

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The board (the “Board”) of directors (the “Directors”) of Kasen International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2020, together with comparative figures for the year ended December 31, 2019, as below.

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

*For the year ended December 31, 2020*

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	5	<b>1,260,266</b>	3,413,185
Cost of sales		<b>(840,771)</b>	(2,220,202)
Gross profit		<b>419,495</b>	1,192,983
Other income	6	<b>16,695</b>	17,649
Selling and distribution costs		<b>(89,890)</b>	(191,722)
Administrative expenses		<b>(206,256)</b>	(252,867)
Impairment loss on trade and other receivables, net of reversal	9	<b>(15,724)</b>	(13,307)
Other gains and losses	7	<b>93,323</b>	(42,045)
Finance costs	8	<b>(61,495)</b>	(47,127)
Profit before tax	9	<b>156,148</b>	663,564
Income tax expenses	10	<b>(60,528)</b>	(182,352)
Profit for the year		<b>95,620</b>	481,212

	<i>NOTES</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Fair value loss on financial asset through other comprehensive income		<b>(1,080)</b>	(761)
Income tax relating to fair value change of financial asset through other comprehensive income		<u>271</u>	<u>190</u>
		<u><b>(809)</b></u>	<u>(571)</u>
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		<u>(9,055)</u>	<u>2,318</u>
Total comprehensive income for the year		<u><b>85,756</b></u>	<u>482,959</u>
Profit/(loss) for the year attributable to:			
– Owners of the Company		<b>114,975</b>	444,958
– Non-controlling interests		<u>(19,355)</u>	<u>36,254</u>
		<u><b>95,620</b></u>	<u>481,212</u>
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		<b>104,852</b>	446,891
– Non-controlling interests		<u>(19,096)</u>	<u>36,068</u>
		<u><b>85,756</b></u>	<u>482,959</u>
Earnings per share	<i>12</i>		
– Basic		<u><b>RMB7.70 cents</b></u>	<u>RMB29.79 cents</u>
– Diluted		<u><b>RMB7.70 cents</b></u>	<u>RMB29.63 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,510,319</b>	1,618,576
Right-of-use assets		<b>189,421</b>	177,436
Investment in an associate		<b>300</b>	–
Intangible assets		<b>847</b>	1,383
Deferred tax assets		<b>60,938</b>	49,439
Prepayment for acquisition of plant and equipment		<b>13,775</b>	44,305
Deposits paid for acquisition of a subsidiary		–	8,000
Financial asset at fair value through other comprehensive income		<b>16,362</b>	17,442
Financial asset at fair value through profit or loss		<b>19,572</b>	–
Prepayment for acquisition of freehold and leasehold land		<b>117,448</b>	276,274
		<b><u>1,928,982</u></b>	<u>2,192,855</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>96,148</b>	83,922
Properties under development for sale		<b>1,517,694</b>	1,431,249
Properties held for sale		<b>1,000,611</b>	1,048,009
Amounts due from non-controlling interests of subsidiaries		<b>35,283</b>	24,359
Trade and other receivables	<i>13</i>	<b>1,180,572</b>	1,111,709
Prepaid income tax		<b>49,844</b>	23,595
Prepaid land appreciation tax		<b>15,666</b>	10,497
Pledged bank deposits		<b>104,356</b>	46,093
Restricted bank deposit for property development business		<b>54,673</b>	111,037
Bank balances and cash		<b>297,684</b>	211,903
		<b><u>4,352,531</u></b>	<u>4,102,373</u>

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	<i>14</i>	<b>812,979</b>	981,468
Lease liabilities – current portion		<b>16,511</b>	6,384
Contract liabilities		<b>807,851</b>	648,545
Bank and other borrowings – due within one year		<b>315,200</b>	309,660
Tax payable		<b>154,495</b>	239,674
Amounts due to non-controlling interests of subsidiaries		<b>105,122</b>	111,196
		<u><b>2,212,158</b></u>	<u>2,296,927</u>
<b>NET CURRENT ASSETS</b>		<u><b>2,140,373</b></u>	<u>1,805,446</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>4,069,355</b></u>	<u>3,998,301</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>21,482</b>	22,015
Lease liabilities – non current portion		<b>42,844</b>	15,334
Bank and other borrowings – due after one year		<b>565,368</b>	600,435
		<u><b>629,694</b></u>	<u>637,784</u>
<b>NET ASSETS</b>		<u><b>3,439,661</b></u>	<u>3,360,517</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,712</b>	1,712
Reserves		<b>3,399,323</b>	3,294,471
Equity attributable to owners of the Company		<b>3,401,035</b>	3,296,183
Non-controlling interests		<b>38,626</b>	64,334
<b>TOTAL EQUITY</b>		<u><b>3,439,661</b></u>	<u>3,360,517</u>

