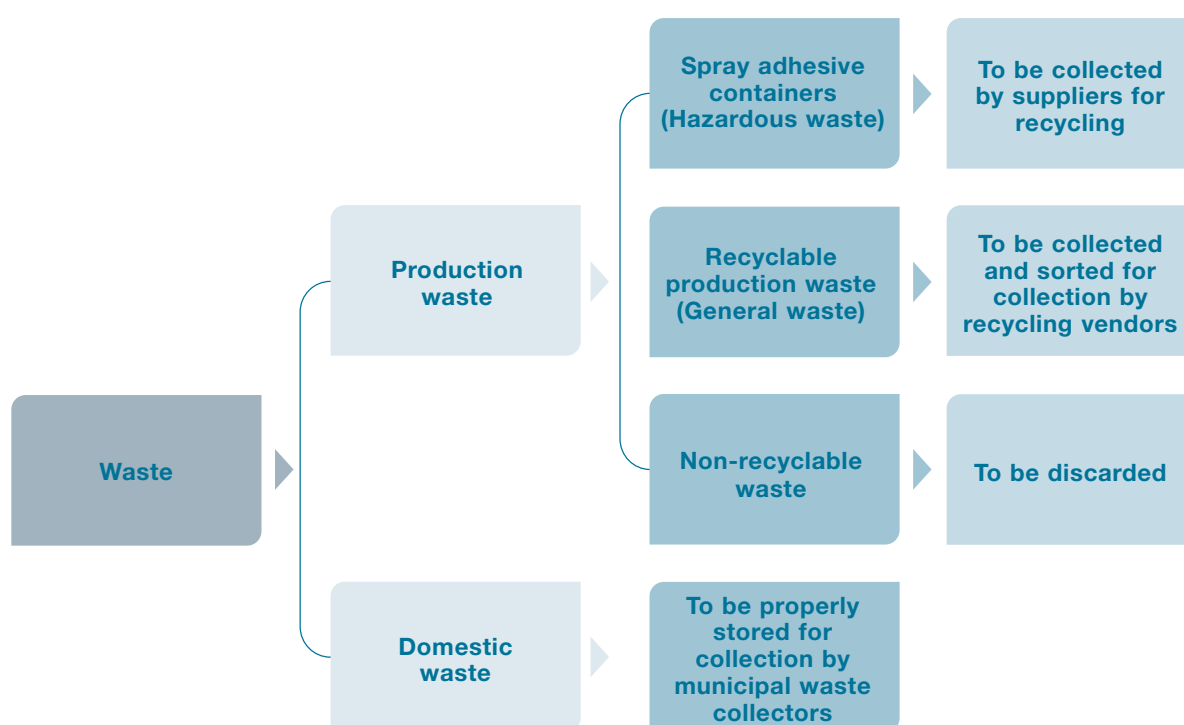
GREEN PRODUCTION (cont'd)

Waste Management

The Group demonstrates its commitment to waste reduction through the implementation of a robust waste management system. To support this objective, a Waste Disposal Policy has been established, setting out clear procedures for the handling and disposal of different types of waste in compliance with applicable laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Regulations of Zhejiang Province on the Prevention and Control of Environmental Pollution by Solid Waste. This approach reflects the Group's broader commitment to responsible environmental management and long-term environmental sustainability.

The Group's business operations generate hazardous waste primarily in the form of used spray adhesive containers. Non-hazardous waste mainly comprises recyclable production waste and general domestic waste generated by employees.

Kasen aims to reduce the rate of waste-to landfill intensity by 15% by the end of 2030.



The production of furniture does not generate industrial wastewater. The Group's wastewater emissions primarily comprise domestic wastewater arising from toilets and canteen facilities. To ensure compliance with applicable regulatory requirements, the Group has implemented a Sewage Discharge Policy. Wastewater from toilets is treated through septic tanks, while wastewater from canteen operations is treated using grease traps in accordance with the Class III discharge standard under the Comprehensive Sewage Discharge Standard (GB8978-1996) prior to discharge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

GREEN PRODUCTION (cont'd)

Resource Conservation

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

Electricity

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

Paper

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

Water

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

Vehicles

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

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	2025	2024
Electricity	Megawatt-hour ("MWh")	603	1,511
Intensity	MWh/FTE	3.43	7.75
Total energy	Gigajoules ("GJ")	2,171	8,717
Direct energy ⁷	GJ	0	3,276
Indirect energy ⁸	GJ	2,171	5,441
Total energy intensity	GJ/FTE	12.34	44.70
	GJ/Revenue (Million RMB)	5.57	38.17
Water	m ³	1,391	97,827
Intensity	m ³ /FTE	7.90	501.68
	m ³ /Revenue (Million RMB)	3.57	428.34
Packaging material ⁹	Tonnes	0	571
Intensity	Tonnes/product	0	0.04
Paper	Tonnes	0.32	0.14
Intensity	Tonnes/FTE	0.0018	0.0007
	Tonnes/Revenue (Million RMB)	0.0008	0.0006

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

⁷ Direct energy use includes the fuel consumption (petrol and diesel) by the company vehicles. Direct energy data for 2025 are not presented due to ongoing optimization of the accounting methodology and will be fully disclosed in the next reporting year.

⁸ Indirect energy consumption includes the electricity use.

⁹ It includes the packaging material used in the upholstered furniture manufacturing business. Packaging material data for 2025 are not presented due to ongoing optimization of the accounting methodology and will be fully disclosed in the next reporting year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

GREEN PRODUCTION (cont'd)

Resource Conservation (cont'd)

Our Targets on energy and water saving

Environmental Targets (Base year FY2021)		Intensity	
		2025	2020
	Energy Saving	GJ/FTE	0 35.16
	By 2025, reduce energy intensity by 13%		
		GJ/Revenue (Million RMB)	0 27.28
	Water Saving	GJ/FTE	7.90 527.21
	By 2025, reduce water consumption intensity by 10%		
		GJ/Revenue (Million RMB)	3.57 409.04

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.

The steps taken to achieve the above energy and water efficiency targets are set out in the section “GREEN PRODUCTION – Resource Conservation”, including electricity-saving measures, water efficiency practices and operational controls.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

GREEN PRODUCTION (cont'd)

Climate Risk Preparedness

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEX ESG REPORTING CODE 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 NO_x, SO_x, 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 A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GREEN PRODUCTION – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	GREEN PRODUCTION – Emission Management, Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
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 the 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).	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
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.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impacts 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.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B1 Employment	Information on:	RESPONSIBLE EMPLOYMENT
	(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.	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
B2 Health and Safety	Information on:	RESPONSIBLE EMPLOYMENT – Safe and Healthy Workplace
	(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.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	RESPONSIBLE EMPLOYMENT – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
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.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	SUSTAINABLE OPERATIONS – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	
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.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (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 – Customer Satisfaction Enhancement
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B7 Anti-corruption	Information on:	SUSTAINABLE OPERATIONS – Upholding Highest Business Ethics
	(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.	
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.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
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).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Governance 19. An issuer shall disclose information about: (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	

ESG GOVERNANCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Strategy	
Climate-related risks and opportunities	
20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall: (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	GREEN PRODUCTION — Climate Risk Preparedness
Business model and value chain	
21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose: (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	ABOUT THE REPORT — Scope of the Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Strategy and decision-making	
22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:	GREEN PRODUCTION
(a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	GREEN PRODUCTION
(i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;	GREEN PRODUCTION — Climate Risk Preparedness
(ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);	GREEN PRODUCTION
(iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and	GREEN PRODUCTION — Emission Management
(iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and	GREEN PRODUCTION — Resource Conservation
(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	GREEN PRODUCTION
23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	GREEN PRODUCTION — Climate Risk Preparedness

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Financial position, financial performance and cash flows Current financial effect	GREEN PRODUCTION — Climate Risk Preparedness
24. An issuer shall disclose qualitative and quantitative information about: (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and (b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	
Anticipated financial effect	GREEN PRODUCTION — Climate Risk Preparedness
25. The issuer shall provide qualitative and quantitative disclosures about: (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; and (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Climate resilience 26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose: (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; (b) how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out.	GREEN PRODUCTION — Climate Risk Preparedness

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Risk Management	
27. An issuer shall disclose information about:	
(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:	ESG GOVERNANCE
(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);	ESG GOVERNANCE — ESG Risk Management
(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;	
(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);	
(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;	MATERIALITY ASSESSMENT
(v) how the issuer monitors climate-related risks; and	ESG GOVERNANCE — ESG Risk Management
(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;	
(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and	
(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Metrics and Targets	
Greenhouse gas emissions	
28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO2 equivalent, classified as:	GREEN PRODUCTION — Emission Management
(a) Scope 1 greenhouse gas emissions;	
(b) Scope 2 greenhouse gas emissions; and	
(c) Scope 3 greenhouse gas emissions.	
29. An issuer shall:	
(a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;	
(b) disclose the approach it uses to measure its greenhouse gas emissions including:	
(i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions;	
(ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and	
(iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;	
(c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and	
(d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Climate-related transition risks	GREEN PRODUCTION — Climate Risk Preparedness
30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	
Climate-related physical risks	
31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	
Climate-related opportunities	
32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	
Capital deployment	
33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	
Internal carbon prices	
34. An issuer shall disclose:	
(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and	
(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	
or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	
Remuneration	
35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	ESG GOVERNANCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
Industry-based metrics	
36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	GREEN PRODUCTION — Climate Risk Preparedness
Climate-related targets	
37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:	GREEN PRODUCTION
(a) the metric used to set the target;	GREEN PRODUCTION — Emission Management
(b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);	GREEN PRODUCTION — Resource Conservation
(c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);	ABOUT THE REPORT — Scope of the Report
(d) the period over which the target applies;	GREEN PRODUCTION — Emission Management
(e) the base period from which progress is measured;	GREEN PRODUCTION — Resource Conservation
(f) milestones or interim targets (if any);	
(g) if the target is quantitative, whether the target is an absolute target or an intensity target; and	
(h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions.	GREEN PRODUCTION — Emission Management GREEN PRODUCTION — Resource Conservation
39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	GREEN PRODUCTION — Emission Management
40. For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and	GREEN PRODUCTION — Climate Risk Preparedness

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (cont'd)

Disclosure Requirement	Explanation/Reference Section
(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	

INDEPENDENT AUDITOR'S REPORT



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 99 to 200, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), as applicable to audits of financial statements of public interest entities. We have also 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.

INDEPENDENT AUDITOR'S REPORT (cont'd)

KEY AUDIT MATTERS (cont'd)

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

Refer to notes 2.12, 4(b) and 21 to the consolidated financial statements.

The Key Audit Matter

As at December 31, 2025, the Group had lands held for development or sale, properties under development and properties held for sales amounting to approximately RMB972,969,000, RMB1,773,689,000 and RMB803,020,000, respectively, which represented approximately 52.5% of the total assets of the Group.

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

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

How the matter was addressed in our audit

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

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

KEY AUDIT MATTERS (cont'd)

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

Refer to notes 2.10, 4(b), 23 and 45.5 to the consolidated financial statements.

The Key Audit Matter

As at December 31, 2025, the Group had trade, bills and other receivables amounting to approximately RMB1,080,875,000, net of ECL allowance amounting to RMB111,328,000.

