

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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021. 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, 2021

		Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)
	<i>NOTES</i>		
Revenue	4,5	702,551	489,637
Cost of sales		<u>(453,553)</u>	<u>(312,945)</u>
Gross profit		248,998	176,692
Other income		2,536	10,520
Selling and distribution costs		(41,668)	(36,799)
Administrative expenses		(100,855)	(98,182)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal		(16,874)	(13,129)
Other gains and losses	6	25,036	14,764
Finance costs		<u>(27,976)</u>	<u>(27,640)</u>
Profit before tax	7	89,197	26,226
Income tax expenses	8	<u>(35,561)</u>	<u>(19,606)</u>
Profit for the period		<u>53,636</u>	<u>6,620</u>

	<b>Six months ended June 30, 2021 RMB'000 (unaudited)</b>	<b>Six months ended June 30, 2020 RMB'000 (unaudited)</b>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value loss on financial asset at fair value through other comprehensive income	(80)	(680)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income	20	170
Item that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	<u>(354)</u>	<u>3,612</u>
Total comprehensive income for the period	<u><b>53,222</b></u>	<u><b>9,722</b></u>
Profit/(loss) for the period attributable to:		
– Owners of the Company	46,795	14,096
– Non-controlling interests	<u>6,841</u>	<u>(7,476)</u>
	<u><b>53,636</b></u>	<u><b>6,620</b></u>
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	46,246	17,198
– Non-controlling interests	<u>6,976</u>	<u>(7,476)</u>
	<u><b>53,222</b></u>	<u><b>9,722</b></u>
Earnings per share	<i>10</i>	
– Basic	<u><b>RMB3.1 cents</b></u>	<u><b>RMB1.0 cent</b></u>
– Diluted	<u><b>RMB3.1 cents</b></u>	<u><b>RMB1.0 cent</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	<i>NOTES</i>	<b>June 30, 2021</b>	December 31, 2020
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		(unaudited)	(audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,361,386	1,510,319
Right-of-use assets		179,196	189,421
Interests in associates		66,361	300
Intangible assets		825	847
Deferred tax assets		58,165	60,938
Prepayment for acquisition of plant and equipment		–	13,775
Financial asset at fair value through other comprehensive income		16,282	16,362
Financial asset at fair value through profit or loss		25,296	19,572
Prepayment for acquisition of freehold land		116,282	117,448
		<b>1,823,793</b>	1,928,982
<b>CURRENT ASSETS</b>			
Inventories		110,791	96,148
Properties under development for sale		1,715,780	1,517,694
Properties held for sale		941,380	1,000,611
Amounts due from non-controlling interests of subsidiaries		34,857	35,283
Trade and other receivables	<i>11</i>	1,081,522	1,180,572
Prepaid income tax		45,478	49,844
Prepaid land appreciation tax		9,960	15,666
Pledged bank deposits		93,989	104,356
Restricted bank deposit for property development business		7,539	54,673
Bank balances and cash		282,513	297,684
		<b>4,323,809</b>	4,352,531

	<i>NOTES</i>	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	<i>12</i>	<b>756,759</b>	812,979
Lease liabilities – current portion		<b>16,503</b>	16,511
Contract liabilities		<b>698,792</b>	807,851
Bank and other borrowings – due within one year		<b>346,920</b>	315,200
Tax payable		<b>140,640</b>	154,495
Amounts due to non-controlling interests of subsidiaries		<b>104,911</b>	105,122
		<u><b>2,064,525</b></u>	<u>2,212,158</u>
<b>NET CURRENT ASSETS</b>		<u><b>2,259,284</b></u>	<u>2,140,373</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>4,083,077</b></u>	<u>4,069,355</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>21,397</b>	21,482
Lease liabilities – non current portion		<b>35,562</b>	42,844
Bank and other borrowings – due after one year		<b>533,235</b>	565,368
		<u><b>590,194</b></u>	<u>629,694</u>
<b>NET ASSETS</b>		<u><b>3,492,883</b></u>	<u>3,439,661</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,712</b>	1,712
Reserves		<b>3,445,569</b>	3,399,323
Equity attributable to owners of the Company		<b>3,447,281</b>	3,401,035
Non-controlling interests		<b>45,602</b>	38,626
<b>TOTAL EQUITY</b>		<u><b>3,492,883</b></u>	<u>3,439,661</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Kasen International Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after January 1, 2021. Details of any changes in accounting policies are set out in note 2.

