



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



Interim Report
2024

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BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2024, Kasen International Holdings Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) recorded a consolidated turnover of approximately RMB423.9 million (six months ended June 30, 2023: RMB381.8 million), representing an increase of approximately 11.0% when compared with the corresponding period in 2023. The increase in turnover was mainly due to the increase in the delivery of property for the Group’s property development projects during the period under review.

The Group’s gross profit for the six months ended June 30, 2024 was approximately RMB160.6 million (six months ended June 30, 2023: RMB131.2 million), with an average gross profit margin of approximately 37.9% (six months ended June 30, 2023: 34.4%), representing an increase of approximately 22.4% in gross profit when compared with the corresponding period in 2023.

The net profit attributable to owners of the Company for the first half of 2024 was approximately RMB27.8 million (six months ended June 30, 2023: RMB32.7 million), representing a decrease of approximately RMB4.9 million or 15.0%.

Review by Business Segments

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

The table below shows the total turnover by business segments for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023:

	2024		Six Months Ended June 30, 2023		Change %
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	240.5	56.7	245.1	64.2	-1.9
Land and property development	140.1	33.1	75.3	19.7	86.1
Others	43.3	10.2	61.4	16.1	-29.5
Total	423.9	100.0	381.8	100.0	11.0

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the period under review, the Group's manufacturing and trading of upholstered furniture business, the principal products of which included finished sofa, realised a total turnover of approximately RMB240.5 million, representing a decrease of approximately 1.9% as compared to the total turnover of approximately RMB245.1 million in the corresponding period of 2023. Due to the gradual commencement of operation at the Group's production bases in Cambodia, the orders from our mainland China factories are progressively being shifted to Cambodia. During the transitional period, there will be certain impacts on the stability of procurement from the United States and Europe, resulting in a decrease in sales for this business segment compared to the corresponding period of last year. The segment recorded an overall profit of approximately RMB35.9 million for the first half of 2024, representing an increase of approximately 26.4% as compared to the profit of approximately RMB28.4 million in the corresponding period of 2023.

Land and Property Development Business

As at June 30, 2024, the Group had in total seven property projects under different stages of development or held for sale in mainland China and Cambodia. During the six months ended June 30, 2024, the Group does not have new property development project, and the turnover recorded from the land and property development segment was approximately RMB140.1 million, representing an increase of approximately 86.1% as compared to approximately RMB75.3 million in the corresponding period of 2023.

Group's Property Project Portfolio as at June 30, 2024

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (sq.m.)	Status	Estimated year/actual year of completion <i>(Note)</i>	Usage
1	Asia Bay	Boao, Asia Bay, Binhai Avenue, Boao Town, Qionghai City, Hainan Province	92%	590,165	Under development	2025	Residential and tourism resort
2	Sanya Project	Dream Water Park, Shibui Nongchang Road, Tianya District, Sanya City, Hainan Province	80.5%	1,423,987	Under development	2028	Residential, hotel and tourism resort
3	Qianjiang Continent	No.66 Middle Dongjin Road, Tinghu District, Yancheng City, Jiangsu Province	100%	335,822	Completed	2015	Residential and commercial
4	Kasen Star City	No. 1 Haiyun Road, Haining City, Zhejiang Province	100%	469,867	Completed	2019	Residential and commercial
5	Changbai Paradise	Baihe Town, Er Dao, Antu County, Yanji City, Jilin Province	89%	118,195	Completed	2015	Residential and hotel
6	Qianjiang Oasis	No.29 Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province	55%	108,138	Completed	2021	Residential and commercial
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	291,035	Under development	2026	Residential
Total				3,337,209			

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

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Property Development Business (cont'd)

Analysis of the Group's Property Development Projects

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 June 30, 2024 (sq.m.)	Accumulated GFA delivered as at June 30, 2024 (sq.m.)	Average selling price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	216,928	205,575	20,325
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	51,597	43,554	—#
5	Qianjiang Oasis	334,899	334,899	260,296	254,084	253,947	6,190
6	Phnom Penh Kasen Garden (Phase 1)	64,527	64,527	63,782	47,591	10,087	7,780
Total		2,973,019	2,659,063	2,415,048	1,948,995	1,891,958	

* This project was completed and all properties were delivered.

No properties were delivered for this project during the period under review.

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2024 decreased to approximately RMB25.0 million, representing a decrease of approximately RMB11.2 million as compared to approximately RMB36.2 million in the first half of 2023. All selling and distribution costs compared to the revenue kept at same level as in 2023. The selling and distribution costs as a percentage of turnover in the first half of 2024 decreased to approximately 5.9% as compared to approximately 9.5% for the corresponding period in 2023.

The administrative costs for the six months ended June 30, 2024 were approximately RMB80.0 million, representing a decrease of approximately RMB9.9 million as compared to approximately RMB89.9 million for the corresponding period in 2023.

The Group's impairment loss on financial assets decreased by approximately RMB1.6 million from approximately RMB3.2 million for the six months ended June 30, 2023 to approximately RMB1.6 million in the corresponding period of 2024 under the relevant management policies of the Group adopted in accordance with IFRS 9.

The Group's finance cost in the first half of 2024 was approximately RMB20.7 million, representing a small decrease of approximately RMB1.4 million as compared to approximately RMB22.1 million for the corresponding period of 2023.