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

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

How the matter was addressed in our audit

Our audit procedures in relation to the ECL allowance included:

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

KEY AUDIT MATTERS (cont'd)

Impairment of property, plant and equipment

Refer to notes 2.21, 4(b) and 14 to the consolidated financial statements.

The Key Audit Matter

As at December 31, 2025, the Group had property, plant and equipment amounting to approximately RMB1,341,424,000.

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.

How the matter was addressed in our audit

Our audit procedures in relation to the impairment of property, plant and equipment included:

- obtaining the management's procedures on identifying property, plant and equipment with impairment indicators;
- discussing indicators of impairment of property, plant and equipment in cash generating units;
- assessing the methodologies used by the external valuer to estimate resale values and by management to estimate values in use; and
- evaluating the key assumptions adopted in the preparation of the financial forecasts, including projected future growth rates for income and expenses and discount rates with reference to our understanding of the business, historical trends and available industry information and market data.

INDEPENDENT AUDITOR'S REPORT (cont'd)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2025 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT (cont'd)

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (cont'd)

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, 2026

Lam Kam Fung

Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	1,110,675	1,025,691
Cost of sales		(699,412)	(624,918)
Gross profit		411,263	400,773
Other income	6	4,367	6,225
Other gains and losses, net	7	16,960	14,238
Share of result of an associate	17	156	1,684
Selling and distribution costs		(66,687)	(62,224)
Administrative expenses		(224,385)	(173,474)
Provision for impairment loss on financial assets, net		(9,799)	(7,515)
Finance costs	8	(36,978)	(54,268)
Profit before income tax	9	94,897	125,439
Income tax expense	11	(23,363)	(55,755)
Profit for the year		71,534	69,684
Other comprehensive income, including reclassification adjustments			
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/profit on translation of financial statements of foreign operations		(15,702)	2,580
Total comprehensive income for the year		55,832	72,264
Profit for the year attributable to:			
– Owners of the Company		34,765	63,535
– Non-controlling interests		36,769	6,149
		71,534	69,684
Profit and total comprehensive income attributable to:			
– Owners of the Company		20,423	65,389
– Non-controlling interests		35,409	6,875
		55,832	72,264
Earnings per share attributable to the owners of the Company (expressed in RMB per share)	13		
Basic		2.08 cents	4.40 cents
Diluted		1.74 cents	3.39 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	1,341,424	1,073,694
Right-of-use assets	15	112,936	137,058
Investment properties	16	8,534	9,190
Interests in associates	17	25,234	25,078
Intangible assets	18	125	18
Financial asset at fair value through profit or loss	19	–	20,389
Prepayment for acquisition of freehold land	20	126,518	129,391
Prepayment for acquisition of property, plant and equipment		41,446	10,780
Lands held for development or sale	21	102,948	674,585
Deferred tax assets	33	66,219	76,313
		1,825,384	2,156,496
Current assets			
Inventories	22	88,073	68,654
Properties under development for sale	21	1,773,689	1,773,645
Properties held for sale	21	803,020	850,485
Lands held for development or sale	21	870,021	–
Trade, bills and other receivables	23	1,080,875	1,070,378
Prepaid income tax	24	20,493	20,915
Prepaid land appreciation tax	25	6,689	6,672
Pledged bank deposits	26	–	40,000
Restricted bank deposit for property development business	26	1,347	3,684
Cash and cash equivalents	26	291,829	301,685
		4,936,036	4,136,118
Current liabilities			
Trade, bills and other payables	27	735,329	492,582
Lease liabilities	28	25,161	18,113
Contract liabilities	29	551,442	539,076
Bank borrowings	30	215,438	184,453
Tax payable		164,106	240,219
Amounts due to non-controlling interests of subsidiaries	31	32,635	83,162
Convertible bonds	32	–	131,881
Derivative financial instruments	32	–	19,693
		1,724,111	1,709,179
Net current assets		3,211,925	2,426,939
Total assets less current liabilities		5,037,309	4,583,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

as at December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	28	13,344	23,462
Bank borrowings	30	775,052	508,987
Deferred tax liabilities	33	14,696	15,020
		803,092	547,469
Net assets		4,234,217	4,035,966
CAPITAL AND RESERVES			
Share capital	34	2,078	1,654
Reserves	35	3,964,741	3,802,323
Equity attributable to the owners of the Company		3,966,819	3,803,977
Non-controlling interests		267,398	231,989
Total equity		4,234,217	4,035,966

The consolidated financial statements on pages 99 to 200 were approved and authorised for issue by the Board of Directors on March 31, 2026 and are signed on its behalf by:

Zhu Zhangjin
Director

Zhou Xiaohong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2025

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium*	Statutory reserve*	Special reserve*	Share option reserve*	Other reserve*	Translation reserve*	Retained earnings*	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(Note)										
Balance at January 1, 2025	1,654	1,452,456	171,276	153,950	4,618	(41,703)	6,080	2,055,646	3,803,977	231,989	4,035,966
Profit for the year	-	-	-	-	-	-	-	34,765	34,765	36,769	71,534
Other comprehensive expense	-	-	-	-	-	-	(14,342)	-	(14,342)	(1,360)	(15,702)
Total comprehensive income for the year	-	-	-	-	-	-	(14,342)	34,765	20,423	35,409	55,832
Share option lapsed	-	-	-	-	(4,618)	-	-	4,618	-	-	-
Issue of ordinary shares upon conversion of convertible bonds (note 32)	424	141,995	-	-	-	-	-	-	142,419	-	142,419
Balance at December 31, 2025	2,078	1,594,451	171,276	153,950	-	(41,703)	(8,262)	2,095,029	3,966,819	267,398	4,234,217

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Profit before income tax		94,897	125,439
Adjustments for:			
Provision of allowance for inventories, net		339	90
Amortization of intangible assets		24	8
Provision of financial guarantees		4,119	–
Amortisation of financial guarantees		(2,373)	(5,425)
Depreciation of property, plant and equipment		48,215	49,425
Depreciation of investment properties		656	656
Depreciation of right-of-use assets		26,080	28,812
Finance costs		36,978	54,268
Loss on disposal of financial asset at fair value through profit or loss		15,831	–
Provision for impairment loss on financial assets, net		9,799	7,515
Change in fair value of financial asset at fair value through profit or loss		311	1,273
Fair value changes on derivative component of convertible bonds		(4,246)	(5,799)
Interest income		(1,585)	(2,188)
(Gain)/Loss on early termination of right-of-use assets		(215)	2,038
(Gain)/Loss on disposal of property, plant and equipment		(42,890)	1,495
Share of result of an associate		(156)	(1,684)
Written-back on payables		(1,615)	–
Operating cash flows before working capital changes		184,169	255,923
Decrease in properties under development and properties held for sale		47,421	56,333
Increase in lands held for development or sale		(298,384)	(181,037)
Decrease/(Increase) in restricted bank deposits		2,337	(413)
Increase in inventories		(19,758)	(4,781)
Increase/(Decrease) in contract liabilities		12,366	(7,295)
Increase in trade, bills and other receivables		(23,102)	(125,800)
Decrease in trade, bills and other payables		242,616	81,826
Cash generated from operations		147,665	74,756
Land appreciation tax ("LAT") paid		(33,165)	(19,545)
Income tax paid		(56,136)	(19,939)
Net cash from operating activities		58,364	35,272

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(370,358)	(169,576)
Purchase of Intangible assets		(131)	–
Decrease of pledged bank deposits		40,000	41,650
Increase in amount due to an associate		–	12,000
Interest received		1,585	2,188
Proceeds from disposal of property, plant and equipment		56,069	–
Proceeds from disposal of financial asset at fair value through profit or loss		4,247	–
Net cash used in investing activities		(268,588)	(113,738)
Cash flows from financing activities			
Proceeds from new bank borrowings	40	513,092	263,100
Repayment of bank borrowings	40	(213,297)	(298,906)
Interest paid	40	(35,262)	(49,631)
Interest elements of lease rentals paid	40	(2,258)	(1,930)
Capital elements of lease rentals paid	40	(5,549)	(21,425)
Decrease in amounts due to non-controlling interests of subsidiaries	40	(50,527)	(77,613)
Net cash from/(used in) financing activities		206,199	(186,405)
Net decrease in cash and cash equivalents		(4,025)	(264,871)
Cash and cash equivalents at beginning of year		301,685	567,542
Effect of foreign exchange rate changes		(5,831)	(986)
Cash and cash equivalents at end of year, represented by bank balances and cash		291,829	301,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2025

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) property development; (iii) lands and property development in special economic zone (“Special Economic Zone”); and (iv) travel and tourism-related operations.

The consolidated financial statements for the year ended December 31, 2025 were approved for issue by the Board of Directors on March 31, 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.2 Basis of consolidation

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

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

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

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

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.2 Basis of consolidation (cont'd)

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

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

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

2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.3 Associates (cont'd)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.4 Foreign currency translation

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

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

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

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

2.5 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.5 Property, plant and equipment (cont'd)

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

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.16.

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.

2.6 Investment property

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.7 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 2.21).

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
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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 2.21.

2.8 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

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 ("FVOCI").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.8 Financial instruments (cont'd)

Financial assets (cont'd)

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Non-equity investments held by the Group are classified into amortized cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.19).

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

Financial assets at FVTPL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.8 Financial instruments (cont'd)

Financial assets (cont'd)

Subsequent measurement of financial assets (cont'd)

Debt investments (cont'd)

Equity investments

Equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

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

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

All interest-related charges are recognized in accordance with the Group's accounting policy for borrowing costs (see note 2.23).

Accounting policies of lease liabilities is set out in note 2.16.

Borrowings

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.8 Financial instruments (cont'd)

Financial liabilities (cont'd)

Convertible Bonds

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

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

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

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

Other financial liabilities

Other financial liabilities including trade 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.

2.9 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.

2.10 Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.10 Impairment of financial assets (cont'd)

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

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

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

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

Trade and bill receivables

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

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

Other financial assets measured at amortized cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.10 Impairment of financial assets (cont'd)

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.11 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.

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

Lands held for development or sale are stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period. Lands held for development or sale, are classified as non-current assets when the expected development period exceeds one year.

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

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

2.13 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 26.

2.14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.15 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 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 2.10 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized over the guarantee period.

2.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.16 Leases (cont'd)

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.16 Leases (cont'd)

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

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

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

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

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

(b) *The Group as a lessor*

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

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

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

2.17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.18 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.

2.19 Revenue recognition

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.19 Revenue recognition (cont'd)

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

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

Manufacture and trading of upholstered furniture

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

Lands and property development

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

Deposits and instalments received on lands and properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (note 2.14). There is generally only one performance obligation (which is delivery of completed lands or properties) and the consideration include no variable amount.

Other services

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.19 Revenue recognition (cont'd)

Interest income

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

Rental income

Accounting policies for rental income are set out in note 2.16.

2.20 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.

2.21 Impairment of non-financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.22 Employee benefits

Retirement benefit

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.23 Borrowing costs

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

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

2.24 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.24 Accounting for income taxes (cont'd)

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

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

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

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

- (a) the Group has the legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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 reflect the revised estimate with a corresponding adjustment to share option reserve.