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

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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

The Group has applied the following 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.

Amendment to IFRS 16  
Amendments to IAS 39, IFRS 4,  
IFRS 7, IFRS 9 and IFRS 16

Covid-19-Related Rent Concessions  
Interest Rate Benchmark Reform – Phase 2

### 3. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) since January 2020 and prevalence of quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. As a result, certain development plans of the Group has also been affected during the first half of 2021. As at June 30, 2021, all of the Group’s manufacturing and other facilities are operating despite the global economy remain amid the COVID-19 pandemic.

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

### 4. SEGMENT INFORMATION

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

- Manufacturing and trading of upholstered furniture (“**Manufacturing**”);
- Properties developments; and
- Others, comprising mainly operation of resort owned by the Group, provision of travel and tourism-related services, and provision of property management services (“**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, 2021 (unaudited)

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

Six months ended June 30, 2020 (unaudited)

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from external customers</b>	297,260	158,931	33,446	–	489,637
<b>Inter-segment revenue</b>	–	–	1,057	(1,057)	–
<b>Reportable segment revenue</b>	<u>297,260</u>	<u>158,931</u>	<u>34,503</u>	<u>(1,057)</u>	<u>489,637</u>
<b>Primary geographical markets</b>					
United States	246,689	–	–	–	246,689
PRC, including HK	25,023	158,931	34,503	(1,057)	217,400
Europe	25,322	–	–	–	25,322
Others	226	–	–	–	226
<b>Total</b>	<u>297,260</u>	<u>158,931</u>	<u>34,503</u>	<u>(1,057)</u>	<u>489,637</u>
<b>Major products and services</b>					
Sale of upholstered furniture	297,260	–	–	–	297,260
Sale of properties	–	158,931	–	–	158,931
Travel & tourism services	–	–	10,623	–	10,623
Catering & entertainment	–	–	6,093	–	6,093
Property management services	–	–	17,787	(1,057)	16,730
	<u>297,260</u>	<u>158,931</u>	<u>34,503</u>	<u>(1,057)</u>	<u>489,637</u>
<b>Timing of revenue recognition</b>					
At a point in time	297,260	158,931	–	–	456,191
Transferred over time	–	–	34,503	(1,057)	33,446
	<u>297,260</u>	<u>158,931</u>	<u>34,503</u>	<u>(1,057)</u>	<u>489,637</u>

## Results

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
<b>Segment profit/(loss)</b>		
– Manufacturing	25,862	21,065
– Properties development	24,072	18,515
– Others (note)	3,172	(33,709)
	<u>53,106</u>	<u>5,871</u>
Unallocated corporate expenses	(16,808)	(13,793)
Unallocated other gains and losses	17,338	14,542
	<u>53,636</u>	<u>6,620</u>

Note: Amount in 2021 includes a gain on disposal of a subsidiary of RMB24,422,000.

Segment profit/(loss) represents the profit/(loss) earned by 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.

## 5. REVENUE

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

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
<b>Sale of goods</b>		
Upholstered furniture	361,857	297,260
Residential properties	284,667	158,931
	<u>646,524</u>	<u>456,191</u>
<b>Provision of services</b>		
Others (note)	56,027	33,446
	<u>702,551</u>	<u>489,637</u>

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

## 6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Net foreign exchange (loss)/gain	(6,519)	1,472
Impairment loss on property, plant and equipment	–	(3,000)
Loss on deconsolidation of a subsidiary	–	(18,501)
Gain on disposal of a subsidiary	24,422	–
Recovery of deposits paid for cooperation of development of land in PRC written off in prior year ( <i>note</i> )	–	39,500
Change in fair value of financial asset at fair value through profit or loss	5,918	(1,663)
Loss on disposal of property, plant and equipment	(140)	(5,950)
Release of financial guarantees	3,308	3,308
Others	(1,953)	(402)
	<u>25,036</u>	<u>14,764</u>

*Note:* In 2020, the Group has 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.

