

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, 2021

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, 2021, together with comparative figures for the year ended December 31, 2020, as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	5	1,513,538	1,260,266
Cost of sales		(953,973)	(840,771)
Gross profit		559,565	419,495
Other income	6	5,272	16,695
Selling and distribution costs		(88,325)	(89,890)
Administrative expenses		(208,733)	(206,256)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal	9	(56,684)	(15,724)
Other gains and losses	7	182,504	93,323
Finance costs	8	(53,804)	(61,495)
Profit before tax	9	339,795	156,148
Income tax expenses	10	(126,628)	(60,528)
Profit for the year		213,167	95,620

	<i>NOTES</i>	2021 RMB'000	2020 RMB'000
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on financial asset at fair value through other comprehensive income		3,241	(1,080)
Income tax relating to fair value change of financial asset through other comprehensive income		<u>(810)</u>	<u>271</u>
		<u>2,431</u>	<u>(809)</u>
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		<u>(1,269)</u>	<u>(9,055)</u>
Total comprehensive income for the year		<u>214,329</u>	<u>85,756</u>
Profit/(loss) for the year attributable to:			
– Owners of the Company		220,039	114,975
– Non-controlling interests		<u>(6,872)</u>	<u>(19,355)</u>
		<u>213,167</u>	<u>95,620</u>
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		221,050	104,852
– Non-controlling interests		<u>(6,721)</u>	<u>(19,096)</u>
		<u>214,329</u>	<u>85,756</u>
Earnings per share	<i>12</i>		
– Basic and diluted		<u>RMB14.73cents</u>	<u>RMB7.70cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	<i>NOTES</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,324,083	1,510,319
Right-of-use assets		162,872	189,421
Interests in associates		48,100	300
Intangible assets		729	847
Deferred tax assets		65,221	60,938
Prepayment for acquisition of plant and equipment		–	13,775
Financial asset at fair value through other comprehensive income		19,603	16,362
Financial asset at fair value through profit or loss		55,970	19,572
Prepayment for acquisition of freehold land		114,763	117,448
		<u>1,791,341</u>	<u>1,928,982</u>
CURRENT ASSETS			
Inventories		93,660	96,148
Properties under development for sale		1,858,589	1,517,694
Properties held for sale		711,886	1,000,611
Amounts due from non-controlling interests of subsidiaries		36,040	35,283
Trade and other receivables	<i>13</i>	1,061,945	1,180,572
Prepaid income tax		27,438	49,844
Prepaid land appreciation tax		6,884	15,666
Pledged bank deposits		104,688	104,356
Restricted bank deposit for property development business		2,354	54,673
Bank balances and cash		279,567	297,684
		<u>4,183,051</u>	<u>4,352,531</u>

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade, bills and other payables	<i>14</i>	676,050	812,979
Lease liabilities – current portion		14,442	16,511
Contract liabilities		459,531	807,851
Bank and other borrowings – due within one year		204,366	315,200
Tax payable		211,467	154,495
Amounts due to non-controlling interests of subsidiaries		104,514	105,122
		<u>1,670,370</u>	<u>2,212,158</u>
NET CURRENT ASSETS		<u>2,512,681</u>	<u>2,140,373</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,304,022</u>	<u>4,069,355</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		22,162	21,482
Lease liabilities – non current portion		28,120	42,844
Bank and other borrowings – due after one year		599,750	565,368
		<u>650,032</u>	<u>629,694</u>
NET ASSETS		<u>3,653,990</u>	<u>3,439,661</u>
CAPITAL AND RESERVES			
Share capital		1,712	1,712
Reserves		3,620,373	3,399,323
Equity attributable to owners of the Company		3,622,085	3,401,035
Non-controlling interests		31,905	38,626
TOTAL EQUITY		<u>3,653,990</u>	<u>3,439,661</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) travel and 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 IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively. The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

(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.

IFRS 17	Insurance Contracts and the related Amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRSs Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after April 1, 2021.

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after January 1, 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company do not anticipate that the application of the amendments in the future will have a material 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 and investment strategies of the Group, including deteriorates in performance of other segment, mainly tourism related services. Certain development plans of the Group has also been affected since 2020. As at December 31, 2021, 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. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, liquidity restraints and incur impairments on its assets in 2022. However, the exact impact in the remainder of 2022 and thereafter cannot be predicted.