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

2.27 Related parties

For the purpose of the consolidated financial statements, a party is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

2.27 Related parties (cont'd)

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

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

3. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS

Amended IFRS Accounting Standards that are effective for annual periods beginning on January 1, 2025

In the current year, the Group has applied for the first time the Amendments to IAS 21 "Lack of Exchangeability" which are effective for the Group's consolidated financial statements for the annual period beginning on January 1, 2025.

The amendments do not have a material impact on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Issued but not yet effective IFRS Accounting Standards

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

IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures and related amendments ²
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature dependent Electricity 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 Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ¹
Amendment to IAS 21	Translation to Hyperinflationary Presentation Currency ²

¹ Effective for annual periods beginning on or after January 1, 2026

² Effective for annual periods beginning on or after January 1, 2027

³ Effective date to be determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

IFRS 18 “Presentation and Disclosure in Financial Statements” (“IFRS 18”)

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

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

- reporting newly defined subtotals (namely “operating profits” and “profits before financing and income tax”), and classifying items into five newly defined categories (namely “operating”, “investing”, “financing”, “income tax” and “discontinued operation”), depending on the reporting entity’s main business activities, in the consolidated statement of profit or loss and other comprehensive income;
- Disclosure of management-defined performance measures (“MPMs”) in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.

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

- using “operating profit or loss” as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting judgements

Current and deferred income taxes

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

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. As at December 31, 2025, the carrying amounts of deferred tax assets are RMB66,219,000 (2024: approximately RMB76,313,000). Details of deferred tax assets are set out in note 33.

As detailed in note 33, deferred tax liabilities have not been recognized as at December 31, 2025 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

PRC land appreciation tax

As detailed in note 25, the Group is subject to LAT in the PRC. However, the implementation and settlement of these taxes varies across 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

(b) Key sources of estimation uncertainties

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

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

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

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

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

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

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

As at December 31, 2025, the carrying amounts of lands held for development or sale, properties under development and properties held for sale are approximately RMB972,969,000, RMB1,773,689,000 and RMB803,020,000, net of accumulated allowance of RMBNil, approximately RMB31,636,000 and RMB18,408,000, respectively (2024: approximately RMB674,585,000, RMB1,773,645,000 and RMB850,485,000, net of accumulated allowance of RMB Nil, RMB31,636,000 and RMB18,408,000, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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

Estimation of impairment of trade, bills and other receivables

The Group follows the guidance of IFRS 9 to make allowances on items subject to ECL including trade, bills and other receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 2.10. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade, bills and other receivables and provision for impairment in the periods in which such estimate has been changed.

As at December 31, 2025, the carrying amounts of trade, bills and other receivables is approximately RMB1,080,875,000 (2024: approximately RMB1,070,378,000), net of accumulated impairment loss allowance of approximately RMB111,328,000 (2024: approximately RMB101,529,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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

Depreciation charges of property, plant and equipment and investment properties

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

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, 2025 and 2024, 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 are responsible for allocating resources and assessing performance of the operating segment, has identified the Group's operating and reportable segments as below and further described in note 2.25:

- (i) Manufacturing and trading of upholstered furniture ("Manufacturing");
- (ii) Property development ("Property development");
- (iii) Special Economic Zone; and
- (iv) Others, comprising mainly provision of travel and tourism-related services, catering and entertainment services and provision of property management service ("Others").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

For the year ended December 31, 2025:

	Manufacturing RMB'000	Property development RMB'000	Special Economic Zone RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
External sales	628,146	135,170	276,365	70,994	–	1,110,675
Inter-segment sales	–	–	–	10,095	(10,095)	–
	<u>628,146</u>	<u>135,170</u>	<u>276,365</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,110,675</u>

For the year ended December 31, 2024:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Disaggregation of revenue from contracts with customers

For the year ended December 31, 2025:

	Manufacturing	Property development	Special Economic Zone	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical markets						
United States	395,136	-	-	-	-	395,136
PRC, including Hong Kong	27,903	86,312	-	81,089	(10,095)	185,209
Cambodia	94,220	48,858	276,365	-	-	419,443
Europe	106,805	-	-	-	-	106,805
Others	4,082	-	-	-	-	4,082
	<u>628,146</u>	<u>135,170</u>	<u>276,365</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,110,675</u>
Major products and services						
Sales of upholstered furniture	628,146	-	-	-	-	628,146
Sales of properties	-	135,170	259,166	-	-	394,336
Travel & tourism-related services	-	-	-	1,523	-	1,523
Catering & entertainment	-	-	-	59,562	(2,637)	56,925
Property management services	-	-	971	20,004	(7,458)	13,517
	<u>628,146</u>	<u>135,170</u>	<u>260,137</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,094,447</u>
Rental income (note)	-	-	16,228	-	-	16,228
	<u>628,146</u>	<u>135,170</u>	<u>276,365</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,110,675</u>
Timing of revenue recognition (excluding rental income)						
At a point in time	628,146	135,170	259,166	60,062	(2,637)	1,079,907
Transferred over time	-	-	971	21,027	(7,458)	14,540
	<u>628,146</u>	<u>135,170</u>	<u>260,137</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,094,447</u>
Rental income	-	-	16,228	-	-	16,228
	<u>628,146</u>	<u>135,170</u>	<u>276,365</u>	<u>81,089</u>	<u>(10,095)</u>	<u>1,110,675</u>

Note: Rental income is presented as revenue as it arises from the principal activities of Special Economic Zone.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

For the year ended December 31, 2024:

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

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:

	2025 RMB'000	2024 RMB'000
Segment profit/(loss)		
– Manufacturing	39,982	44,108
– Property development	(42,044)	2,807
– Special Economic Zone	75,405	20,157
– Others	(17,989)	8,910
	55,354	75,982
Unallocated corporate income	43,120	5,283
Unallocated other gains and losses	(26,940)	(11,581)
	71,534	69,684

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

For the year ended December 31, 2025

	Manufacturing RMB'000	Property development RMB'000	Special Economic Zone RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Share of result of an associate	-	156	-	-	-	156
Interest income	751	35	763	35	1	1,585
Depreciation and amortization of non-current assets	(32,120)	(31,173)	(2,866)	(8,004)	(812)	(74,975)
Finance costs	(6,033)	(28,731)	-	(768)	(1,446)	(36,978)
Income tax expense	(11,963)	(11,252)	-	(148)	-	(23,363)

For the year ended December 31, 2024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2.25. Segment profit/(loss) mainly represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain/(loss). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Unallocated corporate income/(expense) mainly include fair value changes of financial guarantee, financial assets at FVTPL and derivative component of convertible bonds, interest charges on convertible bonds and gain on disposal of property, plant and equipment amounting to approximately RMB43,119,000 (2024: RMBNil).

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

Segment assets

	2025 RMB'000	2024 RMB'000
Manufacturing	534,418	608,018
Property development	4,019,594	4,154,972
Special Economic Zone	1,177,690	703,491
Others	938,265	704,353
Total segment assets	6,669,967	6,170,834
Unallocated	91,453	121,780
Consolidated assets	6,761,420	6,292,614

Segment liabilities

	2025 RMB'000	2024 RMB'000
Manufacturing	279,800	273,176
Property development	1,427,927	1,555,042
Special Economic Zone	756,121	189,780
Others	48,659	72,056
Total segment liabilities	2,512,507	2,090,054
Unallocated	14,696	166,594
Consolidated liabilities	2,527,203	2,256,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

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

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

Geographical information

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

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

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

	Revenue from external customers		Non-current assets	
	Year ended December, 31		At December, 31	
	2025	2024	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States	395,136	341,369	–	–
PRC, including Hong Kong	185,209	333,644	923,236	1,036,688
Cambodia	419,443	241,814	357,063	888,483
Europe	106,805	108,038	–	–
Others	4,082	826	478,866	134,623
	1,110,675	1,025,691	1,759,165	2,059,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customer

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Customer A (<i>note</i>)	239,658	215,416

Note: Revenue from Manufacturing segment.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Sale of goods		
Upholstered furniture	628,146	551,891
Lands and properties	394,336	386,966
	1,022,482	938,857
Rental income	16,228	–
Provision of services		
Others (<i>note</i>)	71,965	86,834
	1,110,675	1,025,691

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

The transaction price allocated to the remaining performance obligations (including unsatisfied or partially unsatisfied) as at December 31, 2025 and the expected timing of recognising revenue as follows:

	Property development	
	2025	2024
	RMB'000	RMB'000
More than one year but not more than two years	—	1,010,000

6. OTHER INCOME

	2025	2024
	RMB'000	RMB'000
Government grants (note (a))	299	763
Interest income	1,585	2,188
Rental income (note (b))	848	1,432
Others	1,635	1,842
	4,367	6,225

Notes:

- (a) Government grants represent various incentives received from government for business development. There were no specific conditions attached to the incentives.
- (b) Rental income represents leasing of insignificant portion of the Group's spare production warehouse, currently classified as property, plant and equipment, to external parties on a short-term basis and investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

7. OTHER GAINS AND LOSSES

	2025 RMB'000	2024 RMB'000
Gain/(Loss) on early termination of leases	215	(2,038)
Net foreign exchange (loss)/gain	(15,129)	5,385
Donation	(49)	(185)
Change in fair value of financial asset at FVTPL	(311)	(1,273)
Fair value of financial guarantee issued on initial recognition (note)	(4,119)	–
Fair value changes on derivative component of convertible bonds (note 32)	4,246	5,799
Gain/(Loss) on disposal of property, plant and equipment, net	42,890	(1,495)
Loss on disposal of financial assets at FVTPL	(15,831)	–
Release of financial guarantees (note)	2,373	5,425
Written-back of payables	1,615	–
Penalty	48	3,607
Others	1,012	(987)
	16,960	14,238

Note: 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

	2025 RMB'000	2024 RMB'000
Interest charges on bank borrowings (note)	33,330	47,724
Interest charges on lease liabilities	2,258	1,930
Interest charges on convertible bonds	1,390	4,614
	36,978	54,268

Note: Interest capitalised to lands held for development or sale amounted to RMB12,918,000 (2024: RMB2,031,000) during the year ended 31 December 2025 (note 21(c)) was not included. The annual capitalized rate adopted for general borrowings that used as funds for lands held for development or sale was 7.58% (2024: 6.78%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2025 RMB'000	2024 RMB'000
Amortization of intangible assets	24	8
Depreciation of property, plant and equipment	48,215	49,425
Depreciation of right-of-use assets	26,080	28,812
Depreciation of investment properties	656	656
Total depreciation and amortization	74,975	78,901
Auditor's remuneration		
– Audit service	2,460	2,400
– Non-audit service	400	900
Provision for impairment loss on financial assets, net		
– Trade receivables	6,156	2,065
– Other receivables	3,643	5,450
	9,799	7,515
Cost of inventories under Manufacturing segment recognized as expenses (including net provision for allowance of inventories of RMB339,000 (2024: RMB90,000))	433,888	384,452
Development costs under Property development and Special Economic Zone segments recognized as cost of sales	155,121	199,225
Expenses relating to short term leases	1,129	1,558
Employee costs (including directors' emoluments)		
– Wages, salaries and other benefits	175,518	163,295
– Contributions to defined contribution retirement plans	14,039	13,753
	189,557	177,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

