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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, 2024

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, 2024. 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, 2024

		Six months ended <i>NOTES</i> June 30, 2024 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2023 <i>RMB'000</i> (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)

		Six months ended June 30, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
	NOTES		
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
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	9	1.93 cents	2.30 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2024

	NOTES	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		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		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		400,698	262,138
Deferred tax assets		74,398	75,931
		<u>1,751,700</u>	<u>1,612,591</u>
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	10	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 deposit for land and property development business		2,341	3,271
Cash and cash equivalents		390,372	567,542
		<u>4,263,701</u>	<u>4,370,187</u>

	<i>NOTES</i>	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	11	392,257	404,181
Lease liabilities		24,639	20,176
Contract liabilities		587,557	546,371
Bank borrowings		259,951	284,128
Tax payable		227,238	219,059
Amounts due to non-controlling interests of subsidiaries		92,848	227,364
Convertible bonds		76,768	—
Derivative financial instruments		7,895	—
		<u>1,669,153</u>	<u>1,701,279</u>
NET CURRENT ASSETS		<u>2,594,548</u>	<u>2,668,908</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,346,248</u>	<u>4,281,499</u>
NON-CURRENT LIABILITIES			
Lease liabilities		10,573	10,821
Bank borrowings		400,000	444,083
Deferred tax liabilities		15,325	13,145
		<u>425,898</u>	<u>468,049</u>
NET ASSETS		<u><u>3,920,350</u></u>	<u><u>3,813,450</u></u>
CAPITAL AND RESERVES			
Share capital		1,654	1,654
Reserves		<u>3,767,236</u>	<u>3,750,967</u>
Equity attributable to owners of the Company		3,768,890	3,752,621
Non-controlling interests		<u>151,460</u>	<u>60,829</u>
TOTAL EQUITY		<u><u>3,920,350</u></u>	<u><u>3,813,450</u></u>

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**”).

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

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 new or 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 these 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.

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").

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

Six months ended June 30, 2023 (unaudited)

	Manufacturing <i>RMB'000</i>	Land and property 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	<u>245,067</u>	<u>75,261</u>	<u>62,399</u>	<u>(941)</u>	<u>381,786</u>
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	<u>245,067</u>	<u>75,261</u>	<u>62,399</u>	<u>(941)</u>	<u>381,786</u>
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
	<u>245,067</u>	<u>75,261</u>	<u>62,399</u>	<u>(941)</u>	<u>381,786</u>
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
	<u>245,067</u>	<u>75,261</u>	<u>62,399</u>	<u>(941)</u>	<u>381,786</u>

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
	<u>20,936</u>	<u>6,781</u>
Unallocated corporate expenses	(3,965)	(10,593)
Unallocated other gains and losses	<u>6,360</u>	<u>27,350</u>
Profit for the period	<u><u>23,331</u></u>	<u><u>23,538</u></u>

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.

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	<u>140,130</u>	<u>75,261</u>
	<u>380,576</u>	<u>320,328</u>
Provision of services		
Others (note)	<u>43,292</u>	<u>61,458</u>
	<u><u>423,868</u></u>	<u><u>381,786</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.

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	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)
	<u>11,104</u>	<u>32,271</u>

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)
Amortisation of intangible assets	14	38
Depreciation of property, plant and equipment	21,193	27,396
Depreciation of investment property	328	—
Depreciation and amortisation of right-of-use assets	15,784	14,198
Total depreciation and amortisation	<u>37,319</u>	<u>41,632</u>
Costs of inventories under Manufacturing segment recognised 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	—
	<u>20,677</u>	<u>22,128</u>
Government grants	(10)	(388)
Interest income	<u>(1,237)</u>	<u>(976)</u>

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	–
	<u>14,425</u>	<u>3,978</u>
Hong Kong profits tax		
– Current period	1,862	–
	<u>1,862</u>	<u>–</u>
Cambodia corporate tax		
– Current period	2,357	–
	<u>2,357</u>	<u>–</u>
The PRC enterprise income tax		
– Current period	6,512	6,904
– Over-provision of income tax in previous periods	(2,725)	(9,353)
	<u>3,787</u>	<u>(2,449)</u>
Deferred tax	3,712	(115)
	<u>3,712</u>	<u>(115)</u>
	<u>26,143</u>	<u>1,414</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 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. 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, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (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

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, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (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

12. 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
	<u>2,738,005</u>	<u>2,732,347</u>

13. 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 31 December 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, 2023: 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, 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 recognised in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognised less cumulative amortisation.

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.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2024, 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 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, 2024, together with the comparative figures for the corresponding period in 2023:

	2024		Six Months Ended June 30, 2023		Change %
	<i>RMB'Million</i>	%	<i>RMB'Million</i>	%	
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	<u>423.9</u>	<u>100.0</u>	<u>381.8</u>	<u>100.0</u>	11.0

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 (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, Shibei Nongchang Road, Tianya District, Sanya City, Hainan Province	80.5%	1,423,987	Under development	2028	Residential, hotel and tourism resort
3	Qianjiang Continent	No.66 Middle Dongjin Road, Tinghu District, Yancheng City, Jiangsu Province	100%	335,822	Completed	2015	Residential and commercial
4	Kasen Star City	No. 1 Haiyun Road, Haining City, Zhejiang Province	100%	469,867	Completed	2019	Residential and commercial
5	Changbai Paradise	Baihe Town, Er Dao, Antu County, Yanji City, Jilin Province	89%	118,195	Completed	2015	Residential and hotel
6	Qianjiang Oasis	No.29 Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province	55%	108,138	Completed	2021	Residential and commercial
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	291,035	Under development	2026	Residential
Total				<u>3,337,209</u>			

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 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		<u>2,973,019</u>	<u>2,659,063</u>	<u>2,415,048</u>	<u>1,948,995</u>	<u>1,891,958</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, 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 announcement.

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 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 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 announcement, 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.

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 13 to the Interim Condensed Consolidated Financial Statements as set out in this announcement.

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 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, 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.

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 Cambodian, 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.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 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, 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended June 30, 2024, 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. 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, including the review of the unaudited interim results of the Group for the six months ended June 30, 2024.

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. Chow Hiu Tung, 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, 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.

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).

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, 2024.

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, 2024.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2024 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 30, 2024

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. Chow Hiu Tung, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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