The Group's income tax in the first half of 2024 was approximately RMB26.1 million, representing an increase of approximately RMB24.7 million as compared to approximately RMB1.4 million for the corresponding period in 2023. The increase was mainly resulted from an increase of enterprise income tax charge of approximately RMB10.4 million and an increase of land appreciation tax net charge of approximately RMB6.2 million. For details, please refer to note 7 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

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

The Group recorded a net gain of approximately RMB11.1 million in other gains and losses in the first half of 2024, while it recorded a net gain of approximately RMB32.3 million during the corresponding period of 2023. The decrease in net gain was primarily attributable to the decrease in exchange gain during the six months ended June 30, 2024 as a result of the fluctuation in exchange rates for US dollar and RMB. For details of the other gains and losses, please refer to note 5 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was a decrease in profit, such that the net profit attributable to owners of the Company for the first half of 2024 was approximately RMB27.8 million (six months ended June 30, 2023: net profit of RMB32.7 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2024, the Group had cash and cash equivalent available for utilisation totalling approximately RMB390.4 million (as at December 31, 2023: RMB567.5 million) and total borrowings of approximately RMB660.0 million (as at December 31, 2023: RMB728.2 million). As at June 30, 2024, the Group had outstanding bank borrowings amounted to approximately RMB260.0 million repayable within one year and approximately RMB400.0 million repayable after one year (As at December 31, 2023: approximately RMB284.1 million repayable within one year and approximately RMB444.1 million repayable after one year). The gearing ratio (being bank borrowings divided by owners' equity multiplied by 100%) was approximately 17.5% (as at December 31, 2023: 19.4%). In the first half of 2024, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the period under review.

As at June 30, 2024, the Group's inventory was approximately RMB75.5 million, representing an increase of approximately RMB11.5 million as compared to approximately RMB64.0 million as of December 31, 2023. During the six months ended June 30, 2024, the Group endeavored to control the inventory level and the inventory turnover period of the Group's manufacturing and trading of upholstered furniture segment was 73 days as compared to 56 days as at December 31, 2023.

During the six months ended June 30, 2024, the Group continued to maintain a strict credit policy. The account receivable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 36 days for the first half of 2024 (as at December 31, 2023: 30 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 67 days for the six months ended June 30, 2024 (as at December 31, 2023: 50 days).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions or disposal of its subsidiaries, associates or joint ventures during the six months ended June 30, 2024.

SIGNIFICANT INVESTMENTS HELD

Save as otherwise disclosed in this interim report, the Group did not have significant investments held during the six months ended June 30, 2024.

PLEDGE OF ASSETS

During the six months ended June 30, 2024, the Group pledged deposits, property, plant and equipment, properties under development and held for sale to banks to secure the bank borrowings and the bank facilities granted to the Group. The deposits carry an average interest rate of 1.5%-1.6%. There were no significant changes in the Group's pledge of assets at June 30, 2024 as compared with that of December 31, 2023.

BUSINESS REVIEW AND PROSPECTS (cont'd)

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) are mainly denominated in U.S. dollars, and trade receivables may be exposed to exchange rate fluctuation. During the period under review, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group had cash or cash equivalent denominated in US dollars of approximately US\$7.4 million as at June 30, 2024. The Group did not implement any hedging measures, but will continue to monitor the situation and make necessary arrangement as and when appropriate.

CONTINGENT LIABILITIES

As at June 30, 2024, the Group had certain contingent liabilities. For details, please refer to note 19 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2024, the Group employed a total of approximately 2,641 full time employees (as at December 31, 2023: approximately 2,285) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2024, the Group's total expenses on the remuneration of employees were approximately RMB77.9 million (six months ended June 30, 2023: RMB73.7 million). The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the share option scheme are set out in the section headed "Disclosure of Interests – Share Options Schemes" of this interim report.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

With the corporate mission of "To achieve green production, pioneer in the environmental protection aspect, leading company in China and among the best in the world", the Group is committed to reducing environmental pollution and carbon emissions in its upholstered furniture production, land and property development, hotel and resort operations, and has taken vigorous steps to continuously improve its environmental performance.

The Group's core value is to align the interests of its employees, the enterprise and society in a harmonious manner. Through its unremitting efforts, the Group has strived to enhance its value, grow and achieve its goals. The Group has set up an internal "Employee Care and Mutual Help Fund" to provide subsidies to employees in need in the spirit of mutual help and fellowship. The Group advocates the provision of social services to the communities in which it operates and to groups in need, and organises its employees to actively participate in social welfare activities and make regular donations to local charitable organisations.



BUSINESS REVIEW AND PROSPECTS (cont'd)

FUTURE PLANS AND PROSPECTS

Manufacturing and trading of upholstered furniture business is an important component of the Group's business. Leveraging on over 20 years of production experience, technological advantages, and customer relationship resources, the Group remains confident in the development prospects of this business. With the continuous trade disputes between China and the United States, it is anticipated that purchasers primarily from the United States will continue to reduce their procurement of upholstered furniture products from China, instead increasing their purchases from the Southeast Asian region. During the year of 2024, the Group's large-scale furniture manufacturing base in Cambodia will be in full operation. The Group will focus on managing the transition and integration between the business in mainland China and Cambodia, improving the production efficiency of the Cambodian base, optimising costs, and continuously enhancing the recognition of the Cambodian base's products by the purchasers in Europe and the United States, thus gradually forming a production-export layout centered on Cambodia, with the goal of further expanding the sales scale of upholstered furniture and increasing profits.

In the field of land and property development, sales of the real estate project – “Phnom Penh Kasen Garden” in Phnom Penh, the capital of Cambodia, were satisfactory and the continued development of the project will bring new sales growth to the Group's land and property development business.

