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## KASEN INTERNATIONAL HOLDINGS LIMITED

### 卡森國際控股有限公司

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

(Stock Code: 496)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Kasen International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2022. These interim results have been reviewed by the audit committee of the Company (“**Audit Committee**”), comprising all the independent non-executive Directors.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		Six months ended June 30, 2022	Six months ended June 30, 2021
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	4,5	491,387	702,551
Cost of sales		<u>(316,909)</u>	<u>(453,553)</u>
Gross profit		174,478	248,998
Other income		3,978	2,536
Selling and distribution costs		(45,582)	(41,668)
Administrative expenses		(89,830)	(100,855)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal		(3,113)	(16,874)
Other gains and losses	6	1,391	25,036
Finance costs		<u>(24,717)</u>	<u>(27,976)</u>

	<i>NOTES</i>	<b>Six months ended June 30, 2022 RMB'000 (unaudited)</b>	Six months ended June 30, 2021 RMB'000 (unaudited)
Profit before tax	7	<b>16,605</b>	89,197
Income tax expenses	8	<u><b>(3,462)</b></u>	<u>(35,561)</u>
Profit for the period		<u><b>13,143</b></u>	<u>53,636</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income		<b>(920)</b>	(80)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income		<b>230</b>	20
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		<u><b>6,863</b></u>	<u>(354)</u>
Total comprehensive income for the period		<u><b>19,316</b></u>	<u>53,222</u>
Profit/(loss) for the period attributable to:			
– Owners of the Company		<b>35,485</b>	46,795
– Non-controlling interests		<u><b>(22,342)</b></u>	<u>6,841</u>
		<u><b>13,143</b></u>	<u>53,636</u>
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		<b>41,668</b>	46,246
– Non-controlling interests		<u><b>(22,352)</b></u>	<u>6,976</u>
		<u><b>19,316</b></u>	<u>53,222</u>
Earnings per share	<i>10</i>		
– Basic and diluted		<u><b>RMB2.4 cents</b></u>	<u>RMB3.1 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2022

	<i>NOTES</i>	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,299,803</b>	1,324,083
Right-of-use assets		<b>152,151</b>	162,872
Investment in associates		<b>17,250</b>	48,100
Intangible assets		<b>612</b>	729
Deferred tax assets		<b>60,684</b>	65,221
Prepayment for construction of property, plant and equipment		<b>21,500</b>	–
Financial asset at fair value through other comprehensive income		<b>18,683</b>	19,603
Financial asset at fair value through profit or loss		<b>70,827</b>	55,970
Prepayment for acquisition of freehold land		<b>120,805</b>	114,763
		<b><u>1,762,315</u></b>	<u>1,791,341</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>76,217</b>	93,660
Properties under development		<b>1,899,060</b>	1,858,589
Properties held for sale		<b>676,979</b>	711,886
Amounts due from non-controlling interests of subsidiaries		<b>53,156</b>	36,040
Trade, bills and other receivables	<i>11</i>	<b>1,026,353</b>	1,061,945
Prepaid income tax		<b>25,410</b>	27,438
Prepaid land appreciation tax		<b>6,664</b>	6,884
Pledged bank deposits		<b>98,367</b>	104,688
Restricted bank deposit for property development business		<b>201</b>	2,354
Bank balances and cash		<b>307,489</b>	279,567
		<b><u>4,169,896</u></b>	<u>4,183,051</u>

	<i>NOTES</i>	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	<i>12</i>	<b>639,671</b>	676,050
Lease liabilities – current portion		<b>13,842</b>	14,442
Contract liabilities		<b>453,609</b>	459,531
Bank and other borrowings – due within one year		<b>190,820</b>	204,366
Tax payable		<b>190,365</b>	211,467
Amounts due to non-controlling interests of subsidiaries		<b>96,845</b>	104,514
		<u><b>1,585,152</b></u>	<u>1,670,370</u>
<b>NET CURRENT ASSETS</b>		<u><b>2,584,744</b></u>	<u>2,512,681</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>4,347,059</b></u>	<u>4,304,022</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>21,657</b>	22,162
Lease liabilities – non-current portion		<b>21,983</b>	28,120
Bank and other borrowings – due after one year		<b>623,473</b>	599,750
		<u><b>667,113</b></u>	<u>650,032</u>
<b>NET ASSETS</b>		<u><b>3,679,946</b></u>	<u>3,653,990</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,712</b>	1,712
Reserves		<b>3,662,041</b>	3,620,373
Equity attributable to owners of the Company		<b>3,663,753</b>	3,622,085
Non-controlling interests		<b>16,193</b>	31,905
<b>TOTAL EQUITY</b>		<u><b>3,679,946</b></u>	<u>3,653,990</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 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 16 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 2021 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to amendments to standards or interpretations effective for the first time for periods beginning on or after January 1, 2022. Details of any changes in accounting policies are set out in note 2.