(a) Directors' remuneration

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

Name of director	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2025				
<i>Executive directors:</i>				
Mr. Zhu Zhangjin ("Mr. Zhu")	-	330	26	356
Ms. Zhou Xiaohong	-	251	-	251
	-	581	26	607
<i>Independent non-executive directors:</i>				
Mr. Zhang Yuchuan	164	-	-	164
Mr. Zhou Lingqiang	164	-	-	164
Mr. Chow Hiu Tung	219	-	-	219
	547	-	-	547
Year ended December 31, 2024				
<i>Executive directors:</i>				
Mr. Zhu	-	545	17	562
Ms. Zhou Xiaohong	-	251	-	251
	-	796	17	813
<i>Independent non-executive directors:</i>				
Mr. Zhang Yuchuan	219	-	-	219
Mr. Zhou Lingqiang	164	-	-	164
Mr. Chow Hiu Tung	109	-	-	109
	492	-	-	492

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, 2025 and 2024.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended December 31, 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2024: one) director, whose emoluments are reflected in the analysis presented in note 10(a). The emoluments paid to the remaining four (2024: four) individuals during the year are as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries and allowances	19,111	3,344
Retirement benefit scheme contributions	37	53
	<u>19,148</u>	<u>3,397</u>

The emoluments fell within the following bands:

	2025 Number of individuals	2024
Emolument bands		
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	–	2
Over HK\$1,500,000	2	–
	<u>4</u>	<u>4</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

11. INCOME TAX EXPENSE

	Note	2025 RMB'000	2024 RMB'000
Current income tax			
– PRC Enterprise Income Tax (“EIT”)			
– Current year		19,057	23,120
– Under/(Over)-provision in respect of prior years		32	(3,085)
		19,089	20,035
– Cambodia corporate tax			
– Current year		465	4,004
LAT (credit)/expense		(5,961)	30,223
Deferred tax	33	9,770	1,493
Total income tax expense		23,363	55,755

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:

	2025 RMB'000	2024 RMB'000
Profit before income tax	94,897	125,439
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	17,446	26,363
Tax effect of tax preference in tax rule relate to new and high technology enterprise	(1,217)	(3,460)
Tax effect on non-deductible expenses	31,222	12,183
Tax effect on non-taxable income	(4,755)	(19,883)
Tax effect on LAT	(5,961)	30,223
Tax effect of tax losses not recognized	20,697	22,147
Tax effect of tax preference in Cambodia	(26,626)	(8,783)
Utilisation of tax losses previously not recognized	(4,986)	(110)
Under/(Over)-provision in respect of prior years	32	(3,085)
Others	(2,489)	160
Income tax expense	23,363	55,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 2025, one (2024: two) 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 January 27, 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 2025 is calculated at 16.5% (2024: 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%. No provision for Hong Kong profits tax has been made for subsidiaries domiciled in Hong Kong as at December 31, 2025 (2024: Hong Kong profits tax of one of the subsidiaries of the Group is calculated in accordance with the two-tiered profits tax 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, 2025 and 2024.

(e) British Virgin Islands ("BVI") profit tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended December 31, 2025 and 2024.

(f) Cambodia corporate tax

Taxation arising in Cambodia is calculated at the tax rate 20% prevailing in Cambodia. The Cambodian Government permits enterprises in certain industries to apply for tax incentive. In 2025, two (2024: two) of the Group's Cambodian subsidiaries are entitled to a 75% and 87.5% reduction, respectively. Under the Law on Investment and policies set by the Council for the Development of Cambodia provide tax incentives, including a tax exemption period, for Qualified Investment Project. Moreover in 2025, four (2024: one) of the Group's subsidiaries can enjoy a corporate income tax exemption for 3 years and 9 years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

12. DIVIDEND

The Board does not recommend the payment of a final dividend for the years ended December 31, 2025 and 2024.

13. EARNINGS PER SHARE

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purposes of calculating basic earnings per share		
Effect of dilutive potential ordinary shares:	34,765	63,535
– Fair value changes on derivative component of convertible bonds	(4,246)	(5,799)
– Interest on convertible bonds	1,390	4,614
Profit for the year attributable to owners of the Company for the purpose of calculating diluted earnings per share	31,909	62,350
	2025 <i>Number in thousand</i>	2024 <i>Number in thousand</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	1,672,715	1,443,142
Effect of dilutive potential ordinary shares:		
– Convertible bonds	163,826	393,399
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,836,541	1,836,541

The calculation of diluted earnings per share for the years ended December 31, 2025 and 2024 do not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price of the Company's shares for the years ended December 31, 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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, 2024	26,803	668,598	206,001	28,241	45,029	540,972	1,515,644
Additions	–	26,302	5,216	3,815	1,533	122,262	159,128
Transfer from lands held for development or sale	8,129	–	–	–	–	–	8,129
Disposal	–	–	(6,012)	(4,924)	(1,053)	–	(11,989)
Transfer to investment properties	–	–	–	–	–	(9,846)	(9,846)
Exchange realignment	–	496	145	33	18	–	692
At December 31, 2024	34,932	695,396	205,350	27,165	45,527	653,388	1,661,758
Additions	–	45,125	6,891	3,166	479	249,945	305,606
Transfer from lands held for development or sale	274	–	22,596	–	–	–	22,870
Disposal	–	–	(2,306)	(2,012)	(178)	–	(4,496)
Exchange realignment	–	(1,723)	(324)	(187)	(95)	(8,462)	(10,791)
At December 31, 2025	35,206	738,798	232,207	28,132	45,733	894,871	1,974,947
DEPRECIATION AND IMPAIRMENT							
At January 1, 2024	–	325,418	158,708	18,637	43,864	1,482	548,109
Depreciation expense	–	28,179	19,161	1,255	830	–	49,425
Disposal	–	–	(4,123)	(4,660)	(763)	–	(9,546)
Exchange realignment	–	32	19	28	(3)	–	76
At December 31, 2024	–	353,629	173,765	15,260	43,928	1,482	588,064
Depreciation expense	–	28,596	16,568	2,103	948	–	48,215
Disposal	–	–	(947)	(1,466)	(124)	–	(2,537)
Exchange realignment	–	(77)	(52)	(54)	(36)	–	(219)
At December 31, 2025	–	382,148	189,334	15,843	44,716	1,482	633,523
CARRYING AMOUNTS							
At December 31, 2025	35,206	356,650	42,873	12,289	1,017	893,389	1,341,424
At December 31, 2024	34,932	341,767	31,585	11,905	1,599	651,906	1,073,694

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 RMB8,462,000 (2024: RMB9,926,000) (note 43).

Note: As at December 31, 2025, the freehold land with carrying amount of USD4,950,000 (equivalent to approximately RMB35,206,000) (2024: USD4,911,000 (equivalent to approximately RMB34,932,000)) were situated in Cambodia of which the Group has obtained the relevant title deeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000 Note (a)	Buildings RMB'000 Note (b)	Total RMB'000
At January 1, 2024	86,853	47,852	134,705
Additions	503	29,123	29,626
Early termination	–	(13,680)	(13,680)
Depreciation	(2,362)	(26,450)	(28,812)
Lease modification	–	15,103	15,103
Exchange realignment	–	116	116
At December 31, 2024 and January 1, 2025	84,994	52,064	137,058
Additions	–	292	292
Early termination	–	(4,319)	(4,319)
Depreciation	(3,060)	(23,020)	(26,080)
Disposal	(1,109)	–	(1,109)
Lease modification	–	7,322	7,322
Exchange realignment	12	(240)	(228)
At December 31, 2025	80,837	32,099	112,936

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 (2024: 2 to 5 years). None of the leases includes variable lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

16. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2025 RMB'000	2024 RMB'000
At January 1	9,190	–
Transfer from property, plant and equipment (note 14)	–	9,846
Depreciation	(656)	(656)
At December 31	8,534	9,190

17. INTERESTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Unlisted shares, at cost	17,805	17,805
Share of result of an associate	7,429	7,273
	25,234	25,078

The details of the associates of the Group as at December 31, 2025 and 2024 are set out below:

Name of company*	Form of business structure	Country/place establishment and operation	Particulars of registered capital	Proportion of effective interest held	Principal activities
Yancheng Urban Investment Kasen Property Development Co., Limited ("Yancheng Kasen") * 鹽城城投卡森置業有限公司	Limited liability company	The PRC	RMB40,000,000	27.27% (2024: 27.27%)	Property development project in Jiangsu Province
Jiaxing Guangsentan Technology Co., Limited ("Jiaxing Guangsentan") 嘉興廣森碳科技有限公司 (note) *	Limited liability company	The PRC	RMB1,000,000	50% (2024: 50%)	Provision of technology and application service

Note: The Group has Jiaxing Guangsentan with beneficial interest of 50%. By considering that the Group has no sufficient dominant voting right to direct the relevant activities of Jiaxing Guangsentan unilaterally, the directors of the Company conclude that the Group only has significant influence over Jiaxing Guangsentan and therefore it is classified as an associate of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

17. INTERESTS IN ASSOCIATES (cont'd)

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

Yancheng Kasen

	As at December 31,	
	2025	2024
	RMB'000	RMB'000
Current assets	246,178	253,815
Non-current assets	1	62
Current liabilities	(183,638)	(191,910)
Net assets	62,541	61,967

	For the year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Revenue	12,452	81,790
Profit or loss for the year	573	6,178

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

	2025	2024
	RMB'000	RMB'000
Net assets of Yancheng Kasen	62,541	61,967
Proportion of the Group's ownership interest in Yancheng Kasen	27.27%	27.27%
The Group's share of net assets of Yancheng Kasen	17,054	16,898
Other adjustment (<i>note</i>)	7,680	7,680
	24,734	24,578

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

17. INTERESTS IN ASSOCIATES (cont'd)

Aggregate information of associate that is not individually material:

	2025 RMB'000	2024 RMB'000
Carrying amount of individually immaterial associate in the consolidated statement of financial position	500	500
The Group's share of profit	—	—

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

18. INTANGIBLE ASSETS

	Computer software RMB'000
COST	
At January 1, 2024	5,194
Disposal	(13)
At December 31, 2024 and January 1, 2025	5,181
Addition	131
At December 31, 2025	5,312
ACCUMULATED AMORTIZATION	
At January 1, 2024	5,155
Provided for the year	8
At December 31, 2024 and January 1, 2025	5,163
Provided for the year	24
At December 31, 2025	5,187
CARRYING AMOUNTS	
At December 31, 2025	125
At December 31, 2024	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Financial asset at fair value through profit or loss		
– Unlisted investment fund (<i>note</i>)	–	20,389

Note:

On February 28, 2020, the Company's wholly owned subsidiary, Cardina International Company Limited ("Cardina") entered into a limited partnership agreement which committed to a capital contribution not exceeding US\$10,000,000 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. As at December 31, 2024, the Group's capital contribution to the Greentech Fund was US\$4,373,000 (equivalent to approximately RMB31,435,000). The unlisted investment fund was disposed to an independent third party during the year ended December 31, 2025.