## 7. PROFIT BEFORE TAX

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

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Amortisation of intangible assets	94	320
Depreciation of property, plant and equipment	<u>35,069</u>	<u>38,332</u>
Total depreciation and amortisation	<u>35,163</u>	<u>38,652</u>
Depreciation and amortisation of right-of-use assets	10,255	4,764
Costs of inventories under Manufacturing segment recognised as cost of sales (including net reversal of allowance of inventories of RMB170,000 (June 30, 2020: net reversal provision allowance for RMB844,000))	265,088	205,743
Interest on lease liabilities	1,385	410
Interest on bank and other borrowings	26,591	29,580
Less: amount capitalised in respect of property under development	–	(2,350)
	<u>26,591</u>	<u>27,230</u>
Government grants	(1,148)	(8,820)
Interest income	<u>(702)</u>	<u>(598)</u>

## 8. INCOME TAX EXPENSES

	<b>Six months ended June 30, 2021 RMB'000 (unaudited)</b>	<b>Six months ended June 30, 2020 RMB'000 (unaudited)</b>
Land appreciation tax	<u>11,829</u>	<u>10,185</u>
People's Republic of China enterprise income tax		
– Current period	<b>20,045</b>	17,482
– Underprovision of income tax in previous periods	<u>979</u>	<u>7,100</u>
	<b>21,024</b>	24,582
Deferred tax	<u>2,708</u>	<u>(15,161)</u>
	<u><b>35,561</b></u>	<u>19,606</u>

## 9. DIVIDENDS

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

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB46,795,000 (six months ended June 30, 2020: RMB14,096,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2020: 1,493,636,881 shares) in issue during the period.

### Diluted earnings per share

For the six months ended June 30, 2021, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares in the current period.

For the six months ended June 30, 2020, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB14,096,000 and the weighted average of 1,495,601,373 ordinary shares in issue during the period, calculated as follows:

	Six months ended June 30, 2020 (unaudited)
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>1,964,492</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>1,495,601,373</u></u>

## 11. TRADE RECEIVABLES

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Aged:		
Within 60 days	<b>85,503</b>	89,707
61 – 90 days	<b>7,059</b>	1,304
91 – 180 days	<b>895</b>	3,146
181 – 365 days	<b>1,899</b>	2,149
Over 1 year	<b>16,931</b>	17,103
	<u><b>112,287</b></u>	<u>113,409</u>

## 12. TRADE AND BILLS PAYABLES

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Within 60 days	302,590	406,365
61 – 90 days	45,526	13,599
91 – 180 days	14,492	4,123
181 – 365 days	45,057	23,975
1 – 2 years	26,935	88,173
Over 2 years	63,324	38,172
	<u>497,924</u>	<u>574,407</u>

## 13. CAPITAL AND OTHER COMMITMENTS

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,270,583	2,333,895
– Properties under development	138,586	115,671
	<u>2,409,169</u>	<u>2,449,566</u>

## 14. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB699,833,000 at June 30, 2021 (December 31, 2020: RMB809,196,000) 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 June 30, 2021 and December 31, 2020, 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 maximum liabilities of the Group as at June 30, 2021 in respect of the financial guarantees issued to CCT Group and an independent third party is RMB394,800,000 (December 31, 2020: RMB394,800,000) and RMB374,100,000 (December 31, 2020: RMB374,100,000) respectively.

## BUSINESS REVIEW AND PROSPECTS

### RESULTS OVERVIEW

For the six months ended June 30, 2021, the Group recorded a consolidated turnover of approximately RMB702.6 million (six months ended June 30, 2020: RMB489.6 million), representing an increase of approximately 43.5% when compared with the corresponding period in 2020.

