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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, 2023

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, 2023. 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, 2023

	<i>NOTES</i>	Six months ended June 30, 2023 RMB’000 (unaudited)	Six months ended June 30, 2022 RMB’000 (unaudited)
Revenue	3,4	381,786	491,387
Cost of sales		(250,540)	(316,909)
Gross profit		131,246	174,478
Other income		5,495	3,978
Selling and distribution costs		(36,233)	(45,582)
Administrative expenses		(89,903)	(89,830)
Impairment loss on trade and other receivables, amounts due from non-controlling interest of subsidiaries and an associate, net		(3,204)	(3,113)
Other gains and losses	5	32,271	1,391
Share of results of associates		7,408	–
Finance costs		(22,128)	(24,717)

	<i>NOTES</i>	Six months ended June 30, 2023 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000 (unaudited)
Profit before income tax	6	24,952	16,605
Income tax expenses	7	<u>(1,414)</u>	<u>(3,462)</u>
Profit for the period		<u>23,538</u>	<u>13,143</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on financial asset at fair value through other comprehensive income		160	(920)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income		(40)	230
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		<u>4,481</u>	<u>6,863</u>
Total comprehensive income for the period		<u>28,139</u>	<u>19,316</u>
Profit for the period attributable to:			
– Owners of the Company		32,723	35,485
– Non-controlling interests		<u>(9,185)</u>	<u>(22,342)</u>
		<u>23,538</u>	<u>13,143</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		37,324	41,668
– Non-controlling interests		<u>(9,185)</u>	<u>(22,352)</u>
		<u>28,139</u>	<u>19,316</u>
Earnings per share			
– Basic and diluted	9	<u>RMB2.3 cents</u>	<u>RMB2.4 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2023

	<i>NOTES</i>	June 30, 2023 <i>RMB'000</i> (unaudited)	December 31, 2022 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		966,391	989,052
Right-of-use assets		132,249	140,908
Interests in associates		31,705	24,297
Intangible assets		58	96
Deferred tax assets		66,046	66,119
Prepayment for acquisition of property, plant and equipment		11,532	–
Financial asset at fair value through other comprehensive income		18,923	18,763
Financial asset at fair value through profit or loss		21,816	41,805
Prepayment for acquisition of freehold land		130,064	125,362
		<u>1,378,784</u>	<u>1,406,402</u>
CURRENT ASSETS			
Inventories		73,721	69,643
Properties under development for sale		1,874,801	1,786,540
Properties held for sale		746,031	765,677
Trade, bills and other receivables	10	1,098,498	1,193,026
Prepaid income tax		22,019	40,623
Prepaid land appreciation tax		6,862	6,711
Pledged bank deposits		88,750	88,750
Restricted bank deposit for property development business		3,441	4,024
Cash and cash equivalents		451,659	460,310
		<u>4,365,782</u>	<u>4,415,304</u>
CURRENT LIABILITIES			
Trade, bills and other payables	11	385,463	464,455
Lease liabilities – current portion		26,517	22,550
Contract liabilities		512,654	489,178
Bank and other borrowings – due within one year		244,072	217,764
Tax payable		182,011	236,190
Amounts due to non-controlling interests of subsidiaries		73,981	78,565
		<u>1,424,698</u>	<u>1,508,702</u>
NET CURRENT ASSETS		<u>2,941,084</u>	<u>2,906,602</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>4,319,868</u></u>	<u><u>4,313,004</u></u>

<i>NOTES</i>	June 30, 2023	December 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	19,598	19,786
Lease liabilities – non-current portion	21,318	29,793
Bank and other borrowings – due after one year	538,806	551,418
	<u>579,722</u>	<u>600,997</u>
NET ASSETS	<u>3,740,146</u>	<u>3,712,007</u>
CAPITAL AND RESERVES		
Share capital	1,654	1,654
Reserves	3,716,995	3,679,671
Equity attributable to owners of the Company	3,718,649	3,681,325
Non-controlling interests	21,497	30,682
TOTAL EQUITY	<u>3,740,146</u>	<u>3,712,007</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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 2022 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 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, 2023. 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 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**”).

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

The condensed consolidated interim financial statements for the six months ended June 30, 2023 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new or amended HKFRSs which are effective as of January 1, 2023.

IFRS 17	Insurance Contracts with related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for those mentioned below, the adoption of these new and 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.

Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in IAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12 “Income Taxes”.

The Group adopted the amendments from January 1, 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after January 1, 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at January 1, 2022. As the balances are qualified for offset under paragraph 74 of IAS 12, there is no material impact on the opening retained profits as at January 1, 2022 as a result of the amendments. However, the amendments require additional disclosure of deferred tax assets and liabilities which may have impact on the annual consolidated financial statements.