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 BDO 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**”).

## 2. CHANGE IN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

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

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

### 3. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 (“**Covid-19**”) since January 2020 and certain quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations and investment strategies of the Group, including deteriorates in performance of other segment, mainly tourism related services. Certain development plans of the Group has also been affected since 2020. As at June 30, 2022, all of the Group’s manufacturing and other facilities are operating despite the global economy remain amid the Covid-19 pandemic.

The Directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, liquidity restraints and incur impairments on its assets in 2022. However, the exact impact in the remainder of 2022 and thereafter cannot be predicted.

### 4. 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**”);
- Properties development (“**Properties development**”); and
- Others, comprising mainly provision of travel and related services, catering and entertainment services and provision of property management service (“**Others**”).

#### **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, 2022 (unaudited)

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	335,002	112,935	43,450	–	491,387
Inter-segment revenue	–	–	6,250	(6,250)	–
<b>Reportable segment revenue</b>	<b>335,002</b>	<b>112,935</b>	<b>49,700</b>	<b>(6,250)</b>	<b>491,387</b>
<b>Primary geographical markets</b>					
United States	293,147	–	–	–	293,147
PRC, including HK	37,045	112,935	49,700	(6,250)	193,430
Europe	4,526	–	–	–	4,526
Others	284	–	–	–	284
<b>Total</b>	<b>335,002</b>	<b>112,935</b>	<b>49,700</b>	<b>(6,250)</b>	<b>491,387</b>
<b>Major products</b>					
Sales of upholstered furniture	335,002	–	–	–	335,002
Sales of properties	–	112,935	–	–	112,935
Travel & tourism services	–	–	14,274	–	14,274
Catering & entertainment	–	–	11,946	–	11,946
Property management services	–	–	23,480	(6,250)	17,230
	<b>335,002</b>	<b>112,935</b>	<b>49,700</b>	<b>(6,250)</b>	<b>491,387</b>
<b>Timing of revenue recognition</b>					
At a point in time	335,002	112,935	–	–	447,937
Transferred over time	–	–	49,700	(6,250)	43,450
	<b>335,002</b>	<b>112,935</b>	<b>49,700</b>	<b>(6,250)</b>	<b>491,387</b>

**Six months ended June 30, 2021 (unaudited)**

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from external customers</b>	361,857	284,667	56,027	–	702,551
<b>Inter-segment revenue</b>	–	–	827	(827)	–
<b>Reportable segment revenue</b>	<u>361,857</u>	<u>284,667</u>	<u>56,854</u>	<u>(827)</u>	<u>702,551</u>
<b>Primary geographical markets</b>					
United States	299,697	–	–	–	299,697
PRC, including HK	42,305	284,667	56,854	(827)	382,999
Europe	19,665	–	–	–	19,665
Others	190	–	–	–	190
<b>Total</b>	<u>361,857</u>	<u>284,667</u>	<u>56,854</u>	<u>(827)</u>	<u>702,551</u>
<b>Major products</b>					
Sales of upholstered furniture	361,857	–	–	–	361,857
Sales of properties	–	284,667	–	–	284,667
Travel & tourism services	–	–	21,258	–	21,258
Catering & entertainment	–	–	13,294	–	13,294
Property management services	–	–	22,302	(827)	21,475
	<u>361,857</u>	<u>284,667</u>	<u>56,854</u>	<u>(827)</u>	<u>702,551</u>
<b>Timing of revenue recognition</b>					
At a point in time	361,857	284,667	–	–	646,524
Transferred over time	–	–	56,854	(827)	56,027
	<u>361,857</u>	<u>284,667</u>	<u>56,854</u>	<u>(827)</u>	<u>702,551</u>



## Results

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
<b>Segment profit/(loss)</b>		
– Manufacturing	35,701	25,862
– Properties development	4,783	24,072
– Others ( <i>Note</i> )	<u>(25,907)</u>	<u>3,172</u>
	14,577	53,106
Unallocated corporate expenses	(13,005)	(16,808)
Unallocated other gains and losses	<u>11,571</u>	<u>17,338</u>
Profit for the period	<u><u>13,143</u></u>	<u><u>53,636</u></u>

Segment profit/(loss) 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.