Notes:

## 1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since October 20, 2005. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information attached to the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of upholstered furniture; (ii) properties development; and (iii) tourism resort-related operations.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) Adoption of new or amended IFRSs

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

Amendments to IAS 1 and IAS 8	Amendment to definition of materiality
Amendments to IFRS 3 (Revised)	Definition of a business
Amendments to IFRS 9, IAS 39 and IFRS 7 IFRSs (Amendments)	Interest Rate Benchmark Reform Conceptual Framework for Financial Reporting (Revised)

### (b) New or amended IFRSs that have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
IFRS 17	Insurance Contracts and the related Amendments <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after January 1, 2021.
- <sup>2</sup> Effective for annual periods beginning on or after January 1, 2022.
- <sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.
- <sup>4</sup> Effective for annual periods beginning on or after January 1, 2023.
- <sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.
- <sup>6</sup> Effective for annual periods beginning on or after June 1, 2020.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

### **3. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the Hong Kong Companies Ordinances.

#### **(b) Basis of measurement**

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

### **4. SIGNIFICANT EVENTS**

The outbreak of the Coronavirus Disease 2019 (“Covid-19”) in early January 2020 and certain quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group, including decrease in sales orders from certain overseas customers in the first half of 2020 and deteriorates in performance of other segment, mainly tourism related services. Certain development plans of the Group has also been affected during 2020. As at December 31, 2020, all of the Group’s manufacturing and other facilities are operational despite the global economy remain amid the Covid-19 pandemic.

The Directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates and the developments the Group plans.

## 5. SEGMENT INFORMATION AND REVENUE

### (a) 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 assessment, are as follows:

- Manufacturing and trading of upholstered furniture ("Manufacturing");
- Properties development in the PRC ("Properties development"); and
- Others, comprising mainly operation of resort owned by the Group, provision of travel and tourism-related services, and provision of property management service ("Others")

### *Segment revenues*

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

#### **For the year ended December 31, 2020**

	<b>Manufacturing</b> <i>RMB'000</i>	<b>Properties development</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Eliminations</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
External sales	692,833	440,235	127,198	–	1,260,266
Inter-segment sales	–	–	3,257	(3,257)	–
Total	<u>692,833</u>	<u>440,235</u>	<u>130,455</u>	<u>(3,257)</u>	<u>1,260,266</u>

#### For the year ended December 31, 2019

	<b>Manufacturing</b> <i>RMB'000</i>	<b>Properties development</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Eliminations</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
External sales	700,985	2,552,097	160,103	–	3,413,185
Inter-segment sales	–	–	17,262	(17,262)	–
Total	<u>700,985</u>	<u>2,552,097</u>	<u>177,365</u>	<u>(17,262)</u>	<u>3,413,185</u>

Disaggregation of revenue from contracts with customers

**For the year ended December 31, 2020**

	<b>Manufacturing</b> <i>RMB'000</i>	<b>Properties development</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Elimination</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Primary geographical markets</b>					
United States	549,331	-	-	-	549,331
PRC, including HK	70,283	440,235	130,455	(3,257)	637,716
Europe	58,052	-	-	-	58,052
Others	15,167	-	-	-	15,167
	<u>692,833</u>	<u>440,235</u>	<u>130,455</u>	<u>(3,257)</u>	<u>1,260,266</u>
<b>Major products and services</b>					
Sale of upholstered furniture	692,833	-	-	-	692,833
Sale of properties	-	440,235	-	-	440,235
Travel & tourism services	-	-	60,952	-	60,952
Catering & entertainment	-	-	25,308	-	25,308
Property management services	-	-	44,195	(3,257)	40,938
	<u>692,833</u>	<u>440,235</u>	<u>130,455</u>	<u>(3,257)</u>	<u>1,260,266</u>
<b>Timing of revenue recognition</b>					
At a point in time	692,833	440,235	25,308	-	1,158,376
Transferred over time	-	-	105,147	(3,257)	101,890
	<u>692,833</u>	<u>440,235</u>	<u>130,455</u>	<u>(3,257)</u>	<u>1,260,266</u>