In the field of tourism resort business, the PRC government has made the promotion of tourism consumption an important measure to boost domestic consumption, which is beneficial to the Group's tourism resort businesses such as water parks and hotels. The Group will follow the policy direction and fully utilize the tourism resources in Changbai Mountain and Hainan to develop more tourism products, enhance visitor satisfaction, improve service quality and create better economic benefits.

In terms of emerging businesses, the Group has been implementing the strategic transformation and development direction of “Belt and Road” industrial park operator, and the construction of various infrastructures in Cambodia's Koh Kong-Zhejiang Special Economic Zone is in full swing, with investment promotion work progressing rapidly. The Group will make every effort to do a good job in the construction, investment promotion, operation and service of the industrial parks to create a quality platform for Chinese enterprises to invest and develop in Cambodia.

Save as disclosed above, there are no material changes regarding the Group's performance from the information disclosed in the annual report of the Company published on April 26, 2024.

DISCLOSURE OF INTERESTS

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

As at June 30, 2024, the interests of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(1) Long positions in Shares

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total number of shares interested	
Zhu Zhangjin ("Mr. Zhu") (Note 1)	12,360,000	555,645,113	568,005,113	39.36%
Zhou Xiaohong (Note 2)	9,514,561	–	9,514,561	0.66%

Notes:

- (1) Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial Shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 Shares as at June 30, 2024 under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme"), the grant of which was approved by the Board on May 26, 2015.
- (2) This figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 shares as at June 30, 2024 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.

DISCLOSURE OF INTERESTS (cont'd)

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

(2) Long positions in underlying shares

Long positions in underlying shares are separately disclosed in the paragraph "Share Options Schemes" below.

Save as disclosed herein, none of the Directors nor the chief executives of the Company had any interests or short positions in any Shares, underlying shares or 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 June 30, 2024.

SHARE OPTION SCHEMES

On October 20, 2005, the Company adopted the 2005 Share Option Scheme 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 for shares of the Company. The 2005 Share Option Scheme was terminated on May 29, 2015. As at June 30, 2024, the Company had 10,850,000 outstanding options granted pursuant to the 2005 Share Option Scheme.

On the same date of the termination of the 2005 Share Option Scheme (i.e. May 29, 2015), a new share option scheme was adopted by the Company pursuant to a resolution of the Shareholders passed on May 29, 2015 (the "2015 Share Option Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The 2015 Share Option Scheme became effective on May 29, 2015 and the options issued pursuant to the 2015 Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at June 30, 2024, no options have been granted by the Company under the 2015 Share Option Scheme.

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

The total number of Shares in respect of which options may be granted under the 2005 Share Option Scheme is not permitted to exceed 10% of the Shares in issue on October 20, 2005 (i.e. 101,404,536 Shares) and 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) 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 both the 2005 Share Option Scheme and the 2015 Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the 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.

DISCLOSURE OF INTERESTS (cont'd)

SHARE OPTION SCHEMES (cont'd)

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

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

As at January 1, 2024 and as at June 30, 2024, the number of options available for grant under the 2015 Share Option Scheme was 116,232,298 shares. As at June 30, 2024, the total number of shares available for issue (including the outstanding options already granted under the 2005 Share Option Scheme) and the 2015 Share Option Scheme was 127,082,298 shares, which represented 8.8% of the shares in issue as at the date of this interim report. As at the date of this interim report, the remaining life of 2015 Share Option Scheme is approximately nine months.

Details of movement of the share options during the six months ended June 30, 2024, 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			Lapsed or cancelled from January 1, 2024 to June 30, 2024	Outstanding as at June 30, 2024	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at January 1, 2024	Granted from January 1, 2024 to June 30, 2024	Exercised from January 1, 2024 to June 30, 2024					
Zhu Zhangjin	1.37	1,000,000	-	-	-	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3
Zhou Xiaohong	1.37	3,000,000	-	-	-	3,000,000	0.21%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	-	-	-	4,000,000	0.28%		
Other employees in aggregate	1.37	6,850,000	-	-	-	6,850,000	0.47%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	-	-	-	10,850,000	0.75%		

Notes:

- These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 with a vesting period of seven months and are exercisable at HK\$1.37 per Share from January 1, 2016 to May 25, 2025. The closing price of Shares 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 six months ended June 30, 2024, none of these share options were exercised, lapsed nor cancelled.

DISCLOSURE OF INTERESTS (cont'd) DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the schemes disclosed in the paragraph headed "Share Option Schemes" above, at no time during the six months ended June 30, 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the 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.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at June 30, 2024, the following persons (other than the Directors or chief executives of the Company stated in the above paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Short position	Long position	Number of issued Shares held	Percentage of the Company's issued share capital
Joyview ¹	Beneficial owner	–	555,645,113	555,645,113	38.50%
Prosperity and Wealth Limited ¹	Trustee	–	555,645,113	555,645,113	38.50%
Team Ease Limited ²	Beneficial owner	–	235,043,057	235,043,057	16.29%
Xu Helin ²	Interest in controlled corporation	–	235,043,057	235,043,057	16.29%

Notes:

- Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial Shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview which in turn is wholly owned by the trustee of such family trust).
- Team Ease Limited is a company beneficially owned by Xu Helin.

Save as disclosed above, the Company had not been notified by 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 or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at June 30, 2024.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix C1 of the Listing Rules as its corporate governance code of practices. For the six months ended June 30, 2024, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code except for the following deviation to code provisions C.2.1.