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**”);
- 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, 2023 (unaudited)

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
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 HK	20,395	75,261	62,399	(941)	157,114
Europe	27,614	-	-	-	27,614
Others	24,363	-	-	-	24,363
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
	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
	245,067	75,261	62,399	(941)	381,786

Six months ended June 30, 2022 (unaudited)

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	335,002	112,935	43,450	–	491,387
Inter-segment revenue	–	–	6,250	(6,250)	–
Reportable segment revenue	<u>335,002</u>	<u>112,935</u>	<u>49,700</u>	<u>(6,250)</u>	<u>491,387</u>
Primary geographical markets					
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
Total	<u>335,002</u>	<u>112,935</u>	<u>49,700</u>	<u>(6,250)</u>	<u>491,387</u>
Major products					
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
	<u>335,002</u>	<u>112,935</u>	<u>49,700</u>	<u>(6,250)</u>	<u>491,387</u>
Timing of revenue recognition					
At a point in time	335,002	112,935	–	–	447,937
Transferred over time	–	–	49,700	(6,250)	43,450
	<u>335,002</u>	<u>112,935</u>	<u>49,700</u>	<u>(6,250)</u>	<u>491,387</u>

Results

	Six months ended June 30, 2023 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i> (unaudited)
Segment profit/(loss)		
– Manufacturing	28,377	35,701
– Properties development	(25,432)	4,783
– Others	3,836	(25,907)
	<u>6,781</u>	<u>14,577</u>
Unallocated corporate expenses	(10,593)	(13,005)
Unallocated other gains and losses	27,350	11,571
	<u>23,538</u>	<u>13,143</u>
Profit for the period	<u><u>23,538</u></u>	<u><u>13,143</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.

4. REVENUE

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

	Six months ended June 30, 2023 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i> (unaudited)
Sale of goods		
Upholstered furniture	245,067	335,002
Residential properties	75,261	112,935
	<u>320,328</u>	<u>447,937</u>
Provision of services		
Others (<i>note</i>)	61,458	43,450
	<u>381,786</u>	<u>491,387</u>

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, 2023 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i> (unaudited)
Net foreign exchange gain	18,073	18,940
Change in fair value of financial asset at fair value through profit or loss	(457)	(637)
Fair value of financial guarantee issued on initial recognition	–	(16,275)
Gain/(loss) on disposal of property, plant and equipment	2,316	(887)
Written back of other payables	10,447	–
Release of financial guarantees	2,713	2,713
Others	(821)	(2,463)
	<u>32,271</u>	<u>1,391</u>

6. PROFIT BEFORE INCOME TAX

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

	Six months ended June 30, 2023 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i> (unaudited)
Amortisation of intangible assets	38	117
Depreciation of property, plant and equipment	27,396	39,049
Depreciation and amortisation of right-of-use assets	14,198	9,762
	<u>41,632</u>	<u>48,928</u>
Costs of inventories under Manufacturing segment recognised as expenses (including net reversal of allowance of inventories of RMB587,420 (June 30, 2022: net reversal of allowance of inventories of RMB22,000))	176,070	232,027
Interest on lease liabilities	1,285	992
Interest on bank and other borrowings	20,843	23,725
	<u>22,128</u>	<u>24,717</u>
Government grants	(388)	(1,953)
Interest income	(976)	(487)
	<u>(976)</u>	<u>(487)</u>

7. INCOME TAX EXPENSES

	Six months ended June 30, 2023 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000 (unaudited)
Land appreciation tax (“LAT”)		
– Current period	3,978	1,989
– Overprovision of LAT in previous periods	<u>–</u>	<u>(12,111)</u>
	<u>3,978</u>	<u>(10,122)</u>
The People’s Republic of China enterprise income tax		
– Current period	6,904	12,193
– Overprovision of income tax in previous periods	<u>(9,353)</u>	<u>(3,145)</u>
	(2,449)	9,048
Deferred tax	<u>(115)</u>	<u>4,536</u>
	<u><u>1,414</u></u>	<u><u>3,462</u></u>

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 RMB32,723,000 (six months ended June 30, 2022: RMB35,485,000) by the weighted average number of ordinary shares in issue during the period ended June 30, 2023 and 2022. The earnings per share is calculated using the weighted average number of ordinary shares of 1,443,141,881 (six months ended June 30, 2022: 1,493,636,881) shares issued during the period.

Diluted earnings per share

The calculation of diluted earnings per share for the period ended June 30, 2023 and 2022 do not assume the exercise of the Company’s outstanding share options which had anti-dilutive effect and would result in an addition in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the period ended June 30, 2023 and 2022.