*Note:* The balance included a gain on disposal of subsidiary of RMB24,422,000 recognised in the profit or loss for the period ended June 30, 2021.

## 5. REVENUE

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

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
<b>Sale of goods</b>		
Upholstered furniture	335,002	361,857
Residential properties	<u>112,935</u>	<u>284,667</u>
	447,937	646,524
<b>Provision of services</b>		
Others ( <i>note</i> )	<u>43,450</u>	<u>56,027</u>
	<u><u>491,387</u></u>	<u><u>702,551</u></u>

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

## 6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Net foreign exchange gain/(loss)	18,940	(6,519)
Gain on disposal of a subsidiary ( <i>note</i> )	–	24,422
Change in fair value of financial asset at fair value through profit or loss	(637)	5,918
Fair value of financial guarantee issued on initial recognition	(16,275)	–
Loss on disposal of property, plant and equipment	(887)	(140)
Release of financial guarantees	2,713	3,308
Others	(2,463)	(1,953)
	<u>1,391</u>	<u>25,036</u>

*Note:* In June 2021, the Group disposed of its entire equity interest in 海寧市四海之家物業管理有限公司 to an independent third party for a cash consideration of RMB25,300,000. A gain on disposal of subsidiary of RMB24,422,000 was recognised in the profit or loss for the period ended June 30, 2021.

## 7. PROFIT BEFORE TAX

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

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Amortisation of intangible assets	117	94
Depreciation of property, plant and equipment	39,049	35,069
Depreciation and amortisation of right-of-use assets	9,762	10,255
	<u>48,928</u>	<u>45,418</u>
Costs of inventories under Manufacturing segment recognised as expenses (including net reversal of allowance of inventories of RMB22,000 (June 30, 2021: net reversal provision allowance for RMB170,000))	232,027	265,088
Interest on lease liabilities	992	1,385
Interest on bank and other borrowings	23,725	26,591
	<u>24,717</u>	<u>27,976</u>
Government grants	(1,953)	(1,148)
Interest income	(487)	(702)

## 8. INCOME TAX EXPENSES

	Six months ended June 30, 2022 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)
Land appreciation tax (“LAT”)		
– Current period	1,989	11,829
– Over provision of LAT in previous periods	<u>(12,111)</u>	<u>–</u>
	<u>(10,122)</u>	<u>11,829</u>
The People’s Republic of China enterprise income tax		
– Current period	12,193	20,045
– (Over)/under provision of income tax in previous periods	<u>(3,145)</u>	<u>979</u>
	9,048	21,024
Deferred tax	<u>4,536</u>	<u>2,708</u>
	<u><u>3,462</u></u>	<u><u>35,561</u></u>

## 9. 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.

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB35,485,000 (six months ended June 30, 2021: RMB46,795,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2021: 1,493,636,881 shares) in issue during the period.

### Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company’s options because the exercise price of those options was higher than the average market price for shares for the six months ended June 30, 2022 and June 30, 2021.

## 11. TRADE AND BILLS RECEIVABLES

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:

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Aged:		
Within 60 days	64,488	82,115
61 – 90 days	3,604	3,153
91 – 180 days	7,598	4,508
181 – 365 days	3,045	1,790
Over 1 year	17,681	17,181
	<u>96,416</u>	<u>108,747</u>

## 12. TRADE AND BILLS 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:

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Within 60 days	261,950	311,130
61 – 90 days	8,483	55,339
91 – 180 days	19,021	6,623
181 – 365 days	44,243	8,845
1 – 2 years	16,617	27,955
Over 2 years	33,627	40,674
	<u>383,941</u>	<u>450,566</u>

## 13. CAPITAL AND OTHER COMMITMENTS

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

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,266,111	2,262,995
– Properties under development	204,344	153,998
– Contribution to investment funds	98,782	110,710
	<u>2,569,237</u>	<u>2,527,703</u>