20. PREPAYMENT FOR ACQUISITION OF FREEHOLD LAND

	2025 RMB'000	2024 RMB'000
Freehold land in Cambodia (<i>note</i>)	126,518	129,391

Note: Except for US\$1,000,000 (equivalent to approximately RMB7,029,000) (2024: US\$1,000,000 (equivalent to approximately RMB7,188,000)) which was refundable, the other US\$17,000,000 (equivalent to approximately RMB119,490,000) (2024: US\$17,000,000 (equivalent to approximately RMB122,203,000)) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

21. LANDS HELD FOR DEVELOPMENT OR SALE, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	Lands held for development or sale RMB'000 (note (a))	Properties under development and properties held for sale RMB'000 (note (b))
COST		
At January 1, 2024	262,138	2,730,507
Addition of development expenditure (note (c))	457,514	97,174
Transfer to property, plant and equipment	(8,129)	–
Sales of properties	(40,269)	(158,956)
Exchange realignment	3,331	5,449
At December 31, 2024	674,585	2,674,174
Addition of development expenditure (note (c))	481,673	2,660
Transfer to property, plant and equipment	(22,870)	–
Sales of properties	(145,635)	(42,606)
Exchange realignment	(14,784)	(7,475)
At December 31, 2025	972,969	2,626,753
IMPAIRMENT		
At January 1, 2024	–	50,044
Impairment loss recognized for the year	–	–
At December 31, 2024	–	50,044
Impairment loss recognized for the year	–	–
At December 31, 2025	–	50,044
CARRYING AMOUNTS		
At December 31, 2025	972,969	2,576,709
At December 31, 2024	674,585	2,624,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

21. LANDS HELD FOR DEVELOPMENT OR SALE, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE (cont'd)

Notes:

(a) Lands held for development or sale

At December 31, 2025 and 2024, lands held for development or sale mainly represented the freehold lands located in Cambodia under the Special Economic Zone segment.

As at December 31, 2025, RMB37,342,000 (2024: Nil) lands held for development or sale pledged as security for the borrowings of the Group (note 43).

(b) Properties under development and properties held for sale

The carrying amount of property under development and properties held for sale are presented as:

	2025 RMB'000	2024 RMB'000
<i>Properties under development</i>		
As at January 1	1,773,645	1,687,065
Addition	2,660	85,403
Exchange	(2,616)	1,177
As at December 31	1,773,689	1,773,645
<i>Properties held for sale</i>		
As at January 1	850,485	993,398
Addition	–	11,771
Transfer to cost	(42,606)	(158,956)
Exchange	(4,859)	4,272
As at December 31	803,020	850,485
Total	2,576,709	2,624,130

As at December 31, 2025, RMB1,348,176,000 (2024: RMB1,328,742,000) properties under development and properties held for sale pledged as security for the borrowings and the general banking facilities of the Group and certain connected parties (note 43).

(c) Addition of development expenditure includes interest capitalization of RMB12,918,000 during the year ended December 31, 2025 (note 8) (2024: RMB2,031,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

22. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	51,600	43,559
Work in progress	9,803	10,109
Finished goods	26,670	14,986
Total, net of allowance for inventories	88,073	68,654

23. TRADE, BILLS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade and bill receivables	119,022	112,180
Less: allowance for impairment	(25,282)	(19,126)
	93,740	93,054
Deposits paid for acquisition of land for development for sale (note (a))	603,846	603,846
Less: allowance for impairment	(627)	(627)
	603,219	603,219
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))	15,028	14,387
Prepaid other taxes (note (d))	100,897	95,092
	115,925	109,479
Deposit, prepayments and other receivables (note (e))	321,281	314,273
Less: allowance for impairment	(53,290)	(49,647)
	267,991	264,626
	1,080,875	1,070,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

23. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

Notes:

- (a) In 2013, the Group obtained the control of Hainan Sanya Kasen Property Development Co., Ltd. ("Sanya Kasen"), which then became a 80.5% subsidiary of the Company. Before consolidation into the Group, Sanya Kasen had entered into a land transfer agreement ("Agreement") with an independent third party (the "Vendor"), which Sanya Kasen agreed to purchase and the Vendor agreed to sell a parcel of land in the PRC with area of 1,423,980 sq. meters ("Sanya Land"). The agreement was approved by the local government bureau in 2010 in accordance with local requirement in Hainan province. At the date of obtaining the control of Sanya Kasen, the Group recognized the deposits paid to the Vendor in respect of land acquisition ("Sanya Deposits") amounted to RMB636,856,000 and Sanya Kasen was required to pay the remaining balance of RMB52,800,000 to the Vendor. Up to December 31, 2025, the remaining balance due to the Vendor was RMB10,811,000 (2024: 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, 2025, the local government had announced its land use plan for development in which approximately 976,300 sq. meters (2024: 976,300 sq. meters) of the Sanya Land were included. The Group had obtained the title deeds of partial land with area of 155,857 sq. meters during 2018 to 2020 for starting its business plan.

The management of the Group is of the view that the Agreement remains enforceable and the Group is able to complete the land transfer of the remaining area of 1,268,123 sq. meters and would carry out the procedures for transfer of land title deeds progressively according to its business plan. Accordingly, there is no impairment loss on remaining Sanya Deposits as at December 31, 2025 and 2024.

- (b) In prior years, the Group paid deposits of Malaysian ringgit ("RM") 21,000,000 for acquisitions of two parcels of reclaimed land in Malaysia to the Malaysia vendor. Due to disputes on the work progress of the reclaimed land in Malaysia performed by the Malaysia vendor, the Group and the Malaysia vendor reached an agreement through the Court in Malaysia for termination of the legal proceeding in 2017 under which the Malaysia vendor agreed to refund part of the Malaysia Deposits to the Group by monthly instalments starting from 2017. However, the vendor had failed to repay the remaining balance of RM6,887,400 (equivalent to RMB11,405,000) since 2018. Management considered the remaining balances had been in default and a full provision had been recognized in prior year. Except for approximately RM1,000,000 (equivalent to RMB1,650,000) repayments received from Malaysia vendor after payment reminders sent through the Company's lawyer during 2020 which has been recognized as reversal of impairment loss of trade and other receivables in profit or loss in 2020, there was no further repayment from Malaysia vendor.
- (c) The Group had made advance payments for purchase of inventories to secure the inventory supply. These advance payments are non-refundable and expected to be realised within twelve months from the end of the reporting period.
- (d) The amounts are prepaid tax and surcharges levied. The Group paid on behalf of properties buyers to the tax authority in advance based on the respective tax rate and expects to be realised within twelve months from the end of the reporting period when the properties are completed and control transfer to customers and revenue is recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

23. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

- (e) The amounts included prepayment made to suppliers for property development, and short advances to staff for operation purpose etc. Management expects the amounts to be realised or recovered from counterparties within a year.

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

	2025 RMB'000	2024 RMB'000
0-60 days	83,378	79,790
61-90 days	3,632	1,462
91-180 days	3,515	7,339
181-365 days	8,433	6,591
Over 1 year	20,064	16,998
	119,022	112,180

The Group's trade receivable balances included debtors which are related parties, details of which are set out in note 39(b).

Before accepting any new customers under the Manufacturing segment, the Group reviews the credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors. There has not been significant change in credit quality of the debtors. Further details on the Group's credit policy and credit risk arising from trade, bills and other receivables are set out in note 45.5.

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

	2025 RMB'000	2024 RMB'000
Balance at beginning of the year	101,529	94,014
Provision for ECL allowance recognized during the year	9,799	7,515
Balance at end of the year	111,328	101,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

24. PREPAID INCOME TAX

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

25. PREPAID LAND APPRECIATION TAX

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

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

(a) Pledged bank deposits

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

The deposits carry a fixed interest rate range from 0.3% to 2.75% (2024: 0.10% to 1.25%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings that are with maturity dates not over 1 year.

As at December 31, 2025, included in pledged bank deposit of the Group was RMBNil (2024: RMB40,000,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

As at December 31, 2025, pledged bank deposits of RMBNil (2024: RMB40,000,000) 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 1.2% (2024: 0.2% to 0.7%) per annum.

As at December 31, 2025, included in restricted bank deposits for property development business of the Group was RMB1,347,000 (2024: RMB3,684,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSIT FOR PROPERTY DEVELOPMENT BUSINESS/BANK BALANCES AND CASH (cont'd)

(c) Bank balances and cash

Bank balances and cash comprised of bank deposits with short maturity at prevailing deposit interest rate of 0.1% (2024: 0.2%) per annum and cash on hand.

As at December 31, 2025, included in cash and bank balance of the Group was RMB119,173,000 (2024: RMB286,274,000) of bank balance denominated in RMB placed with bank in the PRC. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

27. TRADE, BILLS AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payable	523,361	318,881
Bill payable	–	1,801
Other payables (note (i))	129,183	97,125
Advance from a director of the Company (note (ii))	2,089	4,240
Other tax payable	14,528	5,999
Accruals	33,514	33,628
Financial guarantees (note 44(b))	1,746	–
Amount due to an associate (note (iii))	30,908	30,908
	735,329	492,582

Notes:

- (i) Other payables mainly included guarantee deposits received from the contractors as securities for properties construction, which would be refunded to the contractors on completion of the properties construction in accordance with specific terms.
- (ii) The advance is unsecured, interest-free and repayable on demand.
- (iii) The amount due is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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

	2025 RMB'000	2024 RMB'000
0 – 60 days	244,775	232,293
61 – 90 days	8,417	58,079
91 – 180 days	2,506	6,556
181 – 365 days	12,037	3,526
1 – 2 years	215,988	6,869
Over 2 years	39,638	13,359
	523,361	320,682

28. LEASE LIABILITIES

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

	2025 RMB'000	2024 RMB'000
Total minimum lease payments:		
Within 1 year	26,613	20,270
After 1 year but within 2 years	9,583	13,880
After 2 years but within 5 years	4,621	10,460
More than 5 years	–	1,275
	40,817	45,885
Future finance charge on lease liabilities	(2,312)	(4,310)
Present value of lease liabilities	38,505	41,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

28. LEASE LIABILITIES (cont'd)

	2025 RMB'000	2024 RMB'000
Present value of minimum lease payments:		
Within 1 year	25,161	18,113
After 1 year but within 2 years	8,913	12,562
After 2 years but within 5 years	4,431	10,900
	38,505	41,575
Less: Portion due within one year included under current liabilities	(25,161)	(18,113)
Portion due after one year included under non-current liabilities	13,344	23,462

During the year ended December 31, 2025, the total cash outflows for the leases is RMB21,399,000 (2024: RMB24,913,000).

29. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Contract liabilities arising from:		
Manufacturing and trading of upholstered furniture	2,108	1,052
Property development	423,221	485,437
Special Economic Zone	122,191	48,737
Other services	3,922	3,850
	551,442	539,076

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

29. CONTRACT LIABILITIES (cont'd)

Property development and Special Economic Zone

The Group takes deposits for the selling price of the lands or properties stated in the sales and purchase agreement before the transfer of control.

Contract liabilities from properties development decreased by RMB62,216,000 (2024: RMB53,330,000) for the year ended December 31, 2025, mainly due to less advances received from properties sales during the year.

Contract liabilities from Special Economic Zone increased by RMB73,454,000 (2024: RMB48,737,000) for the year ended December 31, 2025, mainly due to more advances were received from lands and properties sales during the year.