10. 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:

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Aged:		
Within 60 days	44,512	52,059
61–90 days	1,901	3,188
91–180 days	22,178	7,384
181–365 days	5,586	3,527
Over 1 year	13,323	15,121
	<u>87,500</u>	<u>81,279</u>

11. 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:

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Within 60 days	153,134	165,296
61–90 days	9,231	8,506
91–180 days	1,567	5,494
181–365 days	2,904	1,909
1–2 years	1,891	21,723
Over 2 years	30,865	34,810
	<u>199,592</u>	<u>237,738</u>

12. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,294,071	2,295,956
– Properties under development	370,643	391,733
– Contribution to investment funds	41,386	41,283
	<u>2,706,100</u>	<u>2,728,972</u>

13. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB61,419,000 at June 30, 2023 (December 31, 2022: RMB64,472,000) 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 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 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, 2022: 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, 2023 and December 31, 2022, 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 amortization.

During the year ended December 31, 2022, the CCT Group had continued to negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. As per the announcement made by the Company on June 30, 2022, the maximum guaranteed amount has been 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, 2023 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 (December 31, 2022: RMB308,000,000) and RMB370,000,000 (December 31, 2022: RMB370,000,000) respectively.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2023, the Group recorded a consolidated turnover of approximately RMB381.8 million (six months ended June 30, 2022: RMB491.4 million), representing a decrease of approximately 22.3% when compared with the corresponding period in 2022. The decrease in turnover was mainly due to (i) the decline in the delivery of property for the Group's property development projects; and (ii) the drop in revenue for the Group's manufacturing segment due to the decrease in sales orders from overseas customers during the period under review.

The Group's gross profit for the six months ended June 30, 2023 was approximately RMB131.2 million (six months ended June 30, 2022: RMB174.5 million), with an average gross profit margin of approximately 34.4% (six months ended June 30, 2022: 35.5%), representing a decrease of approximately 24.8% in gross profit when compared with the corresponding period in 2022.

The net profit attributable to owners of the Company for the first half of 2023 was approximately RMB32.7 million (six months ended June 30, 2022: RMB35.5 million), representing a decrease of approximately RMB2.8 million or 7.8%.

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, 2023, together with the comparative figures for the corresponding period in 2022:

	2023		Six Months Ended June 30, 2022		Change %
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	245.1	64.2	335.0	68.2	-26.8
Property development	75.3	19.7	112.9	23.0	-33.3
Others	61.4	16.1	43.5	8.8	41.1
Total	<u>381.8</u>	<u>100.0</u>	<u>491.4</u>	<u>100.0</u>	-22.3

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 RMB245.1 million, representing a decrease of approximately 26.8% as compared to the total turnover of approximately RMB335.0 million in the corresponding period of 2022. As a result of the adverse impact of the fluctuating international political and economic situation, purchasers from the United States and Europe continued to reduce the import of furniture products from China, resulting in lower orders compared to the corresponding period of last year and a decrease in profits. The segment recorded an overall profit of approximately RMB28.4 million for the first half of 2023, representing a decrease of approximately 20.4% as compared to the profit of approximately RMB35.7 million in the corresponding period of 2022.

Property Development Business

As at June 30, 2023, 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, 2023, the Group had no new property development project. During the period under review, due to the decrease in delivery of properties, the turnover recorded from the property development segment was approximately RMB75.3 million, representing a decrease of approximately 33.3% as compared to approximately RMB112.9 million in the corresponding period of 2022.

Group's Property Project Portfolio as at June 30, 2023

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

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

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	Accumulated	Average selling price (RMB/sq.m.)
					GFA sold as at June 30, 2023 (sq.m.)	GFA delivered as at June 30, 2023 (sq.m.)	
1	Asia Bay	718,665	404,709	590,165	214,488	193,353	18,734
2	Qianjiang Continent	775,292	775,292	670,065	670,065	666,397	13,679
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	42,516	39,896	—#
5	Qianjiang Oasis	334,899	334,899	282,323	265,828	265,689	8,753
Total		<u>2,908,492</u>	<u>2,594,536</u>	<u>2,373,293</u>	<u>1,901,627</u>	<u>1,874,065</u>	

* 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, 2023 decreased to approximately RMB36.2 million, representing a decrease of approximately RMB9.4 million as compared to approximately RMB45.6 million in the first half of 2022. All selling and distribution costs compared to the revenue kept at same level as in 2022. The selling and distribution costs as a percentage of turnover in the first half of 2023 slightly increased to approximately 9.5% as compared to approximately 9.3% for the corresponding period in 2022.

The administrative costs for the six months ended June 30, 2023 were approximately RMB89.9 million, representing a small increase of approximately RMB0.1 million as compared to approximately RMB89.8 million for the corresponding period in 2022.