CODE PROVISION C.2.1

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not at present separate the roles of chairman and chief executive. Mr. Zhu is the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group. Mr. Zhu will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and maintain the continuous operation of business of the Group. Moreover, under the supervision of other existing members of the Board including the independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interest of the Company and its shareholders. As such, the Board considers that the deviation from Code Provision C.2.1 is appropriate in the current situation. The Company is still considering to appoint 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, and the in-depth knowledge and experience in the leather and upholstery furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors’ securities transactions. Specific enquiries had been made with all Directors, who had confirmed that, throughout the six months ended June 30, 2024, each of them had complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), comprises all the three independent non-executive Directors namely, Mr. Chow Hiu Tung, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has reviewed with the management and the external auditors on the accounting principles and practices adopted by the Group during the six months ended June 30, 2024. The Audit Committee held meetings with the Company’s senior management to review, supervise and discuss the Company’s financial reporting and internal control principles and risk management effectiveness and to make recommendations to improve the Company’s internal control and risk management effectiveness, and to ensure that management discharged its duty to have an effective internal control system during the six months ended June 30, 2024. This interim report has been reviewed and agreed by the Audit Committee.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events has occurred in respect of for the Group after the reporting date of June 30, 2024.

ISSUE OF CONVERTIBLE BONDS

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

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) to the specific mandate (the “Specific Mandate”) passed by way of poll at the extraordinary general meeting held on December 12, 2023. Ms. Zhu Jiayun is the 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 shall be payable semi-annually in arrears by the Company to the bondholder at the close of business on July 2, 2024, January 2, 2025 and the bond maturity date on July 2, 2025. Upon full conversion of the first batch convertible bonds at the initial conversion price of HK\$0.36 per conversion share, a maximum of 138,361,747 conversion shares will be issued representing approximately 9.59% of the issued share capital of the Company on June 30, 2024 and approximately 8.75% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding first batch convertible bonds.

On March 18, 2024, the Company issued the second batch convertible bonds in the principal amount of HK\$33,800,353 to the Bondholder. The convertible bonds bear interest from and including the issue date at 5% per annum, and the interest shall be accrued on a daily basis based on the number of days elapsed on the basis of a 365-day year and shall be payable semi-annually in arrears by the Company to the bondholder at the close of business on September 17, 2024, March 17, 2025 and the bond maturity date on September 17, 2025. Upon full conversion of the second batch convertible bonds at the initial conversion price of HK\$0.36 per conversion share, a maximum of 93,889,869 conversion shares will be issued representing approximately 6.50% of the issued share capital of the Company on June 30, 2024 and approximately 6.11% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding second batch convertible bonds.

Upon full conversion of both the first batch and the second batch convertible bonds at the initial conversion price of HK\$0.36 per conversion share, a maximum of 232,251,616 conversion shares in aggregate will be issued representing approximately 16.09% of the issued share capital of the Company on June 30, 2024 and approximately 13.86% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

For details, 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 15 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

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

During the six months ended June 30, 2024, the Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its Directors, the Company had maintained sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2024.

DIRECTORS

As at the date of this interim report, the executive Directors are Mr. Zhu Zhangjin and Ms. Zhou Xiaohong, and the independent non-executive Directors are Mr. Chow Hiu Tung, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

By order of the Board
Kasen International Holdings Limited

Zhu Zhangjin
Chairman

August 30, 2024

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Kasen International Holdings Limited (the “Company”) and its subsidiaries set out on pages 17 to 42, which comprise the condensed consolidated statement of financial position as at June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial statements, including material accounting policy information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

August 30, 2024

Lam Kam Fung

Practising Certificate No.: P07822

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	<i>Notes</i>	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Revenue	3,4	423,868	381,786
Cost of sales		(263,246)	(250,540)
Gross profit		160,622	131,246
Other income		4,740	5,495
Other gains and losses	5	11,104	32,271
Selling and distribution costs		(24,995)	(36,233)
Administrative expenses		(79,989)	(89,903)
Impairment loss on financial assets, net		(1,559)	(3,204)
Share of results of associates		228	7,408
Finance costs		(20,677)	(22,128)
Profit before income tax	6	49,474	24,952
Income tax expenses	7	(26,143)	(1,414)
Profit for the period		23,331	23,538
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
– Fair value gain on financial asset at fair value through other comprehensive income		–	160
– Income tax relating to fair value change of financial asset at fair value through other comprehensive income		–	(40)
Item that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation		2,694	4,481
Total comprehensive income for the period		26,025	28,139

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

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	<i>Notes</i>	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Profit for the period attributable to:			
– Owners of the Company		27,824	32,723
– Non-controlling interests		(4,493)	(9,185)
		23,331	23,538
Total comprehensive income for the period attributable to:			
– Owners of the Company		30,302	37,324
– Non-controlling interests		(4,277)	(9,185)
		26,025	28,139
Earnings per share attributable to the owners of the Company (expressed in RMB per share)			
– Basic and diluted	<i>9</i>	1.93 cents	2.30 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	<i>Notes</i>	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	940,378	967,535
Right-of-use assets		143,168	134,705
Investment property		9,007	–
Interests in associates		23,622	23,394
Intangible assets		12	26
Financial asset at fair value through profit or loss	11	20,115	21,355
Prepayment for acquisition of freehold land		128,282	127,004
Prepayment for acquisition of property, plant and equipment		12,020	503
Lands held for development or sale	12	400,698	262,138
Deferred tax assets		74,398	75,931
		1,751,700	1,612,591
CURRENT ASSETS			
Inventories		75,536	63,963
Properties under development for sale		1,699,277	1,681,827
Properties held for sale		955,519	998,636
Trade, bills and other receivables	13	1,019,907	952,093
Prepaid income tax		14,373	14,711
Prepaid land appreciation tax		6,670	6,494
Pledged bank deposits		99,706	81,650
Restricted bank deposits for land and property development business		2,341	3,271
Cash and cash equivalents		390,372	567,542
		4,263,701	4,370,187