For the year ended December 31, 2019

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Primary geographical markets</b>					
United States	511,746	–	–	–	511,746
PRC, including HK	45,658	2,552,097	177,365	(17,262)	2,757,858
Europe	52,106	–	–	–	52,106
Others	91,475	–	–	–	91,475
	<u>700,985</u>	<u>2,552,097</u>	<u>177,365</u>	<u>(17,262)</u>	<u>3,413,185</u>
<b>Major products and services</b>					
Sale of upholstered furniture	700,985	–	–	–	700,985
Sale of properties	–	2,552,097	–	–	2,552,097
Travel & tourism services	–	–	123,640	(472)	123,168
Catering & entertainment	–	–	2,181	(62)	2,119
Property management services	–	–	51,544	(16,728)	34,816
	<u>700,985</u>	<u>2,552,097</u>	<u>177,365</u>	<u>(17,262)</u>	<u>3,413,185</u>
<b>Timing of revenue recognition</b>					
At a point in time	700,985	2,552,097	2,181	(62)	3,255,201
Transferred over time	–	–	175,184	(17,200)	157,984
	<u>700,985</u>	<u>2,552,097</u>	<u>177,365</u>	<u>(17,262)</u>	<u>3,413,185</u>

### **Segment result**

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Segment profit/(loss)		
– Manufacturing	<b>178,589</b>	50,181
– Properties development	<b>37,450</b>	408,609
– Others	<b>(56,636)</b>	(47,279)
	<b>159,403</b>	411,511
Unallocated corporate expenses	<b>(27,177)</b>	(27,257)
Unallocated other gains and losses	<b>(36,606)</b>	96,958
Profit for the year	<b>95,620</b>	481,212

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

Inter-segment sales are charged at prevailing market rates.

### ***Geographical information***

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

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

The Group's revenue from external customers by geographical location is detailed below:

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
United States	<b>549,331</b>	511,746
PRC, including HK	<b>637,716</b>	2,757,858
Europe	<b>58,052</b>	52,106
Others	<b>15,167</b>	91,475
	<b><u>1,260,266</u></b>	<b><u>3,413,185</u></b>

### ***Information about major customer***

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

	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Customer A	<b><u>312,062</u></b>	<u>N/A</u> <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group

### **(b) Revenue**

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

	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Sale of goods		
Upholstered furniture	<b>692,833</b>	700,985
Residential properties	<b>440,235</b>	2,552,097
	<b><u>1,133,068</u></b>	<u>3,253,082</u>
Provision of services		
Others ( <i>note</i> )	<b>127,198</b>	160,103
	<b><u>1,260,266</u></b>	<b><u>3,413,185</u></b>

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

## 6. OTHER INCOME

An analysis of other income is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants ( <i>note a</i> )	12,123	12,044
Interest income	1,021	3,250
Rental income ( <i>note b</i> )	3,343	2,116
Sub-contracting fee income	208	239
	<u>16,695</u>	<u>17,649</u>

*Note a:* Government grants represent various incentives received from government for business development. There were no specific conditions attached to the incentives.

*Note b:* Rental income mainly includes income from leasing of insignificant portion of the Group's spare production warehouse, currently classified as property, plant and equipment, to external parties on a short-term basis.

## 7. OTHER GAINS AND LOSSES

An analysis of other gains and losses is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Reversal of impairment loss recognised in respect of properties under development and held for sale	–	165
Gain on disposal of right-of-use asset, net ( <i>note b</i> )	49,071	–
Impairment loss on property, plant and equipment	–	(22,000)
Net foreign exchange (loss)/gain	(34,050)	5,909
Donation	(161)	(257)
Penalty	(686)	(10,345)
Change in fair value of financial asset at fair value through profit or loss	(2,093)	–
Gain/(loss) on disposal of property, plant and equipment, net ( <i>note b</i> )	70,455	(1,834)
Loss on disposal of subsidiaries, net	(5,565)	–
Loss allowance on the amount due from a subsidiary upon deconsolidation	(18,501)	–
Net gain from sale of scrap materials	2,028	1,647
Provision of financial guarantees ( <i>note a</i> )	–	(19,851)
Recovery of deposits paid for cooperation of development of land in PRC written off in prior year ( <i>note c</i> )	39,500	–
Release of financial guarantees ( <i>note a</i> )	6,617	6,617
Others	(13,292)	(2,096)
	<u>93,323</u>	<u>(42,045)</u>

*Note a:* The provision of financial guarantees represented the fair value of the financial guarantees recognised at its initial recognition (note 17(b)). The release of financial guarantees recognised in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) is satisfied over the period of guarantees since initial recognition.

*Note b:* The amounts mainly represents the gains from land resumption which, Haining Hainix Sofa Co., Ltd (the “Haining Hainix”), a wholly-owned subsidiary of the Group, entered into a land resumption agreement with Haining Jianshan New Area Administrative Committee (the “Haining Jianshan Administrative Committee”) on July 8, 2020. Pursuant to the land resumption agreement, Haining Hainix surrendered the land use rights it owned together with the buildings erected on the land to Haining Jianshan Administrative Committee at a consideration of approximately RMB167,972,000. A gain on disposal of right-of-use assets of RMB48,984,000 related to the surrendered land use rights and gain on disposal of property, plant and equipment of RMB88,038,000 related to the surrendered of erected building are recognised in the profit or loss.