The Group's gross profit for the six months ended June 30, 2021 was approximately RMB249.0 million (six months ended June 30, 2020: RMB176.7 million), with an average gross profit margin of approximately 35.4% (six months ended June 30, 2020: 36.1%), representing an increase of approximately 40.9% in gross profit when compared with the corresponding period in 2020.

The net profit attributable to owners of the Company for the first half of 2021 was approximately RMB46.8 million (six months ended June 30, 2020: net profit of RMB14.1 million), representing an increase of approximately RMB32.7 million. The increase in profit was mainly due to an one-off disposal gain in relation to a disposal of a wholly-owned subsidiary of approximately RMB24.4 million.

#### Review by Business Segments

The Group's reportable business segments principally consist of manufacturing and trading of upholstered furniture, property developments and others (mainly comprising operation of resort owned by the Group, provision of travel and tourism-related services, and provision of property management services).

The table below shows the total turnover by business segments for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020:

	2021		Six Months Ended June 30, 2020		Change %
	<i>RMB'Million</i>	%	<i>RMB'Million</i>	%	
Manufacturing and trading of upholstered furniture	<b>361.9</b>	<b>51.5</b>	297.3	60.7	21.7
Property developments	<b>284.7</b>	<b>40.5</b>	158.9	32.5	79.1
Others	<b>56.0</b>	<b>8.0</b>	33.4	6.8	67.5
Total	<b>702.6</b>	<b>100.0</b>	489.6	100.0	43.5

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

During the period under review, the Group's manufacturing and trading of upholstered furniture business primarily included finished sofa realised a total turnover of approximately RMB361.9 million, representing an increase of approximately 21.7% as compared to the total turnover of approximately RMB297.3 million in the corresponding period of 2020. The major customers of the Group's manufacturing of upholstered furniture business are large and medium-sized furniture importers from America and Europe. During the period under review, purchases of the Group's upholstered furniture by American customers increased substantially compared to the first half of 2020. Under the effective preventive and control measures taken by the PRC government against the COVID-19 epidemic, the normal production of the manufacturing plants was well-protected and the delivery of ordered products was ensured. However, the overall profit margin of the furniture business was affected by the continued appreciation of Renminbi, the significant increase in freight rates in the international maritime market and the severe shortage of freight capacity. Given the above factors, the segment recorded an overall profit of approximately RMB25.9 million for the first half of 2021, representing an increase of approximately 22.8% as compared to the profit of approximately RMB21.1 million in the corresponding period of 2020.

## **Property Development Business**

As at June 30, 2021, the Group had six projects at various stages of development in mainland China and one project at Phnom Penh, Cambodia. During the period under review, the Group announced that around 51 plots of adjoining lands located at Toulkey Village, Phnom Penh, Cambodia with a total site area of approximately 271,478 square metres will be developed into a real estate project and the then proposed development and operation of the Water Park will be terminated and for further details, please refer to the announcement of the Company dated February 1, 2021. During the six months ended June 30, 2021, the turnover recorded from the property development segment was approximately RMB284.7 million, representing an increase of approximately 79.1% as compared to approximately RMB158.9 million in the corresponding period of 2020. The increase in sales revenue was mainly due to the increase of properties delivery from the Group's existing development projects.

## Group's Property Project Portfolio as at June 30, 2021

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m)	Status	Usage
1	Asia Bay	Boao, Hainan	92%	590,165	Under development	Residential and tourism resort
2	Sanya Project	Sanya, Hainan	80.5%	1,423,987	Under development	Residential, hotel and tourism resort
3	Qianjiang Continent	Yancheng, Jiangsu	100%	335,822	Completed	Residential and commercial
4	Kasen Star City (Including Kingdom Garden and Jing Xiang Yuan, etc.)	Haining, Zhejiang	100%	469,867	Completed	Residential and commercial
5	Changbai Paradise	Changbai Mountain, Jilin	89%	118,195	Completed	Residential and hotel
6	Qianjiang Oasis	Yancheng, Jiangsu	55%	108,138	Under development	Residential
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	271,478	Preliminary development	Residential
Total				<u>3,317,652</u>		