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AS AT JUNE 30, 2024

	<i>Notes</i>	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	14	392,257	404,181
Lease liabilities		24,639	20,176
Contract liabilities		587,557	546,371
Bank borrowings	16	259,951	284,128
Tax payable		227,238	219,059
Amounts due to non-controlling interests of subsidiaries		92,848	227,364
Convertible bonds	15	76,768	–
Derivative financial instruments	15	7,895	–
		1,669,153	1,701,279
NET CURRENT ASSETS		2,594,548	2,668,908
TOTAL ASSETS LESS CURRENT LIABILITIES		4,346,248	4,281,499
NON-CURRENT LIABILITIES			
Lease liabilities		10,573	10,821
Bank borrowings	16	400,000	444,083
Deferred tax liabilities		15,325	13,145
		425,898	468,049
NET ASSETS		3,920,350	3,813,450
CAPITAL AND RESERVES			
Share capital	17	1,654	1,654
Reserves		3,767,236	3,750,967
Equity attributable to owners of the Company		3,768,890	3,752,621
Non-controlling interests		151,460	60,829
TOTAL EQUITY		3,920,350	3,813,450

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI 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	RMB'000	RMB'000	RMB'000
At January 1, 2024 (audited)	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/(loss) for the period	-	-	-	-	-	-	-	-	27,824	27,824	(4,493)	23,331
Other comprehensive income	-	-	-	-	-	-	-	2,478	-	2,478	216	2,694
Total comprehensive income for the period	-	-	-	-	-	-	-	2,478	27,824	30,302	(4,277)	26,025
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	94,908	94,908
Deemed distribution	-	-	-	(14,033)	-	-	-	-	-	(14,033)	-	(14,033)
At June 30, 2024 (unaudited)	1,654	1,452,456	171,276	153,950	4,618	(41,703)	-	6,704	2,019,935	3,768,890	151,460	3,920,350

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI 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	RMB'000	RMB'000	RMB'000
At January 1, 2023 (audited)	1,654	1,452,456	171,276	167,983	4,618	(41,703)	10,951	2,541	1,911,549	3,681,325	30,682	3,712,007
Profit/(loss) for the period	-	-	-	-	-	-	-	-	32,723	32,723	(9,185)	23,538
Other comprehensive income	-	-	-	-	-	-	120	4,481	-	4,601	-	4,601
Total comprehensive income for the period	-	-	-	-	-	-	120	4,481	32,723	37,324	(9,185)	28,139
At June 30, 2023 (unaudited)	1,654	1,452,456	171,276	167,983	4,618	(41,703)	11,071	7,022	1,944,272	3,718,649	21,497	3,740,146

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Six months ended June 30, 2024 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2023 <i>RMB'000</i> (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	50,645	(3,576)
INVESTING ACTIVITIES		
Increase in pledged bank deposits	(18,056)	–
Purchases of property, plant and equipment	(5,268)	(10,265)
Prepayment made for acquisition of property, plant and equipment	(11,517)	–
Payment of subscription of unlisted investment fund	–	(708)
Proceeds from distribution of unlisted investment fund	–	21,226
Interest received	1,237	976
Proceeds from disposal of property, plant and equipment	2,150	9,499
Purchase of lands held for development or sale	(99,453)	–
Increase in amount due to an associate	12,000	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(118,907)	20,728
FINANCING ACTIVITIES		
Interest elements of lease liabilities payment	(730)	(1,285)
Capital elements of lease liabilities payment	(19,946)	(9,688)
Repayments of bank borrowings	(128,902)	(141,650)
Proceeds from bank borrowings	60,210	153,961
Interest paid	(17,965)	(20,843)
Decrease in amount due to non-controlling interests of subsidiaries	(1,305)	(4,584)
NET CASH USED IN FINANCING ACTIVITIES	(108,638)	(24,089)
DECREASE IN CASH AND CASH EQUIVALENTS	(176,900)	(6,937)
Effect of changes in exchange rates	(270)	(1,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	567,542	460,310
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	390,372	451,659

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Kasen International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2023 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 annual financial statements.

The preparation of these interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Grant Thornton Hong Kong Limited’s independent review report to the Board of Directors is included on pages 15 and 16 of the interim report.

2. ADOPTION OF AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

2.1 Amended IFRSs that are effective for annual periods beginning on January 1, 2024

The interim condensed consolidated financial statements for the six months ended June 30, 2024 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following amended IFRSs which are effective as of January 1, 2024.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

2. ADOPTION OF AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (cont'd)

2.2 Accounting policies newly applied by the Group

The Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Financial instruments

Financial liabilities

Classification and measurement of financial liabilities

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.

In subsequent periods, 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.

Investment property

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. SEGMENT INFORMATION

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

- Manufacturing and trading of upholstered furniture ("Manufacturing");
- Land and property development ("Land and property development"); and
- Others, comprising mainly provision of travel and related services, catering and entertainment services and provision of property management service ("Others").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. SEGMENT INFORMATION (cont'd)

Segment revenues and results

The following is an analysis of the Group's revenue that is disaggregated by primary geographical market, major products and service line and timing of revenue recognition and results by reportable segment.