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

Segment revenues

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

For the year ended December 31, 2021

	Manufacturing	Properties	Others	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External sales	784,171	602,815	126,552	–	1,513,538
Inter-segment sales	–	–	2,750	(2,750)	–
Total	<u>784,171</u>	<u>602,815</u>	<u>129,302</u>	<u>(2,750)</u>	<u>1,513,538</u>

For the year ended December 31, 2020

	Manufacturing	Properties	Others	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<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>

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	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>
Primary geographical markets					
United States	650,313	-	-	-	650,313
PRC, including HK	76,325	602,815	129,302	(2,750)	805,692
Europe	33,459	-	-	-	33,459
Others	24,074	-	-	-	24,074
	<u>784,171</u>	<u>602,815</u>	<u>129,302</u>	<u>(2,750)</u>	<u>1,513,538</u>
Major products and services					
Sales of upholstered furniture	784,171	-	-	-	784,171
Sales of properties	-	602,815	-	-	602,815
Travel & tourism services	-	-	58,447	-	58,447
Catering & entertainment	-	-	29,534	-	29,534
Property management services	-	-	41,321	(2,750)	38,571
	<u>784,171</u>	<u>602,815</u>	<u>129,302</u>	<u>(2,750)</u>	<u>1,513,538</u>
Timing of revenue recognition					
At a point in time	784,171	602,815	29,534	-	1,416,520
Transferred over time	-	-	99,768	(2,750)	97,018
	<u>784,171</u>	<u>602,815</u>	<u>129,302</u>	<u>(2,750)</u>	<u>1,513,538</u>

For the year ended December 31, 2020

	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>
Primary geographical markets					
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>
Major products and services					
Sales of upholstered furniture	692,833	–	–	–	692,833
Sales 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>
Timing of revenue recognition					
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>

Segment result

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Segment profit/(loss)		
– Manufacturing	184,759	178,589
– Properties development	101,109	37,450
– Others (<i>note</i>)	<u>(27,377)</u>	<u>(56,636)</u>
	258,491	159,403
Unallocated corporate expenses	(24,047)	(27,177)
Unallocated other gains and losses	<u>(21,277)</u>	<u>(36,606)</u>
Profit for the year	<u>213,167</u>	<u>95,620</u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
United States	650,313	549,331
PRC, including HK	805,692	637,716
Europe	33,459	58,052
Others	24,074	15,167
	<u>1,513,538</u>	<u>1,260,266</u>

Information about major customer

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A ¹	<u>367,030</u>	<u>312,062</u>

¹ *Revenue from Manufacturing segment*

(b) Revenue

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

	2021	2020
	RMB'000	RMB'000
Sale of goods		
Upholstered furniture	784,171	692,833
Residential properties	602,815	440,235
	1,386,986	1,133,068
Provision of services		
Others (<i>note</i>)	126,552	127,198
	1,513,538	1,260,266

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

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

As at December 31, 2021 and 2020, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

6. OTHER INCOME

An analysis of other income is as follows:

	2021	2020
	RMB'000	RMB'000
Government grants (<i>note a</i>)	2,988	12,123
Interest income	1,223	1,021
Rental income (<i>note b</i>)	976	3,343
Sub-contracting fee income	85	208
	5,272	16,695

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gain on early termination of right-of-use asset (<i>note a</i>)	51,559	49,071
Net foreign exchange loss	(16,153)	(34,050)
Donation	(70)	(161)
Penalty	(157)	(686)
Change in fair value of financial asset at fair value through profit or loss	5,918	(2,093)
Gain on disposal of property, plant and equipment, net (<i>note a</i>)	111,910	70,455
Gain/(loss) on disposal of subsidiaries	24,422	(5,565)
Loss allowance on the amount due from a subsidiary upon deconsolidation (<i>note b</i>)	–	(18,501)
Net gain from sale of scrap materials	909	2,028
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 d</i>)	6,617	6,617
Others	(2,451)	(13,292)
	182,504	93,323

Note a:

In 2021, the amounts mainly include the gains from land resumption for which, Haining Hidea Furniture Co., Ltd (the “Haining Hidea”), a wholly-owned subsidiary of the Company, entered into a land resumption agreement with Haining Jianshan New Area Administrative Committee (the “Haining Jianshan Administrative Committee”), a local government bureau, on September 16, 2021. Pursuant to the land resumption agreement, Haining Hidea 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 RMB180,144,000. A gain on early termination of right-of-use assets of RMB51,559,000 related to the surrendered land use rights as a result of modification of lease and gain on disposal of property, plant and equipment of RMB104,399,000 related to the surrendered of erected building are recognised in the profit or loss.

In 2020, the amounts mainly include the gains from land resumption for which, Haining Hainix Sofa Co., Ltd (the “Haining Hainix”), a wholly-owned subsidiary of the Company, entered into a land resumption agreement with Haining Jianshan Administrative Committee, a local government bureau, 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 early termination of right-of-use assets of RMB48,984,000 related to the surrendered land use rights as a result of modification of lease 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.

Note b:

On April 26, 2020, Jiande City People’s Court (the “Court”) approved the liquidation of Hangzhou Xinanjiang Hot Spring Resort Development Co. Ltd. (“Xinanjiang”), a subsidiary which the Company has 55% equity interest. A loss of RMB18,501,000 was recognised in the profit or loss for the year ended December 31, 2020 as a result of the deconsolidation.