The Group has received consideration of RMB81,500,000 from Haining Jianshan Administrative Committee during the year and the balance of RMB86,472,000 has been received on January 2021.

*Note c:* During the year, the Group successfully sued against Shenjianong Equity Cooperative Company and Hangzhou Zhuantang Street Hengqiao Equity Cooperative Company at high court in Hangzhou for refund of deposits paid for cooperation of development of land with principal amounts of RMB39,500,000 which were written off in prior year. The amounts were fully received in July 2020.

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on:		
Bank and other borrowings	<b>59,521</b>	63,530
Interest on lease liabilities	<b>1,974</b>	994
Less: Amounts capitalised in respect of properties under development for sale and construction in progress	<u>          –</u>	<u>          (17,397)</u>
	<b><u>61,495</u></b>	<b><u>47,127</u></b>

The capitalised borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically used in the construction of properties during the years. During the year ended December 31, 2020, the weighted average interest capitalization rate was nil (2019: 6.5%) per annum.

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of intangible assets (included in the administrative expenses)	535	323
Depreciation of property, plant and equipment	75,775	77,514
Depreciation of right-of-use assets	<u>16,082</u>	<u>10,123</u>
Total depreciation and amortisation	<u><u>92,392</u></u>	<u><u>87,960</u></u>
Auditor's remuneration		
– Audit service	2,100	1,600
– Non-audit service	800	800
Impairment loss on trade and other receivables, net of reversal	15,724	13,307
Cost of inventories under Manufacturing segment recognised as expenses (including net reverse of allowance of inventories of RMB972,000 (2019: RMB338,000))	501,589	498,517
Cost of properties under properties development segment recognised as cost of sales	280,173	1,638,491
Expenses relating to short term leases with lease terms end within 12 months	558	664
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	175,929	204,141
– Contributions to defined contribution retirement plans	<u>9,010</u>	<u>22,321</u>
	<u><u>184,939</u></u>	<u><u>226,462</u></u>

## 10. INCOME TAX EXPENSES

The amount of income tax expenses in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Income tax		
– for the current year	48,891	116,798
– under provision in respect of prior years	674	980
– reversal of tax provision	<u>–</u>	<u>(85,191)</u>
	<u>49,565</u>	<u>32,587</u>
LAT	<u>22,724</u>	<u>153,537</u>
Deferred tax	<u>(11,761)</u>	<u>(3,772)</u>
	<u><u>60,528</u></u>	<u><u>182,352</u></u>

*Notes:*

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Two of the subsidiaries in the PRC have been approved as new and high technology enterprises, which entitle to concessionary tax rate of 15% from 2019 to 2022. The subsidiaries need to re-apply for the preferential tax treatment when the preferential tax period expired on 2022 and 2023 respectively.

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one of the subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax regime, which the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Directors considered the amount involved in the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in Japan is calculated at the tax rate 36.8% prevailing in Japan.

Taxation arising in Cambodia is calculated at the tax rate 20.0% prevailing in Cambodia.

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

## 11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended December 31, 2019 and 2020.

## 12. EARNINGS PER SHARE

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

### Profit for the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	<u>114,975</u>	<u>444,958</u>

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB114,975,000 (2019: profit of RMB444,958,000) and the weighted average of 1,493,636,881 ordinary shares (2019: 1,493,636,881 shares) in issue during the year, calculated as follows:

## Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at January 1 and December 31	<u><u>1,493,636,881</u></u>	<u><u>1,493,636,881</u></u>

## Diluted earnings per share

For the year, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in the current year.

For 2019, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company is RMB444,958,000 and the weighted average of 1,501,677,977 ordinary shares in issue take into account of the effect from dilutive potential ordinary shares during the year, calculated as follows:

### Number of shares

	2019
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,493,636,881
Effect of dilutive potential ordinary shares:	
– share options	<u>8,041,096</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>1,501,677,977</u></u>

## 13. TRADE RECEIVABLES

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Aged:		
Within 60 days	89,707	87,040
61 – 90 days	1,304	2,415
91 – 180 days	3,146	2,593
181 – 365 days	2,149	2,191
Over 1 year	<u>17,103</u>	<u>17,757</u>
	<u><u>113,409</u></u>	<u><u>111,996</u></u>

#### 14. 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Aged:		
Within 60 days	406,365	443,613
61 – 90 days	13,599	22,552
91 – 180 days	4,123	26,141
181 – 365 days	23,975	137,473
1 – 2 years	88,173	29,557
Over 2 years	38,172	40,488
	<u>574,407</u>	<u>699,824</u>