Revenue

Six months ended June 30, 2024 (unaudited)

	Manufacturing RMB'000	Land and property development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Revenue from external customers	240,446	140,130	43,292	–	423,868
Inter-segment revenue	–	–	1,412	(1,412)	–
Reportable segment revenue	240,446	140,130	44,704	(1,412)	423,868
Primary geographical markets					
United States	152,406	–	–	–	152,406
The People's Republic of China ("PRC"), including Hong Kong	18,396	85,801	44,704	(1,412)	147,489
Cambodia	26,429	54,329	–	–	80,758
Europe	42,196	–	–	–	42,196
Others	1,019	–	–	–	1,019
Total	240,446	140,130	44,704	(1,412)	423,868
Major products					
Sales of upholstered furniture	240,446	–	–	–	240,446
Sales of properties	–	140,130	–	–	140,130
Travel & tourism services	–	–	20,176	–	20,176
Catering & entertainment	–	–	17,333	(1,412)	15,921
Property management services	–	–	7,195	–	7,195
	240,446	140,130	44,704	(1,412)	423,868
Timing of revenue recognition					
At a point in time	240,446	140,130	17,333	(1,412)	396,497
Transferred over time	–	–	27,371	–	27,371
	240,446	140,130	44,704	(1,412)	423,868

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. SEGMENT INFORMATION (cont'd) Segment revenues and results (cont'd)

Revenue (cont'd)

Six months ended June 30, 2023 (unaudited)

	Manufacturing RMB'000	Land and property development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Revenue from external customers	245,067	75,261	61,458	–	381,786
Inter-segment revenue	–	–	941	(941)	–
Reportable segment revenue	245,067	75,261	62,399	(941)	381,786
Primary geographical markets					
United States	172,695	–	–	–	172,695
PRC, including Hong Kong	20,395	75,261	62,399	(941)	157,114
Cambodia	16,761	–	–	–	16,761
Europe	27,614	–	–	–	27,614
Others	7,602	–	–	–	7,602
Total	245,067	75,261	62,399	(941)	381,786
Major products					
Sales of upholstered furniture	245,067	–	–	–	245,067
Sales of properties	–	75,261	–	–	75,261
Travel & tourism services	–	–	46,179	–	46,179
Catering & entertainment	–	–	5,480	–	5,480
Property management services	–	–	10,740	(941)	9,799
Total	245,067	75,261	62,399	(941)	381,786
Timing of revenue recognition					
At a point in time	245,067	75,261	5,480	–	325,808
Transferred over time	–	–	56,919	(941)	55,978
Total	245,067	75,261	62,399	(941)	381,786

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. SEGMENT INFORMATION (cont'd) Segment revenues and results (cont'd) Results

	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Segment (loss)/profit		
– Manufacturing	35,895	28,377
– Land and property development	(12,687)	(25,432)
– Others	(2,272)	3,836
	20,936	6,781
Unallocated corporate expenses	(3,965)	(10,593)
Unallocated other gains and losses	6,360	27,350
	23,331	23,538

Segment (loss)/profit represents the profit/(loss) of each segment without allocation of central administration costs, directors' salaries and exchange (loss)/gain. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

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

Segment assets

	June 30, 2024 <i>RMB'000</i> (unaudited)	December 31, 2023 <i>RMB'000</i> (audited)
Manufacturing	1,413,457	1,453,521
Land and property development	4,139,459	4,104,666
Others	329,784	301,290
Total segment assets	5,882,700	5,859,477
Unallocated	132,701	123,301
Consolidated assets	6,015,401	5,982,778

Segment liabilities

	June 30, 2024 <i>RMB'000</i> (unaudited)	December 31, 2023 <i>RMB'000</i> (audited)
Manufacturing	281,607	269,483
Land and property development	1,728,738	1,714,500
Others	65,870	83,202
Total segment liabilities	2,076,215	2,067,185
Unallocated	18,836	102,143
Consolidated liabilities	2,095,051	2,169,328

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

- All assets are allocated to operating segments other than investment in associates, investment in financial assets, deferred tax assets and head office assets;
- All liabilities are allocated to operating segments other than deferred tax liabilities and head office liabilities; and
- All intergroup balances and investment costs have been eliminated in internal reports when presenting segment assets and liabilities to CODM.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

4. REVENUE

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

	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Sale of goods		
Upholstered furniture	240,446	245,067
Residential properties	140,130	75,261
	380,576	320,328
Provision of services		
Others (note)	43,292	61,458
	423,868	381,786

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

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Net foreign exchange gain	685	18,073
Change in fair value of financial asset at fair value through profit or loss	(1,241)	(457)
Fair value changes on derivative component of convertible bonds (note 15)	7,721	-
(Loss)/Gain on disposal of property, plant and equipment	(883)	2,316
Written back of other payables	-	10,447
Release of financial guarantees	2,713	2,713
Penalty	1,674	295
Others	435	(1,116)
	11,104	32,271

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

6. PROFIT BEFORE INCOME TAX

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

	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Amortization of intangible assets	14	38
Depreciation of property, plant and equipment	21,193	27,396
Depreciation of investment property	328	–
Depreciation and amortization of right-of-use assets	15,784	14,198
Total depreciation and amortization	37,319	41,632
Costs of inventories under Manufacturing segment recognized as expenses (including net provision of allowance of inventories of RMB23,000 (June 30, 2023: net reversal of allowance of inventories of RMB587,000))	157,734	176,070
Interest on lease liabilities	730	1,285
Interest on bank borrowings	17,965	20,843
Interest on convertible bonds	1,982	–
	20,677	22,128
Government grants	(10)	(388)
Interest income	(1,237)	(976)

7. INCOME TAX EXPENSES

	Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Land appreciation tax ("LAT")		
– Current period	10,912	3,978
– Under-provision of LAT in previous periods	3,513	–
	14,425	3,978
Hong Kong profits tax		
– Current period	1,862	–
Cambodia corporate tax		
– Current period	2,357	–
The PRC enterprise income tax		
– Current period	6,512	6,904
– Over-provision of income tax in previous periods	(2,725)	(9,353)
	3,787	(2,449)
Deferred tax	3,712	(115)
	26,143	1,414

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period and no dividend will be paid in respect of the current interim period.

9. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB27,824,000 (six months ended June 30, 2023: RMB32,723,000) by the weighted average number of ordinary shares in issue during the period ended June 30, 2024. The earnings per share is calculated using the weighted average number of ordinary shares of 1,443,141,881 (six months ended June 30, 2023: 1,443,141,881) shares issued during the period.

Diluted earnings per share

The calculation of diluted earnings per share for the periods ended June 30, 2024 and 2023 do not assume the exercise of the Company's outstanding share options and convertible bonds (2023: share options) which had anti-dilutive effect and would result in an addition in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the periods ended June 30, 2024 and 2023.

10. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment at a consideration of approximately RMB5,268,000 (six months ended June 30, 2023: RMB10,265,000) and transferred a property at a cost of RMB9,335,000 to investment property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Financial asset at fair value through profit or loss		
– Unlisted investment fund (Note)	20,115	21,355

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 of US\$10,000,000 (equivalent to approximately RMB70,750,000) in Asia Greentech Fund I LP (the "Greentech Fund"). This Greentech Fund was established principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in green energy sectors with focus on solar, hydro, waste to energy and other green energy projects that have applications in Asia.

Cardina is a limited partner in this Greentech Fund and the operational and financing decisions of Greentech Fund is responsible by the general partner. Up to June 30, 2024, the Group's capital contribution to the Greentech Fund was approximately US\$4,373,000 (December 31, 2023: US\$4,373,000).

During the six months ended June 30, 2023, Greentech Fund made a distribution to the Group, with a cash distribution of approximately RMB21,226,000.

12. LANDS HELD FOR DEVELOPMENT OR SALE

At June 30, 2024, lands held for development or sale mainly represented a freehold land located in Cambodia with a total area of 5,920,000 square metres (December 31, 2023: 4,626,000 square metres), which was classified as non-current assets since the development or sale of which is expected to be completed after one year from the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

13. TRADE, BILLS AND OTHER RECEIVABLES

	June 30, 2024 <i>RMB'000</i> (unaudited)	December 31, 2023 <i>RMB'000</i> (audited)
Trade and bills receivables	86,806	76,507
Less: allowance for impairment	<u>(16,882)</u>	<u>(17,061)</u>
	<u>69,924</u>	59,446
Deposits paid for acquisition of land for development for sale	603,988	603,988
Less: allowance for impairment	<u>(627)</u>	<u>(627)</u>
	<u>603,361</u>	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale	32,129	32,129
Less: allowance for impairment	<u>(32,129)</u>	<u>(32,129)</u>
	<u>-</u>	<u>-</u>
Advance payment for purchase of inventories	3,382	4,119
Prepaid other taxes	<u>94,522</u>	<u>92,870</u>
	<u>97,904</u>	96,989
Deposit, prepayments and other receivables	295,020	236,494
Less: allowance for impairment	<u>(46,302)</u>	<u>(44,197)</u>
	<u>248,718</u>	192,297
	<u>1,019,907</u>	952,093

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 <i>RMB'000</i> (audited)
Aged:		
Within 60 days	48,833	38,544
61–90 days	4,813	12,187
91–180 days	13,956	4,506
181–365 days	3,471	2,821
Over 1 year	15,733	18,449
	86,806	76,507

The Group expects that there is no significant credit risk associated with bills receivables since they are held with state-owned banks in the PRC. The directors do not expect that there will be any significant credit losses from non-performance by these counterparties.

14. TRADE, BILLS AND OTHER PAYABLES

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 <i>RMB'000</i> (audited)
Within 60 days	187,950	221,003
61–90 days	5,311	9,417
91–180 days	1,405	4,083
181–365 days	5,576	777
1–2 years	1,809	7,094
Over 2 years	24,490	20,715
	226,541	263,089

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

15. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

The movement of the convertible bonds and derivative financial instruments for the six months ended June 30, 2024 are set out as below:

	Convertible bonds RMB'000 (unaudited)	Derivative financial instruments RMB'000 (unaudited)
As at January 1, 2024	–	–
Issued during the period	74,250	15,561
Interest on convertible bonds	1,982	–
Fair value changes	–	(7,721)
Exchange realignment	536	55
As at June 30, 2024	<u>76,768</u>	<u>7,895</u>

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, and March 18, 2024, the Company completed the issuance of 1.5-year convertible bonds (the “Convertible Bonds”) with aggregate principal amounts of HK\$49,810,000 (“Batch 1”) and HK\$33,800,000 (“Batch 2”), 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.

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 and Batch 2 of the Convertible Bonds, of approximately HK\$58,780,000 (equivalent to approximately RMB53,231,000) and HK\$40,312,000 (equivalent to approximately RMB36,580,000), was valued by CHFT Advisory and Appraisal Limited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

Batch 1 and Batch 2 consist of:

- (a) a debt component with initial fair value of approximately HK\$48,712,000 (equivalent to approximately RMB44,113,000) and HK\$33,212,000 (equivalent to approximately RMB30,137,000), 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) and HK\$7,100,000 (equivalent to approximately RMB6,443,000), respectively, classified as derivative financial liabilities.