## 14. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB62,985,000 at June 30, 2022 (December 31, 2021: RMB675,160,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

### (b) Financial guarantee issued

During the period ended June 30, 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**”) and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts of RMB 393,000,000 (December 31, 2021: RMB394,800,000) and RMB370,000,000 (December 31, 2021: RMB374,100,000) respectively. The fair value of the Financial Guarantees at January 1, 2022 amounting to approximately RMB16,275,000 was recognised 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 JLL, a professional valuer independent to the Group. Subsequently approximately RMB2,713,000 was recorded as the release of Financial Guarantees recognised 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, 2022 and December 31, 2021, the directors of the Company has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognised in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognised less cumulative amortisation.

During the first half of 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 2021 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, 2022 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 (December 31, 2021: RMB394,800,000) and RMB370,000,000 (December 31, 2021: RMB374,100,000) respectively. As at June 30, 2022, the CCT Group and an independent third party have utilised the Financial Guarantees of approximately RMB308,000,000 and RMB323,547,000 respectively.

## **15. EVENT AFTER THE REPORTING DATE**

Subsequent to the end of reporting period, the Group has resolved to dispose its entire equity interest in a non-wholly owned subsidiary, Yancheng Dayangwan Group Development Co., Ltd., at a consideration of approximately RMB93,740,000 with a gain on disposal of subsidiary for approximately RMB46,807,000. Details of the disposal were disclosed in the announcement of the Company dated July 29, 2022.

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

## BUSINESS REVIEW AND PROSPECTS

### RESULTS OVERVIEW

For the six months ended June 30, 2022, the Group recorded a consolidated turnover of approximately RMB491.4 million (six months ended June 30, 2021: RMB702.6 million), representing a decrease of approximately 30.1% when compared with the corresponding period in 2021. The decrease in turnover was mainly due to the decline 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, 2022 was approximately RMB174.5 million (six months ended June 30, 2021: RMB249.0 million), with an average gross profit margin of approximately 35.5% (six months ended June 30, 2021: 35.4%), representing a decrease of approximately 29.9% in gross profit when compared with the corresponding period in 2021.

The net profit attributable to owners of the Company for the first half of 2022 was approximately RMB35.5 million (six months ended June 30, 2021: RMB46.8 million), representing a decrease of approximately RMB11.3 million or 24.2%.

### Review by Business Segments

The Group's reportable business segments principally consist of manufacturing and trading of upholstered furniture, property developments 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, 2022, together with the comparative figures for the corresponding period in 2021:

	2022		Six Months Ended June 30, 2021		Change
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	335.0	68.2	361.9	51.5	-7.4
Property developments	112.9	23.0	284.7	40.5	-60.3
Others	43.5	8.8	56.0	8.0	-22.3
Total	<u>491.4</u>	<u>100.0</u>	<u>702.6</u>	<u>100.0</u>	-30.1

### ***Manufacturing and Trading of Upholstered Furniture Business***

During the period under review, the Group's manufacturing and trading of upholstered furniture business primarily included finished sofa realised a total turnover of approximately RMB335.0 million, representing a decrease of approximately 7.4% as compared to the total turnover of approximately RMB361.9 million in the corresponding period of 2021. As a result of the volatile economic recovery in the United States and Europe, consumers' purchasing power for furniture products was insufficient and orders from furniture importers in Europe and the United States were lower compared to the corresponding period of last year. Coupled with the domestic resurgence of the Covid-19 pandemic in the first half of the year, the region where the Group's factories are located experienced suspension of production due to the Covid-19 pandemic, which affected sales results. Despite the unfavourable external environment, the Group integrated its production resources, flexibly arranged production, enhanced production efficiency and seized the timeframe brought by the depreciation of RMB to accelerate sales receipt collection, resulting in a better overall profit position of the furniture business. The segment recorded an overall profit of approximately RMB35.7 million for the first half of 2022, representing an increase of approximately 37.8% as compared to the profit of approximately RMB25.9 million in the corresponding period of 2021.

### ***Property Development Business***

As at June 30, 2022, 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, 2022, due to the decrease of properties delivery, the turnover recorded from the property development segment was approximately RMB112.9 million, representing a decrease of approximately 60.3% as compared to approximately RMB284.7 million in the corresponding period of 2021.