## Analysis of the Group's Property Development Projects

No.	Project Name	Total gross floor area ("GFA") (sq.m.)	GFA under development/ completed (sq.m.)	Total Saleable GFA (sq.m.)	Accumulated GFA sold as at June 30, 2021 (sq.m.)	Accumulated GFA delivered as at June 30, 2021 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	398,612	590,165	196,130	168,635	30,730
2	Qianjiang Continent	775,292	775,292	669,717	663,692	660,957	—*
3	Kasen Star City	957,224	957,224	708,730	708,730	707,024	10,064
4	Changbai Paradise	122,412	122,412	122,010	46,700	38,558	—*
5	Qianjiang Oasis	337,071	337,071	283,344	268,646	263,681	7,829
Total		<u>2,910,664</u>	<u>2,590,611</u>	<u>2,373,966</u>	<u>1,883,898</u>	<u>1,838,855</u>	

\* This project has been completed and there was no properties delivery during the six months ended June 30, 2021.

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

The Group's selling and distribution costs during the six months ended June 30, 2021 increased to approximately RMB41.7 million, representing an increase of approximately RMB4.9 million as compared to approximately RMB36.8 million in the first half of 2020. All selling and distribution costs kept at same level as in 2020. The selling and distribution costs to turnover in the first half of 2021 decreased to approximately 5.9% as compared to approximately 7.5% for the corresponding period in 2020.

The administrative costs for the six months ended June 30, 2021 were approximately RMB100.9 million, representing a small increase of approximately RMB2.7 million as compared to approximately RMB98.2 million for the corresponding period in 2020.

The Group's finance cost in the first half of 2021 was approximately RMB28.0 million, which was at the same level as approximately RMB27.6 million for the corresponding period of 2020.

The Group's income tax in the first half of 2021 was approximately RMB35.6 million, representing an increase of approximately RMB16.0 million as compared to approximately RMB19.6 million for the corresponding period in 2020. The increase was mainly resulted from a net change in deferred tax charge of approximately RMB17.9 million.

The Group recorded a net gain of approximately RMB25.0 million in other gains and losses in the first half of 2021, while it recorded a net gain of approximately RMB14.8 million during the corresponding period of 2020, which included an one-off disposal gain arised from a disposal of a wholly-owned subsidiary of approximately RMB24.4 million during the period under review. For details of the other gains and losses, please refer to note 6 to the interim condensed consolidated financial statements set out in this announcement.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was an increase in profit, such that the net profit attributable to owners of the Company for the first half of 2021 was approximately RMB46.8 million (six months ended June 30, 2020: net profit of RMB14.1 million).

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at June 30, 2021, the Group had cash and cash equivalent available for utilisation totalling approximately RMB282.5 million (as at December 31, 2020: RMB297.7 million) and a total borrowings of approximately 880.2 million (as at December 31, 2020: RMB880.6 million). This represents a gearing ratio of 25.5% (as at December 31, 2020: 25.9%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2021, 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, 2021, the Group's inventory was approximately RMB110.8 million, representing an increase of approximately RMB14.7 million as compared to approximately RMB96.1 million as of December 31, 2020. During the six months ended June 30, 2021, 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 75 days as compared to 68 days as at December 31, 2020.

During the six months ended June 30, 2021, the Group continued to maintain a strict credit policy. The account receivable turnover days of the Group's manufacturing and trading of upholstered furniture segment decreased to 42 days for the first half of 2021 (as at December 31, 2020: 45 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment decreased to 75 days for the six months ended June 30, 2021 (as at December 31, 2020: 86 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, 2021.

## **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, 2021.

## **PLEDGE OF ASSETS**

During the six months ended June 30, 2021, the Group pledged deposits, property, plant and equipment, properties under development and held for sale and listed equity investments to banks to secure the bank borrowings and the bank facilities granted to the Group. The deposits carry an average interest rate of 0.30%-1.35%.

## **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 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, 2021, the Group had certain contingent liabilities. For details, please refer to note 14 to the interim condensed consolidated financial statements set out in this announcement.