The Group's impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate slightly increased by approximately RMB0.1 million from approximately RMB3.1 million for the six months ended June 30, 2022 to approximately RMB3.2 million in the corresponding period of 2023 under the relevant management policies of the Group adopted in accordance with IFRS 9.

The Group's finance cost in the first half of 2023 was approximately RMB22.1 million, representing a small decrease of approximately RMB2.6 million as compared to approximately RMB24.7 million for the corresponding period of 2022.

The Group's income tax in the first half of 2023 was approximately RMB1.4 million, representing a decrease of approximately RMB2.1 million as compared to approximately RMB3.5 million for the corresponding period in 2022. The decrease was mainly resulted from a decrease of enterprise income tax charge of approximately RMB5.3 million which was offset by an increase of land appreciation tax charge of approximately RMB2.0 million. For details, please refer to note 7 to the Interim Condensed Consolidated Financial Statements as set out in this announcement.

The Group recorded a net gain of approximately RMB32.3 million in other gains and losses in the first half of 2023, while it recorded a net gain of approximately RMB1.4 million during the corresponding period of 2022. 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 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 2023 was approximately RMB32.7 million (six months ended June 30, 2022: net profit of RMB35.5 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2023, the Group had cash and cash equivalent available for utilisation totalling approximately RMB451.7 million (as at December 31, 2022: RMB460.3 million) and total borrowings of approximately RMB782.9 million (as at December 31, 2022: RMB769.2 million). The gearing ratio (being total borrowings divided by shareholders' equity multiplied by 100%) was approximately 21.1% (as at December 31, 2022: 20.7%). In the first half of 2023, 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, 2023, the Group's inventory was approximately RMB73.7 million, representing an increase of approximately RMB4.1 million as compared to approximately RMB69.6 million as of December 31, 2022. During the six months ended June 30, 2023, 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 67 days as compared to 54 days as at December 31, 2022.

During the six months ended June 30, 2023, 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 48 days for the first half of 2023 (as at December 31, 2022: 24 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 66 days for the six months ended June 30, 2023 (as at December 31, 2022: 44 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, 2023.

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, 2023.

PLEDGE OF ASSETS

During the six months ended June 30, 2023, 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 0.2%-1.7%. There were no significant changes in the Group's pledge of assets at June 30, 2023 as compared with that of December 31, 2022.

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\$10.8 million as at June 30, 2023. 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, 2023, the Group had certain contingent liabilities. For details, please refer to note 13 to the Interim Condensed Consolidated Financial Statements as set out in this announcement.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2023, the Group employed a total of approximately 2,460 full time employees (as at December 31, 2022: approximately 2,117) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2023, the Group's total expenses on the remuneration of employees were approximately RMB73.7 million (six months ended June 30, 2022: RMB85.0 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. 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

Manufacturing and trading of upholstered furniture Business is the traditional competitive industries of the Group. Currently, the international situation is complex and volatile, and it is expected that the procurement volume of furniture products exported from China to purchasers in Europe and the United States will continue to decrease. In recent years, the Group has been taking proactive measures to cope with the aforementioned risks. At present, the Group is further optimizing the layout of production factories and integrating production resources domestically to reduce costs, meanwhile, it continues to expand the scale of its production base in Cambodia and increase the volume of exports from Cambodia to customers in Europe and the United States.

In the field of property development, in the context of the fundamental changes of the supply and demand relationship of properties in China, the Group will, instead of continuing to develop new domestic projects, focus on the sale and delivery of the projects already developed and accelerate the disposal of certain assets, to recover its funds. In the overseas, "Phnom Penh Kasen Garden", a property project located in Phnom Penh, the capital of Cambodia, is under development and construction as scheduled, which will bring a new sales growth driver and enable the Group to explore new development opportunities for the property development business of the Group.

In the field of tourism resort business, following the end of the pandemic prevention and control in China, such business has recovered rapidly, and achieved satisfactory performance with the significant increase in the number of admissions and patrons of the water parks and hotels. The Group will seize the favorable opportunity arising from the recovery of domestic tourism resort business to optimize its management and services, and strive to create better economic benefits. At the same time, the Group will actively search for partners to promote the optimization and integration of related assets in a favorable industry environment.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of 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, 2023, 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 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, 2023, 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, 2023. 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, 2023, including the review of the unaudited interim results of the Group for the six months ended June 30, 2023.

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

No significant events has occurred in respect of for the Group after the reporting date of June 30, 2023.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: 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, 2023.

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, 2023.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2023 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 in due course.

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

August 31, 2023

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin and Ms. Zhou Xiaohong, 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>