*Group's Property Project Portfolio as at June 30, 2022*

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m)	Status	Usage
1	Asia Bay	Boao, Hainan	92%	590,165	Under development	Residential and tourism resort
2	Sanya Project	Sanya, Hainan	80.5%	1,423,987	Under development	Residential, hotel and tourism resort
3	Qianjiang Continent	Yancheng, Jiangsu	100%	335,822	Completed	Residential and commercial
4	Kasen Star City (Including Kingdom Garden and Jing Xiang Yuan, etc.)	Haining, Zhejiang	100%	469,867	Completed	Residential and commercial
5	Changbai Paradise	Changbai Mountain, Jilin	89%	118,195	Completed	Residential and hotel
6	Qianjiang Oasis	Yancheng, Jiangsu	55%	108,138	Completed	Residential
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	286,082	Preliminary development	Residential
Total				<u>3,332,256</u>		

*Analysis of the Group's Property Development Projects*

No.	Project Name	Total gross floor area ("GFA") (sq.m.)	GFA under development/ completed (sq.m.)	Accumulated		Average selling price (RMB/sq.m.)	
				Total saleable GFA (sq.m.)	Accumulated GFA sold as at June 30, 2022 (sq.m.)		Accumulated GFA delivered as at June 30, 2022 (sq.m.)
1	Asia Bay	718,665	404,709	590,165	206,052	188,502	18,084
2	Qianjiang Continent	775,292	775,292	669,717	664,882	663,839	12,119
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	41,240	38,558	—*
5	Qianjiang Oasis	334,899	334,899	282,323	266,779	264,151	—
Total		<u>2,908,492</u>	<u>2,594,536</u>	<u>2,372,945</u>	<u>1,887,683</u>	<u>1,863,780</u>	

\* *This project has been completed and there was no properties delivery during the six months ended June 30, 2022.*

## Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2022 increased to approximately RMB45.6 million, representing an increase of approximately RMB3.9 million as compared to approximately RMB41.7 million in the first half of 2021. All selling and distribution costs kept at same level as in 2021. The selling and distribution costs to turnover in the first half of 2022 increased to approximately 9.3% as compared to approximately 5.9% for the corresponding period in 2021.

The administrative costs for the six months ended June 30, 2022 were approximately RMB89.8 million, representing a decrease of approximately RMB11.1 million as compared to approximately RMB100.9 million for the corresponding period in 2021 which was mainly due to the decrease in staff costs by approximately RMB5.0 million, since the staff costs of property development segment were reduced as the sales of property were decreased, and also a property management subsidiary was disposed in June 2021.

The Group's finance cost in the first half of 2022 was approximately RMB24.7 million, representing a small decrease of approximately RMB3.3 million as approximately RMB28.0 million for the corresponding period of 2021.

The Group's income tax in the first half of 2022 was approximately RMB3.5 million, representing a decrease of approximately RMB32.1 million as compared to approximately RMB35.6 million for the corresponding period in 2021. The decrease was mainly resulted from a refund of land appreciation tax in the People's Republic of China (the "PRC") property development subsidiary of approximately RMB12.1 million, a decrease of land appreciation tax charge of approximately RMB9.8 million as well as a decrease of enterprise income tax charge of approximately RMB7.9 million. For details, please refer to note 8 to the Interim Condensed Consolidated Financial Statements set out in this announcement.

The Group recorded a net gain of approximately RMB1.4 million in other gains and losses in the first half of 2022, while it recorded a net gain of approximately RMB25.0 million during the corresponding period of 2021. For details of the other gains and losses, please refer to note 6 to the Interim Condensed Consolidated Financial Statements set out in this announcement.

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 2022 was approximately RMB35.5 million (six months ended June 30, 2021: RMB46.8 million).

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at June 30, 2022, the Group had cash and cash equivalent available for utilisation totalling approximately RMB307.5 million (as at December 31, 2021: RMB279.6 million) and a total borrowings of approximately RMB814.3 million (as at December 31, 2021: RMB804.1 million). This represents a gearing ratio of 22.2% (as at December 31, 2021: 22.2%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2022, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the period under review.

As at June 30, 2022, the Group's inventory was approximately RMB76.2 million, representing a decrease of approximately RMB17.5 million as compared to approximately RMB93.7 million as of December 31, 2021. During the six months ended June 30, 2022, 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 53 days as compared to 57 days as at December 31, 2021.