#### 15. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets have been pledged to secure the borrowings and the general banking facilities of the Group and certain connected parties, namely Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited, (collectively as "CCT Group") and an independent third party. The aggregate carrying amounts of the pledged assets of the Group at the end of the reporting period are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Buildings	193,257	210,098
Pledged bank deposits	104,356	46,093
Listed equity investments	16,362	17,442
Properties under development and held for sale	1,558,760	1,601,750
	<u>1,872,735</u>	<u>1,875,383</u>

#### 16. CAPITAL AND OTHER COMMITMENTS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,333,895	2,108,347
– Properties under development	115,671	216,461
	<u>2,449,566</u>	<u>2,324,808</u>

## 17. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB809,196,000 at December 31, 2020 (2019: RMB1,571,081,000) 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

In November 2018, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to CCT Group and an independent third party for three years between January 1, 2019 and December 31, 2021. The fair value of the Financial Guarantees at January 1, 2019 amounting to RMB19,851,000 was recognised as liabilities in the consolidated statement of financial position and the corresponding amount was debited to profit or loss.

As at December 31, 2020 and 2019, the directors of the Company do not consider it probable that a claim will be made against the Group under the Financial Guarantees, and therefore the Financial Guarantees are measured at its fair values initially recognised less cumulative amortisation.

The movement of financial guarantee liabilities as shown as below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	13,234	–
Recognition of fair value of financial guarantee contracts at initial recognition	–	19,851
Release of financial guarantee liabilities ( <i>Note 7</i> )	<u>(6,617)</u>	<u>(6,617)</u>
	<u><u>6,617</u></u>	<u><u>13,234</u></u>

The carrying amount of the Financial Guarantees is recognised at the balance sheet date.

The maximum liabilities of the Group as at December 31, 2020 in respect of the financial guarantees issued to CCT Group and an independent third party is RMB394,800,000 (2019: RMB394,800,000) and RMB374,100,000 (2019: RMB374,100,000) respectively.

## 18. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of reporting period, the Group has resolved that the proposed development and operation of the water park on the land owned by a non-wholly owned subsidiary located in Phnom Penh, Cambodia has terminated, and the land would be developed into a real estate project. Detail of the proposed change of usage of the land were disclosed in the announcement of the Company dated February 1, 2021.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OVERVIEW

### Financial Review

For the year ended December 31, 2020, the Company together with its subsidiaries (the “Group”) recorded a consolidated turnover of RMB1,260.3 million (2019: RMB3,413.2 million), representing a decrease of approximately 63.1% when compared with the year of 2019. The decrease in revenue mainly attributable to the decrease of approximately RMB2,111.9 million in property development segment since there was a substantial decline in the delivery of properties for the Group’s property development projects in the PRC during the year ended December 31, 2020 as compared to the year 2019.

The Group’s gross profit for the year ended December 31, 2020 was RMB419.5 million (2019: RMB1,193.0 million) with an average gross profit margin of 33.3% (2019: 35.0%), which resulted in a decrease of approximately RMB773.5 million, representing a decrease of approximately 64.8% when compared with the year of 2019.

The net profit attributable to owners of the Company was approximately RMB115.0 million in the year ended December 31, 2020 (2019: profit of RMB445.0 million), representing a decrease of approximately RMB330.0 million (a decrease of approximately 74.2%) as compared with the year of 2019. The drop in profit was largely attributable to the substantial decline in the delivery of properties for the Group’s property development projects in the PRC during the year ended December 31, 2020 as compared to the year 2019.

### Review by Business Segments

The Group’s reportable business segments in 2020 principally consist of manufacturing and trading of upholstered furniture, properties development and others (comprising mainly tourism resort-related operation, operation of restaurant, hotel and provision of travel-related services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2020 together with the comparative figures for the year ended December 31, 2019:

	2020		2019		Y-O-Y
	<i>RMB'Million</i>	%	<i>RMB'Million</i>	%	Change
Manufacturing and Trading of					
Upholstered Furniture	<b>692.9</b>	<b>55.0</b>	701.0	20.5	-1.2
Property Development	<b>440.2</b>	<b>34.9</b>	2,552.1	74.8	-82.8
Others	<b>127.2</b>	<b>10.1</b>	160.1	4.7	-20.5
Total	<b><u>1,260.3</u></b>	<b><u>100.0</u></b>	<b><u>3,413.2</u></b>	<b><u>100.0</u></b>	-63.1

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

During the year under review, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB692.9 million, representing a small decrease of approximately 1.2% as compared to the total turnover of approximately RMB701.0 million in the corresponding period of 2019. The upholstered furniture business of the Group witnessed an upsurge after a decline due to the worldwide outbreak of the COVID-19 pandemic. In the first half of the year, the production volume and sales volume of the upholstered furniture business dropped significantly due to temporary suspension of production plants as a result of the government's pandemic prevention requirements implemented during the year. In the second half of the year, with the alleviation of the outbreak in the PRC, the production plants fully resumed its normal operation. Orders from customers in the United States grew rapidly and sales volume increased gradually. In general, the performance of the upholstered furniture business remained stable. The Group recorded a profit of approximately RMB178.6 million from manufacturing and trading of upholstered furniture business in 2020 (including the gain on land resumption approximately RMB137.0 million), representing an increase of approximately 255.8% as compared to the profit of approximately RMB50.2 million in the corresponding period of 2019.