## **EMPLOYEES AND EMOLUMENTS POLICIES**

As at June 30, 2021, the Group employed a total of approximately 2,900 full time employees (as at December 31, 2020: approximately 3,000) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2021, the Group's total expenses on the remuneration of employees were approximately RMB95.1 million (six months ended June 30, 2020: RMB81.5 million). The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the share option scheme will be set out in the interim report of the Company.

## **ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY**

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

The Group's core value is to align the interests of its employees, the enterprise and society in a harmonious manner. Through its unremitting efforts, the Group has strived to enhance its value, grow and achieve its goals. During the on-going COVID-19 epidemic, the Group has actively implemented various anti-epidemic measures to ensure the health and safety of its employees. The Group has set up an internal "Employee Care and Mutual Help Fund" to provide subsidies to employees in need in the spirit of mutual help and fellowship. The Group advocates the provision of social services to the communities in which it operates and to groups in need, and organises its employees to actively participate in social welfare activities and make regular donations to local charitable organisations.

## FUTURE PLANS AND PROSPECTS

The Group is preparing the construction of power and energy infrastructure in countries along the “One Belt, One Road”, including thermal power generation and new energy sources such as photovoltaic, wind power and hydropower. Due to the worldwide outbreak of the COVID-19 pandemic, international trade has been disrupted and the progress of related projects has been forced to slow down. The Group will closely monitor the trend of the epidemic and continue to strengthen its project development efforts to create new business growth points.

In respect of property development business, the Group will focus on continuous development and sales delivery of existing projects in mainland China. For overseas countries, the Group will explore regions with growth potential to carry out new property development projects in due course. During the period under review, the Group commenced construction of “Phnom Penh Kasen Garden” (金邊卡森花園), a property project located in Phnom Penh, Cambodia. The target client group of this project is the local middle class in Phnom Penh. As the capital of Cambodia, Phnom Penh is the political, economic, cultural and educational center and also transportation hub of the country. As the Cambodian economy continues to grow, there will be a large influx of people, a growing middle class and increasing disposable income, which will lead to an increasing demand for residential properties. The Group expects that the project will achieve satisfactory economic benefits. In the field of tourism resort business, the Group will strive to improve the performance of its existing waterparks and hotels, while disposing of certain inefficient assets and promoting asset optimization and consolidation.

In the field of upholstered furniture, under the influence of the epidemic, the demand for upholstered furniture in overseas markets is characterized by high volatility, increased uncertainty and compressed profit margins. In order to consolidate and strengthen the Group’s position in the upholstered furniture field, the Group is implementing a dual-base production strategy in domestic and abroad. In China, the Group has adopted measures including intensification of use of land, reduction of fixed asset expenses and promotion of intelligent manufacturing to reduce costs and improve production efficiency. Meanwhile, production and delivery have been put in place at the factory in Cambodia, and more orders are expected to be fulfilled at the Cambodian factory in the future.

The Company will continue to closely monitor the funding need for its future plans. As at the date of this announcement, the Directors believe the Group has sufficient internal sources of funding for the future plans but will also consider short term loans from banks or financial institutions in the future.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its corporate governance code of practices. For the six months ended June 30, 2021, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended June 30, 2021, each of them has complied with the required standards as set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee, comprises all the three independent non-executive Directors namely, Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has reviewed with the management and the external auditors on the accounting principles and practices adopted by the Group during the six months ended June 30, 2021. 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, 2021, including the review of the unaudited interim results of the Group for the six months ended June 30, 2021.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **EVENTS AFTER THE REPORTING PERIOD**

The Company has no material events required to be disclosed after the six months ended June 30, 2021 as at the date of this announcement.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: 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, 2021.

## **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, 2021.

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

The interim report of the Company for the six months ended June 30, 2021 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and published on the website of the Stock Exchange and the website of the Company at [www.irasia.com/listco/hk/kasen/index.htm](http://www.irasia.com/listco/hk/kasen/index.htm) in due course.

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

PRC, August 31, 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>