During the six months ended June 30, 2022, 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 decreased to 29 days for the first half of 2022 (as at December 31, 2021: 37 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment decreased to 62 days for the six months ended June 30, 2022 (as at December 31, 2021: 75 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, 2022.

## **SIGNIFICANT INVESTMENTS HELD**

Save as otherwise disclosed in this announcement, the Group did not have significant investments held during the six months ended June 30, 2022.

## **PLEDGE OF ASSETS**

During the six months ended June 30, 2022, the Group pledged deposits, property, plant and equipment, properties under development and held for sale and listed equity investments to banks to secure the bank borrowings and the bank facilities granted to the Group. The deposits carry an average interest rate of 0.3%-1.0%. There were no significant changes in the Group's pledge of assets at June 30, 2022 as compared with that of December 31, 2021.

## 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\$5.6 million as at June 30, 2022. 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, 2022, the Group had certain contingent liabilities. For details, please refer to note 14 to the Interim Condensed Consolidated Financial Statements set out in this announcement.

## EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2022, the Group employed a total of approximately 2,790 full time employees (as at December 31, 2021: approximately 2,800) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2022, the Group's total expenses on the remuneration of employees were approximately RMB85.0 million (six months ended June 30, 2021: RMB95.1 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 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 will be set out in the interim report of the Company.

## **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, 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. During the on-going Covid-19 epidemic, the Group has actively implemented various anti-epidemic measures to ensure the health and safety of its employees. 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.

## **FUTURE PLANS AND PROSPECTS**

In the field of upholstered furniture, the Group has confirmed the strategic development direction of “domestic integration and overseas expansion” and has basically completed the relocation of production facilities and the integration of production resources domestically. We are committed to reducing production and management costs by prioritising efficiency while maintaining order intake. In the overseas, the production base in Cambodia is in full operation and we will further expand our investment in Cambodia depending on the situation.

In the field of property development, the Group will not continue to develop new domestic projects in the near future, but will focus on the sale and delivery of the projects already developed, based on its assessment of the overall status and future development of the domestic property industry. We will also look for partners to jointly dispose of certain of our assets. In the overseas, the Group will focus on the development of “Phnom Penh Kasen Garden”, a property project located in Phnom Penh, the capital of Cambodia, with a view to expanding sales revenue.

In the field of tourism resort business, the Group will take a cautious approach to business development due to the domestic ongoing pandemic prevention and control policies. On the one hand, the Group will strive to improve the business performance of its existing water parks and hotels through refinement of management, and on the other hand, actively search for partners to promote the optimization and integration of related assets.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its corporate governance code of practices. For the six months ended June 30, 2022, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended June 30, 2022, each of them has complied with the required standards as set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee, comprises all the three independent non-executive Directors namely, Mr. Du Haibo, 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, 2022. 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, 2022, including the review of the unaudited interim results of the Group for the six months ended June 30, 2022.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises three members, the majority of which are independent non-executive Directors and Mr. Zhou Lingqiang, an independent non-executive Director, is the chairman of the Remuneration Committee. The Remuneration Committee is responsible for establishing policies in respect of remuneration structure for all Directors and senior management of the Company, reviewing and determining the remuneration of all Directors and senior management of the Company.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “**Nomination Committee**”) comprises of three members, the majority of which are independent non-executive Directors and Mr. Du Haibo, an independent non-executive Director, is the chairman of the Nomination Committee. The Nomination Committee is responsible for nominating Directors, reviewing the structure and the composition of the Board regularly, and identifying and nominating qualified individuals to be appointed as new Directors of the Company.

## **EVENT AFTER THE REPORTING PERIOD**

The Company had certain material event after the reporting date. For details, please refer to note 15 to the interim condensed consolidated financial statements set out in this announcement.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the first six months ended June 30, 2022.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is available to the Company and within the knowledge of its Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2022.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The interim report of the Company for the six months ended June 30, 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange and the website of the Company at [www.irasia.com/listco/hk/kasen/index.htm](http://www.irasia.com/listco/hk/kasen/index.htm) in due course.

By Order of the Board  
**Kasen International Holdings Limited**  
**Zhu Zhangjin**  
*Chairman*

PRC, August 31, 2022

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Ms. Zhou Xiaohong and Mr. Zhu Ruijun, and the independent non-executive Directors are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.*

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