## ***Property Development Business***

As at December 31, 2020, the Group had in total six property development projects under different stages of development in Mainland China. The Group had no new property development project in 2020. The turnover from the property development segment was RMB440.2 million in 2020, representing a decrease of approximately 82.8% as compared to RMB2,552.1 million in 2019. The decrease in sales was mainly due to the substantial decrease in delivery of properties in 2020. As a result, operating profit generated from this segment in 2020 was RMB37.5 million, representing a decrease of approximately 90.8% as compared to an operating profit of RMB408.6 million in 2019.

### The Group's Property Project Portfolio as at December 31, 2020

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, Shibü 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	Under development	2021	Residential and commercial
Total				3,046,174			

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

## Analysis of Properties Under Development as at December 31, 2020

No.	Project Name	Total 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 December 31, 2020 (sq.m.)	GFA delivered as at December 31, 2020 (sq.m.)	
1	Asia Bay	718,665	375,185	590,165	179,905	167,979	27,323
2	Qianjiang Continent	775,292	775,292	669,717	664,343	660,957	20,036
3	Kasen Star City	957,224	957,224	708,730	707,411	703,769	12,482
4	Changbai Paradise	122,412	122,412	122,010	40,696	38,558	—*
5	Qianjiang Oasis	334,899	334,899	282,323	267,457	235,702	7,352
Total		<u>2,908,492</u>	<u>2,565,012</u>	<u>2,372,945</u>	<u>1,859,812</u>	<u>1,806,965</u>	

\* This project has been completed and there was no properties delivery during the year.

### Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the year under review decreased to approximately RMB89.9 million, representing a decrease of approximately RMB101.8 million as compared to approximately RMB191.7 million in 2019, mainly attributable to (i) a decrease of approximately RMB81.0 million in the selling costs incurred in relation to the sales of properties; and (ii) a decrease of approximately RMB20.7 million in the staff costs incurred in the Group's hotels and waterpark operation in the PRC as a result of the temporary suspension of these operations of the Group in PRC during the year due to the government's epidemic prevention requirements implemented during the year. The Group's selling and distribution costs to turnover in 2020 increased to approximately 7.1% as compared to approximately 5.6% in 2019.

The administrative costs in 2020 was approximately RMB206.3 million, representing a decrease of approximately RMB46.6 million as compared to approximately RMB252.9 million in 2019. The decrease was mainly due to (i) a decrease in the staff costs incurred of approximately RMB18.5 million, by the Group's hotels and property development segment operation in the PRC, and (ii) a decrease in the professional fees of approximately RMB11.0 million, while all other expenses decreased slightly.

The Group's finance cost in 2020 was approximately RMB61.5 million, representing an increase of approximately RMB14.4 million, as compared to approximately RMB47.1 million in 2019, mainly due to the decrease in capitalization of finance interest to cost of construction. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings.

The Group recorded a net gain of approximately RMB93.3 million in other gains and losses in 2020, while it recorded a net loss of approximately RMB42.0 million in 2019. For details of the other gains and losses, please refer to note 7 to the consolidated financial statements.

The Group's income tax in 2020 was approximately RMB60.5 million, representing a decrease of approximately RMB121.9 million, as compared to approximately RMB182.4 million in 2019. The decrease was mainly resulted from (1) a decrease in PRC income tax of approximately RMB67.9 million mainly due to a decrease in taxable profits generated at the subsidiary level especially for property development segment with significantly decreased operating profit, (2) a decrease in PRC land appreciation tax of approximately RMB130.8 million from the property development projects, and (3) the increase in deferred taxation credit of approximately RMB8.0 million which was offset by (4) reversal of tax provision of approximately RMB85.2 million in 2019.

Based on the aforesaid factors, profit attributable to owners of the Company in 2020 decreased by approximately 74.2% to approximately RMB115.0 million (2019: RMB445.0 million).

## **CAPITAL EXPENDITURE**

Capital expenditure in 2020 decreased to approximately RMB128.4 million (including construction in progress of approximately RMB89.3 million) from approximately RMB275.4 million in 2019. The capital expenditure mainly comprised the amount of approximately RMB128.4 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year under review.