Other services

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

Revenue recognized in relation to contract liabilities

	2025 RMB'000	2024 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	<u>387,475</u>	<u>461,189</u>

30. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Analysed by:		
– Secured	921,990	638,440
– Unsecured	<u>68,500</u>	<u>55,000</u>
	<u>990,490</u>	<u>693,440</u>
– Denominated in US\$	461,410	123,640
– Denominated in RMB	<u>529,080</u>	<u>569,800</u>
	<u>990,490</u>	<u>693,440</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

30. BANK BORROWINGS (cont'd)

As at December 31, 2025 and 2024, the Group's bank borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount repayable (<i>Note</i>)		
Within one year	215,438	184,453
In the second year	150,338	117,044
In the third to fifth years	524,514	247,543
After the fifth year	100,200	144,400
	990,490	693,440
Less: Amounts shown under current liabilities	(215,438)	(184,453)
Amounts shown under non-current liabilities	775,052	508,987

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

Bank borrowings are fixed-rate borrowings and carry interests ranging from 3.0% to 9.0% (2024: 3.0% to 9.0%) per annum.

The bank borrowings included unsecured bank borrowings of RMB68,500,000 (2024: RMB48,000,000), which were guaranteed by Mr. Zhu, the executive director of the Company, a related company in which Mr. Zhu has significant influence and beneficial interests and certain independent third parties.

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

During the years ended December 31, 2025 and 2024, none of the covenants relating to the drawn down facilities had been breached.

31. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

The movement of the convertible bonds and derivative financial instruments for the year ended December 31, 2025 are set out as below:

	Convertible bonds RMB'000	Derivative financial instruments RMB'000
As at January 1, 2024	–	–
Issued during the period	127,416	25,129
Interest on convertible bonds (note 8)	4,614	–
Interest paid	(1,907)	–
Fair value changes	–	(5,799)
Exchange realignment	1,758	363
As at December 31, 2024	131,881	19,693
Interest on convertible bonds (note 8)	1,390	–
Interest paid	(1,932)	–
Fair value changes	–	(4,246)
Conversion into shares	(129,982)	(15,243)
Exchange realignment	(1,357)	(204)
As at December 31, 2025	–	–

On September 29, 2023, Kasen International Company Limited, a wholly owned subsidiary of the Company entered into the sale and purchase agreement with Ms. Zhu Jiayun ("Ms. Zhu"), pursuant to which Ms. Zhu has agreed to sell, and Kasen International has agreed to purchase 49% of the equity interest in a subsidiary at a consideration of HK\$338,000,000 (equivalent to approximately RMB306,296,000), which will be satisfied by cash of HK\$152,000,000 (equivalent to approximately RMB137,743,000) and the issue of the convertible bonds of HK\$186,000,000 (equivalent to approximately RMB168,553,000).

On January 3, 2024, March 18, 2024 and December 11, 2024, the Company completed the issuance of 1.5-year convertible bonds (the "Convertible Bonds") with aggregate principal amounts of approximately HK\$49,810,000 ("Batch 1"), HK\$33,800,000 ("Batch 2") and HK\$58,013,000 ("Batch 3"), respectively. The Convertible Bonds are denominated in Hong Kong dollars (other than the Company's functional currency), unsecured and with 5% percent coupon rate.

The holder of the Convertible bonds has the right to convert the whole or part of the principal amount of the Convertible Bonds into ordinary shares of the Company at any time from the date of issue of the Convertible Bonds up to seven days before the maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The Convertible Bonds are comprised of convertible bonds (debt component) and derivative financial instruments (derivative component including conversion options).

The fair value of Batch 1, Batch 2 and Batch 3 of the Convertible Bonds, of approximately HK\$58,780,000 (equivalent to approximately RMB53,231,000), HK\$40,312,000 (equivalent to approximately RMB36,580,000) and HK\$67,924,000 (equivalent to approximately RMB62,734,000), was valued by CHFT Advisory and Appraisal Limited.

Batch 1, Batch 2 and Batch 3 consist of:

- (a) a debt component with initial fair value of approximately HK\$48,712,000 (equivalent to approximately RMB44,113,000), HK\$33,212,000 (equivalent to approximately RMB30,137,000) and HK\$57,564,000 (equivalent to approximately RMB53,166,000), respectively, classified as financial liabilities at amortized cost; and
- (b) a conversion option with initial fair value of approximately HK\$10,068,000 (equivalent to approximately RMB9,118,000), HK\$7,100,000 (equivalent to approximately RMB6,443,000) and HK\$10,360,000 (equivalent to approximately RMB9,568,000), respectively, classified as derivative financial liabilities.

The debt component of Convertible Bonds are subsequently measured at amortized cost with an effective interest rate of 6.66%, 6.31% and 5.55% per annum for Batch 1, Batch 2 and Batch 3, respectively, while the derivative financial instruments are measured at fair value, with changes in fair value recognized in profit or loss under "Other gains and losses".

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values of derivative component of Batch 1, Batch 2 and Batch 3 at issue date and conversion date were as follows:

	At issue date			At conversion date		
	Batch 1	Batch 2	Batch 3	Batch 1	Batch 2	Batch 3
Share price	HK\$0.30	HK\$0.29	HK\$0.33	HK\$0.33	HK\$0.33	HK\$0.33
Exercise price	HK\$0.36	HK\$0.36	HK\$0.36	HK\$0.36	HK\$0.36	HK\$0.36
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Volatility	64.10%	67.10%	45.11%	59.55%	68.26%	66.31%
Discount rate	6.68%	6.31%	5.63%	3.68%	3.68%	3.68%
Risk free interest rate	3.78%	4.01%	3.44%	1.72%	1.72%	1.72%

On June 2, 2025, all the Convertible Bonds were converted into 393,399,471 new shares of the Company, and such shares were issued and allotted in totalling of HK\$158,472,000 (equivalent to approximately RMB145,225,000). Share issuance expenses directly attributable to the conversion amounting to RMB2,806,000 was treated as a deduction against the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

33. DEFERRED TAXATION

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

	2025 RMB'000	2024 RMB'000
Deferred tax assets recognized in the consolidated statement of financial position	66,219	76,313
Deferred tax liabilities recognized in the consolidated statement of financial position	(14,696)	(15,020)
Net deferred tax assets	51,523	61,293

The movement of net deferred tax assets is as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	61,293	62,786
Debited to profit or loss (note 11)	(9,770)	(1,493)
Credited to other comprehensive income	–	–
At the end of the year	51,523	61,293

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

Deferred tax assets

	Unrealised profit on intra-group transactions RMB'000	LAT provision RMB'000	Total RMB'000
At January 1, 2024	26,523	49,406	75,929
(Debited)/Credited to profit or loss	(4,125)	4,509	384
At December 31, 2024 and January 1, 2025	22,398	53,915	76,313
Debited to profit or loss	(673)	(9,421)	(10,094)
At December 31, 2025	21,725	44,494	66,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

33. DEFERRED TAXATION (cont'd)

Deferred tax liabilities

	Unrealised profit on intra-group transactions RMB'000
At January 1, 2024	13,145
Credited to profit or loss	1,875
At December 31, 2024 and January 1, 2025	15,020
Debited to profit or loss	(324)
At December 31, 2025	14,696

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

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

Under the EIT Law and Implementation Regulations, PRC withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to off-shore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. For the Group, the application rate is 5%. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,671,167,000 (2024: RMB1,576,986,000).

The directors of the Company are of the view that the undistributed earnings of the PRC subsidiaries as of December 31, 2025 and 2024 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

33. DEFERRED TAXATION (cont'd)

At the end of the reporting period, the Group has unused tax losses of RMB337,437,000 (2024: RMB316,742,000) 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 RMB20,631,000 (2024: RMB14,162,000) can be carried forward indefinitely. The remaining amount of RMB278,284,000 (2024: RMB302,580,000) expires in the following years:

	2025 RMB'000	2024 RMB'000
2025	–	36,637
2026	37,105	39,582
2027	97,119	95,469
2028	35,540	48,582
2029	56,674	82,310
2030	90,368	–
	316,806	302,580

34. SHARE CAPITAL

	Number of ordinary shares (in thousand) at US\$0.00015 each		US\$'000
Authorised:			
At January 1, 2024, December 31, 2024, January 1, 2025 and December 31, 2025	266,666,667		40,000

	2025			2024		
	Number in thousand	US\$	RMB'000	Number in thousand	US\$	RMB'000
Issued and fully paid:						
Ordinary shares of US\$0.00015 each						
As at January 1	1,443,142	216,471	1,654	1,443,142	216,471	1,654
Convertible bonds converted to shares (note 32)	393,399	59,010	424	–	–	–
At December 31	1,836,541	275,481	2,078	1,443,142	216,471	1,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

35. RESERVES

(a) Statutory reserve

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

(b) Special reserve

The special reserve represents the reorganisation completed in 2004 and the deemed contribution/distribution.

(c) Share option reserve

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

(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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries		864,187	864,187
Right-of-use assets		788	1,603
Other receivables		275	275
		<u>865,250</u>	<u>866,065</u>
Current assets			
Other receivables		6,717	5,233
Amounts due from subsidiaries		1,143,261	1,179,106
Cash and cash equivalents		509	1,236
		<u>1,150,487</u>	<u>1,185,575</u>
Current liabilities			
Other payables		1,387	1,488
Amounts due to subsidiaries		364,846	365,429
Convertible bonds		–	131,881
Derivative financial instruments		–	19,693
Lease liability		781	840
		<u>367,014</u>	<u>519,331</u>
Non-current liabilities			
Lease liability		–	775
		<u>–</u>	<u>775</u>
Net current assets		<u>783,473</u>	<u>666,244</u>
Net assets		<u>1,648,723</u>	<u>1,531,534</u>
Equity			
Share capital	34	2,078	1,654
Reserves (note)		1,646,645	1,529,880
		<u>1,648,723</u>	<u>1,531,534</u>
Total equity		<u>1,648,723</u>	<u>1,531,534</u>

Approved and authorised for issue by the board of directors on March 31, 2026.