The Convertible Bonds are subsequently measured at amortized cost with an effective interest rate of 6.57% and 6.24% per annum for Batch 1 and Batch 2, 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 and Batch 2 at issue date and June 30, 2024 were as follows:

	At issue date		At June 30, 2024	
	Batch 1	Batch 2	Batch 1	Batch 2
Share price	HK\$0.30	HK\$0.29	HK\$0.24	HK\$0.24
Exercise price	HK\$0.36	HK\$0.36	HK\$0.36	HK\$0.36
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Volatility	64.13%	67.10%	68.74%	66.26%
Discount rate	6.68%	6.31%	6.73%	6.73%
Risk free interest rate	3.78%	4.01%	4.03%	4.03%

16. BANK BORROWINGS

During the current period, the Group obtained additional bank borrowings of approximately RMB60,210,000 (six months ended June 30, 2023: RMB153,961,000) and repaid bank borrowings RMB128,902,000 (six months ended June 30, 2023: approximately RMB141,650,000).

The bank borrowings included unsecured bank borrowings of RMB42,000,000 (December 31, 2023: RMB43,800,000), which were guaranteed by Mr. Zhu Zhangjin ("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. The Group has complied with the loan covenants during the six months ended June 30, 2024 and the year ended December 31, 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

17. SHARE CAPITAL

Authorised share capital of the Company

	Number of ordinary shares at US\$0.00015 each	US\$'000
At January 1, 2023, December 31, 2023 and June 30, 2024	266,666,667	40,000

Issued and fully paid

	June 30, 2024			December 31, 2023		
	Number of share	US\$	RMB'000	Number of share	US\$	RMB'000
Issued and fully paid:						
Ordinary shares of US\$0.00015 each	1,443,142	216,471	1,654	1,443,142	216,471	1,654

18. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,297,412	2,297,412
– Properties under development	181,619	159,172
– Lands held for development or sale	219,116	235,905
– Contribution to investment funds	39,858	39,858
	2,738,005	2,732,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

19. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB62,320,000 at June 30, 2024 (December 31, 2023: RMB74,369,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

During the year ended December 31, 2022, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited ("CCT Group") (the "CCT Master Guarantee") and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts of RMB393,000,000 and RMB370,000,000 respectively. The fair value of the Financial Guarantees at the date of initial recognition amounting to approximately RMB16,275,000 was recognized as liabilities in the condensed consolidated statement of financial position and the corresponding amount was debited to profit or loss. The fair value of Financial Guarantee provided for the CCT Group and an independent third party on initial recognition was determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer independent to the Group. Subsequently approximately RMB2,713,000 (six months ended June 30, 2023: RMB2,713,000) was recorded as the release of Financial Guarantees recognized in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

As at June 30, 2024 and December 31, 2023, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognized in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognized less cumulative amortization.

During the year ended December 31, 2022, the CCT Group had continued negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. As per the announcement made by the Company on June 30, 2022, the maximum guaranteed amount has reduced to approximately RMB308,000,000. Details of the updates on CCT Master Agreement were disclosed in the announcement of the Company dated June 30, 2022.

The maximum amounts guaranteed by the Group as at June 30, 2024 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 (December 31, 2023: RMB308,000,000) and RMB370,000,000 (December 31, 2023: RMB370,000,000) respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at June 30, 2024 RMB'000	Fair value as at December 31, 2023 RMB'000	Fair value hierarchy	Valuation technique and key input
Unlisted investment funds classified at fair value through profit or loss	20,115	21,355	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation
Derivative financial instruments (note 15)	7,895	–	Level 3	Binomial Option Pricing Model: expected volatility of 68.70% and 66.30%

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

Valuation techniques used and key inputs of unlisted investment funds

The fair value of unlisted investment funds classified at fair value through profit or loss is determined using adjusted net assets value. The fair value measurement is positively correlated to the underlying net assets' value. As at June 30, 2024, management consider the underlying net assets' values of the investment funds as significant unobservable input, and it is estimated that with other variables held constant, an increase/decrease in 5% of underlying net assets' values would have increased/decreased the Group's profit by approximately RMB1,006,000 (December 31, 2023: RMB1,068,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(cont'd)

Valuation techniques used and key inputs of unlisted investment funds

(cont'd)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
At the beginning of the period/year	21,355	41,805
Addition	–	1,403
Distribution	–	(21,226)
Decrease in fair value recognized in profit or loss during the period/year	(1,374)	(1,185)
Exchange realignment	134	558
At the end of the period/year	20,115	21,355

21. RELATED PARTY BALANCES AND TRANSACTIONS

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

	Amounts due from related parties	
	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade in nature		
Starcorp Corporation Pty., Ltd. (Note)	1,129	1,122
Haining Yujie Material Recycling Co., Ltd. ("Yujie") 海寧宇潔物資回收有限公司 (Note)	331	2
	1,460	1,124

Note:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

21. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

(b) Details of the related party transactions

Name of the related parties	Nature of transactions	June 30,	June 30,
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Yujie (note)	Sales of scrap materials by the Group	448	474

Note: Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited ("Sunbridge")'s general meeting. Mr. Zhu has significant influence and beneficial interests in Yujie, through Sunbridge during the six months ended June 30, 2024 and 2023.

(c) Key management personnel compensation

The remuneration of the directors and other members of key management during the periods was as follows:

	June 30,	June 30,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Basic salaries and other benefits	2,816	2,027
Contribution to retirement benefits schemes	40	40
	2,856	2,067