## **FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE**

### **Bank and Other Borrowings**

As at December 31, 2020, the Group's bank and other borrowings amounted to approximately RMB880.6 million, (in which approximately 0.9% (2019: 1.3%) was denominated in USD and approximately 99.1% (2019: 98.7%) was denominated in RMB) representing a decrease of approximately 3.2% from approximately RMB910.1 million as at December 31, 2019. As at December 31, 2020, the Group had outstanding bank and other borrowings amounted to approximately RMB315.2 million repayable within one year and approximately RMB565.4 million repayable after one year (2019: approximately RMB309.7 million repayable within one year and approximately RMB600.4 million repayable after one year).

### **Turnover Period, Liquidity and Gearing**

In 2020, the inventory turnover period increased to 68 days (2019: 54 days).

In 2020, the Group continued to maintain a strict credit policy. The account and bills receivables turnover days of the Group's manufacturing and trading of upholstered furniture segments maintained at 45 days in 2020 (2019: 42 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments increased to 86 days in 2020 (2019: 78 days).

As at December 31, 2020, the Group's current ratio was 1.97 (December 31, 2019: 1.79). The Group's cash and cash equivalent balance was approximately RMB297.7 million as at December 31, 2020 (December 31, 2019: approximately RMB211.9 million). As at December 31, 2020, included in cash and cash equivalent balance of the Group was approximately 80.6% (2019: 80.7%) of bank balance denominated in RMB, approximately 17.1% (2019: 17.2%) denominated in USD, approximately 1.3% (2019: 2.1%) denominated in HKD and Japanese Yen currency, and approximately 1.0% (2019: Nil) denominated in other currencies. This represents a gearing ratio of 25.9% as at December 31, 2020 (December 31, 2019: 27.6%) and a net debt-to-equity ratio of 17.1% as at December 31, 2020 (December 31, 2019: 21.2%). The gearing ratio is based on bank borrowings to shareholders' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity. In 2020, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the year under review.

### **Capital Structure**

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

### **MATERIAL ACQUISITION AND DISPOSAL**

On July 8, 2020, Haining Hainix Sofa Co., Ltd (海寧漢林沙發有限公司) ("Haining Hainix"), a wholly-owned subsidiary of the Company, entered into the land resumption agreement, pursuant to which Haining Hainix agreed to surrender, and 海寧市尖山新區管理委員會 (Haining Jianshan New Area Administrative Committee) agreed to resume the land located at No. 6, Jisheng Road, Jianshan New District, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 144,786 sq.m., for a total consideration of approximately RMB167,972,000.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2020.

### **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Saved as disclosed in "Future Plans and Prospects" section in this announcement, the Directors confirmed that as at the date of this announcement, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of property development.

### **SIGNIFICANT INVESTMENTS**

Save as disclosed, the Company had no other significant investments held during the year under review.

### **CONTINGENT LIABILITIES**

As at December 31, 2020, the Group had certain contingent liabilities. For details, please refer to note 17 to the consolidated financial statements.

## **PLEDGE OF ASSETS**

Some of the Group's assets have been pledged to secure the bank and other borrowings and the bank facilities granted to the Group. For details, please refer to note 15 to the consolidated financial statements.

## **CAPITAL AND OTHER COMMITMENTS**

As at December 31, 2020, the Group had contracted, but not provided for, a total capital and other expenditure of RMB2,449.6 million (2019: RMB2,324.8 million), in which an amount of RMB115.7 million (2019: RMB216.5 million) was in respect of properties under development for sale.

## **FOREIGN EXCHANGE EXPOSURE**

The upholstered furniture export-related business of the Group (including sales and procurements) was mainly denominated in U.S. dollars, and most of the trade receivables were exposed to exchange rate fluctuation. During the year, the Group did not engage in any hedging activities but will continue to closely monitor the situation and make necessary arrangement as and when appropriate.

## **EMPLOYEES AND EMOLUMENT POLICIES**

As at December 31, 2020, the Group employed a total of approximately 3,000 full time employees (December 31, 2019: approximately 3,300), including management staff, technicians, salespersons and workers. In 2020, the Group's total expense on the remuneration of employees was approximately RMB184.9 million (2019: approximately RMB226.5 million), representing approximately 14.7% (2019: 6.6%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly on an annual basis. Apart from the provident fund scheme (for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

The Group has also adopted share option schemes for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the schemes will be set out in the "Directors' Report" section of the annual report of the Company for the year ended December 31, 2020.