Zhu Zhangjin
Director

Zhou Xiaohong
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Note: Movements of the Company's reserves

	Share premium RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2024	1,452,456	168,659	4,618	(72,969)	1,552,764
Loss and total comprehensive expense for the year	–	–	–	(8,851)	(8,851)
Deemed distribution	–	(14,033)	–	–	(14,033)
At December 31, 2024 and January 1, 2025	1,452,456	154,626	4,618	(81,820)	1,529,880
Loss and total comprehensive expense for the year	–	–	–	(25,230)	(25,230)
Issue of ordinary shares upon conversion of convertible bonds	141,995	–	–	–	141,995
Lapse of share options	–	–	(4,618)	4,618	–
At December 31, 2025	1,594,451	154,626	–	(102,432)	1,646,645

37. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries, each of which is a limited liability company, at December 31, 2025 and 2024 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 Company Ltd. ("Kasen International") 卡森國際有限公司	Cayman Islands	Limited liability company	US\$10	100% (2024: 100%)	Investment holding
Investwise International Limited 智威國際有限公司	British Virgin Islands	Limited liability company	US\$1	100% (2024: 100%)	Trading of leather, furniture and sofas
Indirectly held by the Company					
Cardina International Co., Ltd 凱迪納國際有限公司	Cayman Islands	Limited liability company	US\$1	100% (2024: 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% (2024: 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% (2024: 100%)	Investment holding and import/ export trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

37. PARTICULARS OF SUBSIDIARIES (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.* 海寧卡雷諾傢私有限公司 (note (a))	The PRC	Limited liability company	US\$7,280,000	100% (2024: 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% (2024: 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% (2024: 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% (2024: 100%)	Production and sale of sofas, dining chairs and other furniture products
Haining Hidea Furniture Co., Ltd.* 海寧慧達傢俱有限公司 (note (a))	The PRC	Limited liability company	US\$8,000,000	100% (2024: 100%)	Production and sale of sofas, dining chairs and other furniture products
Hainan Boao Kasen Property Development Co., Ltd. ("Hainan Boao")* 海南博鰲卡森置業有限公司	The PRC	Limited liability company	RMB100,000,000	92% (2024: 92%)	Property development
Changbai Mountain Protection Development Zone Kasen Property Development Co., Ltd. ("Changbai Mountain")* 長白山保護開發區卡森置業有限公司	The PRC	Limited liability company	RMB80,000,000	89% (2024: 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% (2024: 55%)	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

37. PARTICULARS OF SUBSIDIARIES (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% (2024: 80.5%)	Property development
Cambodian Kasen Guoji Real Estate Co., Ltd. ("Cambodian Kasen") (note (c))	Cambodia	Limited liability company	US\$2,868,948	49% (2024: 49%)	Property development
Kasen International Paper Co. Ltd (note (c))	Cambodia	Limited liability company	US\$1,000,000	49% (2024: 49%)	Investment holding
Kasen International Eco-Manufacture Co. Ltd	Cambodia	Limited liability company	Riel86,400,000,000	100% (2024: 100%)	Investment holding
Koh Kong Zhejiang Sez Co., Ltd ("Koh Kong") (note (c))	Cambodia	Limited liability company	Riel28,000,000,000	49% (2024: 49%)	Lands development
Kasen Power Green Energy LLC	Mongolia	Limited liability company	MNT64,763,000,000	100% (2024:100%)	Energy

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

Notes:

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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

Hainan Boao

	2025 RMB'000	2024 RMB'000
Proportion of ownership interests held by non-controlling interests	8%	8%
Current assets	1,785,153	1,782,432
Non-current assets	112,372	112,269
Current liabilities	(1,313,609)	(1,279,164)
Non-current liabilities	(381,500)	(386,600)
Equity attributable to owners of the Company	186,223	210,623
Non-controlling interest	16,193	18,314
	2025 RMB'000	2024 RMB'000
Revenue	77,716	199,836
Expenses and other gains and losses	(120,472)	(178,902)
(Loss)/Profit and total comprehensive (expense)/income attributable to the owner of the Company	(39,336)	19,260
(Loss)/Profit and total comprehensive (expense)/income attributable to non-controlling interest	(3,420)	1,674
(Loss)/Profit and total comprehensive (expense)/income for the year	(42,756)	20,934
Net cash (used in)/from operating activities	(29,441)	16,939
Net cash (used in)/from investing activities	(292)	4,760
Net cash used in financing activities	(13,500)	(61,000)
Net cash outflow	(43,233)	(39,301)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Cambodia Kasen

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Proportion of ownership interests held by non-controlling interests	51%	51%
Current assets	431,504	454,590
Non-current assets	4,537	5,650
Current liabilities	(501,886)	(505,624)
Non-current liabilities	(42,353)	(51,756)
Equity attributable to owners of the Company	(53,017)	(47,599)
Non-controlling interest	(55,181)	(49,541)
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	48,857	122,383
Expenses and other gains or losses	(59,914)	(118,333)
(Loss)/Profit and total comprehensive (expense)/income attributable to the owner of the Company	(5,418)	1,984
(Loss)/Profit and total comprehensive (expense)/income attributable to non-controlling interest	(5,639)	2,066
(Loss)/Profit and total comprehensive (expense)/income for the year	(11,057)	4,050
Net cash from operating activities	9,321	41,385
Net cash used in investing activities	(184)	(1,540)
Net cash used in financing activities	(9,404)	(17,654)
Net cash (outflow)/inflow	(267)	22,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Jiangsu Kasen

	2025 RMB'000	2024 RMB'000
Proportion of ownership interests held by non-controlling interests	45%	45%
Current assets	127,932	129,216
Non-current assets	11,116	11,311
Current liabilities	(40,651)	(56,924)
Equity attributable to owners of the Company	54,118	45,982
Non-controlling interest	44,279	37,621
	2025 RMB'000	2024 RMB'000
Revenue	–	2,818
Expenses and other gains and losses	14,794	(11,266)
Profit/(Loss) and total comprehensive income/(expense) attributable to the owner of the Company	8,137	(4,646)
Profit/(Loss) and total comprehensive income/(expense) attributable to non-controlling interest	6,657	(3,802)
Profit/(Loss) and total comprehensive income/(expense) for the year	14,794	(8,448)
Net cash from/(used in) operating activities	4,805	(53,873)
Net cash from financing activities	–	85,000
Net cash inflow	4,805	31,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Koh Kong

	2025 RMB'000	2024 RMB'000
Proportion of ownership interests held by non-controlling interests	51%	51%
Current assets	1,224,648	47,917
Non-current assets	104,180	618,817
Current liabilities	(497,667)	(275,608)
Non-current liabilities	(419,057)	(71,884)
Equity attributable to owners of the Company	201,931	157,338
Non-controlling interest	210,173	161,904
	2025 RMB'000	2024 RMB'000
Revenue	276,365	74,426
Expenses	(183,503)	(47,640)
Profit and total comprehensive income attributable to the owner of the Company	45,503	13,125
Profit and total comprehensive income attributable to non-controlling interest	47,359	13,661
Profit and total comprehensive income for the year	92,862	26,786
Net cash used in operating activities	(243,600)	(357,646)
Net cash used in investing activities	(1,554)	(92)
Net cash from financing activities	353,798	362,556
Net cash inflow	108,644	4,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

Changbai Mountain

	2025 RMB'000	2024 RMB'000
Proportion of ownership interests held by non-controlling interests	11%	11%
Current assets	361,100	364,340
Non-current assets	131,537	136,047
Current liabilities	(670,696)	(673,434)
Equity attributable to owners of the Company	(158,472)	(154,012)
Non-controlling interest	(19,587)	(19,035)
	2025 RMB'000	2024 RMB'000
Revenue	3,635	2,127
Expenses	(8,649)	(7,673)
Loss and total comprehensive expense attributable to the owner of the Company	(4,462)	(4,936)
Loss and total comprehensive expense attributable to non-controlling interest	(552)	(610)
Loss and total comprehensive expense for the year	(5,014)	(5,546)
Net cash from/(used) in operating activities	5,378	(191)
Net cash from investing activities	153	–
Net cash inflow/(outflow)	5,531	(191)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

39. 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, 2025 and 2024, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

	2025 RMB'000	2024 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*	416	824

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

Note: Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited ("Sunbridge")'s general meeting. Mr. Zhu has significant influence and beneficial interests in Haining Yujie, through Sunbridge during 2025 and 2024. 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:

	2025 RMB'000	2024 RMB'000
Starcorp Corporation Pty. Ltd. (note)	1,113	1,138
Haining Yujie (note)	893	765
	2,006	1,903

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

39. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel remuneration

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

	2025 RMB'000	2024 RMB'000
Salaries and allowances	20,180	3,391
Retirement benefit scheme contributions	67	47
	20,247	3,438

(d) Financial guarantees

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

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	Bank borrowings	
	2025 RMB'000	2024 RMB'000
At the beginning of the year	693,440	728,211
Cash flows:		
– Additions	513,092	263,100
– Repayment	(213,297)	(298,906)
– Interest paid	(33,330)	(47,724)
Non-cash:		
– Interest expenses (note 8)	33,330	47,724
– Exchange alignment	(2,745)	1,035
At the end of the year	990,490	693,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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

	Lease liabilities	
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	41,575	30,997
Cash flows:		
– Capital element of lease payments paid	(5,549)	(21,425)
– Interest element of lease payments paid	(2,258)	(1,930)
Non-cash:		
– Interest expenses (note 8)	2,258	1,930
– Early termination	(4,534)	(11,642)
– Lease modification	7,322	15,103
– Entering into new lease	–	29,123
– Exchange alignment	(309)	(581)
At the end of the year	38,505	41,575
Amounts due to non-controlling interests of subsidiaries		
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	83,162	227,364
Cash flows:		
– Repayment	(50,527)	(77,613)
Non-cash:		
– Issuance of convertible bonds	–	(66,589)
At the end of the year	32,635	83,162
Convertible bonds		
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	131,881	–
Cash flows:		
– Acquisition of a subsidiary	–	127,416
– Interest paid	(1,932)	(1,907)
Non-cash:		
– Interest expenses	1,390	4,614
– Conversion of convertible bonds (note 32)	(129,982)	–
– Exchange alignment	(1,357)	1,758
At the end of the year	–	131,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

41. SHARE OPTION

2005 Share Option Scheme

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

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.

2015 Share Option Scheme

Subsequent to the expiry of 2005 Share Option Scheme, a new share option scheme was adopted by the Company pursuant to shareholders resolution passed on May 29, 2015 (the “2015 Share Option Scheme”) for the primary purpose of providing incentive to directors and eligible employees, thus, the 2005 Share Option Scheme was terminated on the same day but the options issued under the 2005 Share Option Scheme would remain effective pursuant to terms of its issuance. The 2015 Share Option Scheme became effective on May 29, 2015 and the options issued pursuant to the 2015 Share Option Scheme will expire no later than 10 years from the date of grant of the option.

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 (representing 116,232,298 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

41. SHARE OPTION (cont'd)

2025 Share Option Scheme

Upon the expiry of 2015 Share Option Scheme, a new share option scheme was adopted by the Company pursuant to shareholders resolution passed on May 30, 2025 (the "2025 Share Option Scheme") for the primary purpose of providing incentive to directors and eligible employees, thus, the 2015 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 2025 Share Option Scheme became effective on May 30, 2025 and the options issued pursuant to the 2025 Share Option Scheme will expire no later than 10 years from the date of grant of the option.

The total number of shares in respect of which options may be granted under the 2025 Share Option Scheme is not permitted to exceed 10% of the shares of the Company on May 30, 2025 (representing 144,314,188 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, 2015 Share Option Scheme and 2025 Share Option Scheme are 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 respective Schemes.

As at December 31, 2025 and 2024, no options have been granted by the Company under the 2025 Share Option Scheme and 2015 Share Option Scheme, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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, 2025 and 2024:

	2025		2024	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Directors				
At the beginning of the year	4,000,000	1.37	4,000,000	1.37
Lapsed	(4,000,000)	1.37	–	–
Outstanding at the end of the year	–	–	4,000,000	1.37

	2025		2024	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Eligible employees				
At the beginning of the year	6,850,000	1.37	6,850,000	1.37
Lapsed	(6,850,000)	1.37	–	–
Outstanding at the end of the year	–	–	6,850,000	1.37

Notes:

- (i) All outstanding share options as at 31 December 2024 were vested from May 26, 2015 to December 31, 2015 with exercisable period from January 1, 2016 to May 25, 2025.
- (ii) The options outstanding at December 31, 2024 had exercise price of HK\$1.37 and the remaining contractual life of the outstanding share options at the reporting date was 0.4 years.
- (iii) All share options were lapsed during the year ended December 31, 2025 and no share options were exercised, lapsed or cancelled during the year ended December 31, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

42. CAPITAL AND OTHER COMMITMENTS

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

	2025 RMB'000	2024 RMB'000
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,310,347	2,297,412
– Properties under development	140,829	465,863
– Lands held for development or sale	315,941	132,448
– Contribution to investment funds	–	40,453
	2,767,117	2,936,176

43. PLEDGED ASSETS

As at December 31, 2025, the facilities were secured by:

- (i) pledge of buildings of the Group with net book value of RMB8,462,000 (2024: RMB9,926,000) (note 14);
- (ii) pledge of bank deposit of the Group of RMBNil (2024: RMB40,000,000) (note 26); and
- (iii) pledge of certain properties under development and properties held for sale and land held for development or sale of the Group of RMB1,385,518,000 (2024: RMB1,328,742,000) (note 21).

44. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB38,622,000 at December 31, 2025 (2024: RMB62,258,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

44. FINANCIAL GUARANTEE CONTRACTS (cont'd)

(b) Financial guarantee issued

During the year ended December 31, 2025, the Group entered into the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited ("CCT Company") (the "CCT Master Guarantee") and an independent third party for three years between January 1, 2025 and December 31, 2027 with a maximum amounts of RMB170,000,000 and RMB325,000,000 respectively. Details of the CCT Master Guarantee were disclosed in the circular dated December 10, 2024. The fair value of the Financial Guarantees at the date of initial recognition amounting to approximately RMB4,119,000 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 Company and an independent third party on initial recognition was determined by 聯合中和土地房地產資產評估有限公司 (Lianhezhonghe Land Real Estate Assets Appraisal Co., Ltd.), a professional valuer independent to the Group. Subsequently, approximately RMB2,373,000 was recorded as the release of Financial Guarantees recognized in profit or loss for the year ended December 31, 2025 (2024: RMB5,425,000) represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

As at December 31, 2025 and 2024, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognized in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognized less cumulative amortization.

During the year, the CCT Company continued to negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. As at December 31, 2025, the guarantee to the CCT Company was released and the maximum guaranteed amount has reduced to RMB200,000,000 to an independent third party.

The movement of financial guarantee liabilities as shown as below:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	–	5,425
Initial recognition of financial guarantee liabilities (note 7)	4,119	–
Release of financial guarantee liabilities (note 7)	(2,373)	(5,425)
At the end of the year	1,746	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 risk.

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

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

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:

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial asset at fair value through profit or loss	–	20,389
Financial assets at amortized cost		
– Trade, bills and other receivables	267,416	247,628
– Pledged bank deposits	–	40,000
– Restricted bank deposits for property development business	1,347	3,684
– Cash and cash equivalents	291,829	301,685
	560,592	613,386
Financial liabilities		
Financial liabilities at fair value through profit or loss		
– Derivative financial instruments	–	19,693
Financial liabilities at amortized cost		
– Trade and other payables	720,801	486,583
– Amounts due to non-controlling interest of subsidiaries	32,635	83,162
– Bank borrowings	990,490	693,440
– Lease liabilities	38,505	41,575
– Convertible bonds	–	131,881
	1,782,431	1,456,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 bank balances and cash, trade, bills and other receivables and trade and other payables arising from time to time. In addition, the Group has short term bank and other borrowings denominated in US\$.

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

	Assets		Liabilities	
	2025	2024	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	35,744	129,760	4,987	4,071
HK\$	1,284	1,450	781	1,576
Other currencies	1,133	1,575	7,425	10,783

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	Increase in profit for the year <i>RMB'000</i>	Increase in equity <i>RMB'000</i>
2025			
US\$	5%	1,153	1,153
2024			
US\$	5%	4,713	4,713

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 26, 28 and 30 respectively. It is the Group's policy to keep its borrowings at fixed rate of interest as to minimise the cash flow interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to restricted bank deposits and bank balances because these balances carry interest at prevailing deposit interest rates and they are of short maturity.

In order to mitigate the interest rate risk, the Group entered into fixed-rates borrowings with a short maturity date with different contractual terms. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

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

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates with effect from the beginning of the year and all other variables are held constant. This sensitivity analysis is provided internally to key management personnel.

	2025		2024	
	Increase/ (Decrease) in profit for the year RMB'000	Increase/ (Decrease) in equity RMB'000	Increase/ (Decrease) in profit for the year RMB'000	Increase/ (Decrease) in equity RMB'000
Interest rate:				
– Increase by 50 (2024: 50) basis points	(1,094)	(1,094)	(1,295)	(1,295)
– Decrease by 50 (2024: 50) basis points	1,094	1,094	1,295	1,295

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 unlisted investment fund classified as financial assets at FVTPL.

Sensitivity analyses for unlisted investment fund with fair value measurement categorised within Level 3 were disclosed in note 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 and trade, bills and other receivables. 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 and bill receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. The Group reviews regularly the recoverable amount of receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group maintained export credit insurance of major overseas customers to protect the Group against the risk that the overseas customers may default settlement.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

45.5 Credit risk (cont'd)

(i) Trade and bill 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, 49.1% (2024: 60.2%) of the total trade receivables were due from the Group's five (2024: five) customers.

On the above basis, the ECL for trade and bill receivables as at December 31, 2025 and 2024 was determined as follows:

		Gross carrying amount <i>RMB'000</i>	2025 Loss allowance provision <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>
	Expected loss rate			
Current	3.1%	72,510	(2,227)	70,283
Within 60 days past due	11.1%	13,384	(1,486)	11,898
61-90 days past due	11.8%	1,630	(192)	1,438
91-180 days past due	13.2%	3,451	(456)	2,995
181-365 days past due	14.0%	8,283	(1,157)	7,126
More than 365 days past due	100%	19,764	(19,764)	–
		<u>119,022</u>	<u>(25,282)</u>	<u>93,740</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

45.5 Credit risk (cont'd)

(i) Trade and bill receivables (cont'd)

			2024	
	Expected	Gross	Loss	Net
	loss rate	carrying	allowance	carrying
		amount	provision	amount
		RMB'000	RMB'000	RMB'000
Current	1.2%	75,976	(906)	75,070
Within 60 days past due	8.8%	2,466	(218)	2,248
61-90 days past due	9.5%	1,410	(134)	1,276
91-180 days past due	11.0%	12,239	(1,341)	10,898
181-365 days past due	11.3%	2,362	(268)	2,094
More than 365 days past due	91.7%	17,727	(16,259)	1,468
		112,180	(19,126)	93,054

The ECLs for bills receivables, which are all bank acceptable bills, approximates to zero. The bank who issue bank acceptance bills is creditworthy bank with no recent history of default.

(ii) Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables, pledged bank deposits, restricted bank deposits for property development business, and cash and cash equivalents.

As at December 31, 2025, impairment of other receivables with gross carrying amount of RMB141,235,000 (2024: RMB127,369,000), are assessed based on the 12-month ECLs as there is no significant increase in credit risk and a loss allowance of RMB5,000 (2024: RMB1,000) is recognized. Impairment of other receivables with gross carrying amount of RMB10,383,000 (2024: RMB8,530,000), are assessed based on the life-time ECLs as there is significant increase in credit risk and a loss allowance of RMB424,000 (2024: RMB362,000) is recognized. In respect of impairment of other receivables with gross amount of RMB108,104,000 (2024: RMB101,078,000), these balance are credit impaired of which and assessed based on life-time ECL (credit impaired), a loss allowance of RMB85,617,000 (2024: RMB82,040,000) is recognized as at December 31, 2025.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

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 and other payables, bank borrowings, lease liabilities and amounts due to non-controlling interest of subsidiaries and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below are the Group's remaining contractual maturities for its non-derivative financial liabilities as at December 31, 2025 and 2024. 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 RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at December 31, 2025						
Non-derivative financial liabilities						
Trade, bills and other payables	N/A	720,801	–	–	720,801	720,801
Bank borrowings	7.49%	285,392	207,170	727,751	1,220,313	990,490
Lease liabilities	5.0%	26,613	9,583	4,621	40,817	38,505
Amounts due to non-controlling interests of subsidiaries	N/A	32,635	–	–	32,635	32,635
Total		1,065,441	216,753	732,372	2,014,566	1,782,431
Financial guarantees issued:						
Maximum amount guaranteed		387,000	–	–	387,000	1,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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 RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at December 31, 2024						
Non-derivative financial liabilities						
Trade, bills and other payables	N/A	486,583	–	–	486,583	486,583
Bank borrowings	6.50%	220,922	148,302	461,688	830,912	693,440
Lease liabilities	5.00%	20,270	13,880	11,735	45,885	41,575
Amounts due to non-controlling interests of subsidiaries						
	N/A	83,162	–	–	83,162	83,162
Convertible bonds	5.99%	131,881	–	–	131,881	131,881
Total		942,818	162,182	473,423	1,578,423	1,436,641
Financial guarantees issued:						
Maximum amount guaranteed		825,258	–	–	825,258	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

45.7 Fair value measurements of financial instruments (cont'd)

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Fair value as at December 31, 2025 RMB'000	Fair value as at December 31, 2024 RMB'000	Fair value Hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss				
– Unlisted investment fund	–	20,389	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	19,693	Level 3	Binomial Option Pricing Model: expected volatility of 45.92%, 42.39% and 44.33%

There have been no transfers into or out of Level 3 during the years ended December 31, 2025 and 2024.

The fair value of unlisted investment fund is determined using adjusted net assets value.

The fair value of an unlisted investment fund is positively correlated to the underlying net assets value. As at December 31, 2024, management consider the underlying net assets value of the investment funds as significant unobservable input, and it is estimated that with other variable held constant, and increase/decrease in 5% of underlying net assets values would have increased/decreased the Company's profit by approximately RMB1,019,000. The unlisted investment fund was disposed during the year ended December 31, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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

45.7 Fair value measurements of financial instruments (cont'd)

The fair value of derivative financial instruments is determined using Binomial Option Pricing Model. As at December 31, 2024, management consider the expected volatility as significant unobservable input and it is estimated that with other variable held constant and increase or decrease in 5% of expected volatility would have increased or decreased the Company's profit by approximately RMB3,837,000 or RMB689,000 respectively. As at December 31, 2025, there is no derivative financial instruments.

The reconciliation of the carrying amounts of the unlisted investment fund classified within Level 3 of the fair value hierarchy is as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	20,389	21,355
Disposal	(20,700)	–
Fair value gain/(loss) recognized in profit or loss	311	(1,273)
Exchange realignment	–	307
At the end of the year	–	20,389

The reconciliation of the carrying amounts of derivative financial instruments are set out in note 32.

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

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

The fair value of the non-current portion of bank borrowings calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities approximate to its carrying amount at year ended dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

for the year ended December 31, 2025

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.

The net debt to equity ratio at the end of the reporting period was:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bank borrowings		
– Current	215,438	184,453
– Non-current	775,052	508,987
Cash and cash equivalents	(291,829)	(301,685)
Net debt	698,661	391,755
Total equity	4,234,217	4,035,966
Net debt to equity ratio	16.5%	9.7%

47. EVENT AFTER THE REPORTING DATE

No significant event have occurred in respect of the Group after the reporting date December 31, 2025.