## **FUTURE PLANS AND PROSPECTS**

In respect of property development business, on top of the speeding up of the sales progress of various existing projects and property delivery in the PRC, the Group will also explore new projects in overseas countries with sound development prospects in due course to pursue new business growth points. The Group has a land available for development of approximately 270,000 sq.m in Phnom Penh, Cambodia, which was originally planned to be developed as a water park. The COVID-19 pandemic has exerted a tremendous impact on the tourism industry of Cambodia which is not expected to recover in the near future. As the real estate market in Cambodia is undergoing a cyclical upturn, and also as mentioned in the Company's earlier announcement, taking into consideration of the current area of land available for development of the waterpark which may not be sufficient for developing the water park at its optimal size and the continuous and rapid increase of land prices surrounding the land, the Group has terminated the water park development plan, and has resolved that the land will be developed into a real estate project in an attempt to avoid risks and secure a better return on investment. The project will commence construction in 2021.

In the field of tourism resort business, it is expected that the sector will undergo a period of resilient growth with the gradual alleviation of the impact arising from the pandemic in the PRC. The Group will aim to improve the operational efficiency of water parks and resort hotels, strengthen cost control and enhance brand influence.

In the field of upholstered furniture business, the Group will take active measures to stabilise its upholstered furniture export business to the United States as it is still uncertain what policies would be taken by the new U.S. government regarding trade between China and the United States together with continuous impact of the COVID-19 pandemic on the consumer market in the United States. In terms of production, the Group will consolidate its upholstered furniture production bases in the PRC to facilitate centralised production with the aim of reducing operating costs and improving operational efficiency. An upholstered furniture factory in Cambodia was in operation, and certain production capacity was transferred to Cambodia. With respect to sales, the Group will maintain close communication and contact with key customers, fully capitalise on the advantages accumulated over the years, and strive to overcome the impact of the disruption of logistics between the United States and China brought about by the pandemic in the United States in order to accelerate delivery and ensure stable and sustainable business development.

The industrial park in Cambodia and the supporting paper-making and power plant construction projects are still in the preliminary stage and pending for government's approval due to the impact of the COVID-19 pandemic, which disrupted the interaction between the staff in the PRC and Cambodia. The Group is in the process of finalising the land required for the project.

## **EVENTS AFTER THE REPORTING DATE**

Certain events affecting the Group occurred after the reporting date. For details, please refer to Note 18 to this preliminary results announcement.

## **DIVIDENDS**

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2020 (2019: Nil).

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

## **CLOSURE OF REGISTER OF MEMBERS FOR AGM**

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 26, 2021 to May 31, 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on May 25, 2021.

## **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 year ended December 31, 2020.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions (the "CG Code Provisions") set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended December 31, 2020, except for the deviation to CG Code Provision A.2.1 during the period from January 1, 2020 to February 27, 2020 as stated below.

Under CG Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from January 1, 2020 to February 27, 2020, the Company did not separate the roles of chairman and chief executive officer. Mr. Zhu Zhangjin, Kasen assumed the role both as the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group during the period from January 1, 2020 to February 27, 2020. The Company considered appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company was not able to identify such a candidate to replace Mr. Zhu during the period from January 1, 2020 to February 27, 2020.

On February 28, 2020, the Company has appointed Mr. Zhu Ruijun as the executive director and the chief executive officer of the Company. Upon which, Mr. Zhu Zhangjin has resigned from the position as the chief executive officer, and continues to be the chairman of the Company. Upon the effective date of such change (i.e. February 28, 2020), the CG Code Provision A.2.1 is being complied with.

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 of Hong Kong Limited (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 year ended December 31, 2020, each of them has complied with the provisions with the required standards as set out in the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") was established by the Company in compliance with Rules 3.21 and 3.22 of the Listing Rules. As at December 31, 2020 and as at the date of this preliminary announcement, the Audit Committee comprises all the three independent non-executive Directors namely, Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang. The Audit Committee has reviewed with management and the external auditors on the accounting principles and practices adopted by the Group. The Audit Committee has held meetings with the Company's senior management to review, supervise and discuss the Company's financial reporting, internal control principles and risk management effectiveness and to make recommendations to improve the Company's internal control, and to ensure that management has discharged its duty to have an effective internal control system during the year ended December 31, 2020.

The audited annual results of the Company for the year ended December 31, 2020 have been reviewed by the Audit Committee.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

## **SCOPE OF WORK OF MESSRS. BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended December 31, 2020.

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

The annual report of the Company for the year ended December 31, 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.irasia.com/listco/hk/kasen/index.htm> in due course.

## **AGM**

It is proposed that the AGM of the Company will be held on May 31, 2021. Notice of the AGM will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.irasia.com/listco/hk/kasen/index.htm> and despatched to the Shareholders on or about April 27, 2021.

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

March 31, 2021

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

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