Note c:

In 2020, the Group successfully recovered the compensation from a lawsuit 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.

Note d:

The release of financial guarantees recognised in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on:		
Bank and other borrowings	51,244	59,521
Lease liabilities	2,560	1,974
	53,804	61,495

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amortisation of intangible assets	48	535
Depreciation of property, plant and equipment	79,009	75,775
Depreciation of right-of-use assets	20,485	16,082
	<hr/>	<hr/>
Total depreciation and amortisation	99,542	92,392
	<hr/> <hr/>	<hr/> <hr/>
Auditor's remuneration		
– Audit service	2,000	2,100
– Non-audit service	800	800
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal	56,684	15,724
Cost of inventories under Manufacturing segment recognised as expenses (including net reverse of allowance of inventories of RMB433,000 (2020: RMB972,000))	553,385	501,589
Cost of properties under properties development segment recognised as cost of sale	317,579	280,173
Expenses relating to short term leases	1,085	558
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	187,332	175,929
– Contributions to defined contribution retirement plans	12,689	9,010
	<hr/>	<hr/>
	200,021	184,939
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Income tax		
– for the current year	91,507	48,891
– under provision in respect of prior years	679	674
	<hr/>	<hr/>
	92,186	49,565
	<hr/>	<hr/>
LAT	38,855	22,724
	<hr/>	<hr/>
Deferred tax	(4,413)	(11,761)
	<hr/>	<hr/>
	126,628	60,528
	<hr/> <hr/>	<hr/> <hr/>

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%. Three (2020: 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 2023. The subsidiaries need to re-apply for the preferential tax treatment when the preferential tax period expired on 2022, 2023 and 2024 respectively.

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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%.

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, 2020 and 2021.

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

	2021 <i>RMB'000</i>	2020 <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>220,039</u>	<u>114,975</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 RMB220,039,000 (2020: RMB114,975,000) and the weighted average of 1,493,636,881 ordinary shares (2020: 1,493,636,881 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at January 1 and December 31	<u>1,493,636,881</u>	<u>1,493,636,881</u>

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2021 and 2020.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Aged:		
Within 60 days	82,115	89,707
61 – 90 days	3,153	1,304
91 – 180 days	4,508	3,146
181 – 365 days	1,790	2,149
Over 1 year	17,181	17,103
	<u>108,747</u>	<u>113,409</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Aged:		
Within 60 days	311,130	406,365
61 – 90 days	55,339	13,599
91 – 180 days	6,623	4,123
181 – 365 days	8,845	23,975
1 – 2 years	27,955	88,173
Over 2 years	40,674	38,172
	<u>450,566</u>	<u>574,407</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Buildings	155,458	193,257
Pledged bank deposits	104,688	104,356
Listed equity investments	19,603	16,362
Properties under development and held for sale	1,475,852	1,558,760
	<u>1,755,601</u>	<u>1,872,735</u>

16. CAPITAL AND OTHER COMMITMENTS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,262,995	2,333,895
– Properties under development	153,998	115,671
– Contribution to investment funds	110,710	43,717
	<u>2,527,703</u>	<u>2,493,283</u>

17. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB675,160,000 at December 31, 2021 (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 December 31, 2021 and 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 movement of financial guarantee liabilities as shown as below:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	6,617	13,234
Release of financial guarantee liabilities (<i>Note 7</i>)	<u>(6,617)</u>	<u>(6,617)</u>
	<u><u>-</u></u>	<u><u>6,617</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2021, the Group recorded a consolidated turnover of RMB1,513.5 million (2020: RMB1,260.3 million), representing an increase of approximately 20.1% when compared with the year of 2020. The increase in revenue mainly attributable to (1) the increase of approximately RMB162.6 million in property development segment since there was an increase in the delivery of properties for the Group's property development projects in China (the "PRC"), and (2) the increase of approximately RMB91.3 million in manufacturing segment due to the increase in furniture sales order received during the year ended December 31, 2021 as compared to the year 2020.

The Group's gross profit for the year ended December 31, 2021 was RMB559.6 million (2020: RMB419.5 million) with an average gross profit margin of 37.0% (2020: 33.3%), which resulted in an increase of approximately RMB140.1 million, representing an increase of approximately 33.4% when compared with the year of 2020.

The net profit attributable to owners of the Company was approximately RMB220.0 million in the year ended December 31, 2021 (2020: profit of RMB115.0 million), representing an increase of approximately RMB105.0 million (an increase of approximately 91.3%) as compared with the year of 2020. The rise in profit was largely attributable to the increase in the delivery of properties for the Group's property development projects in the PRC during the year ended December 31, 2021 as compared to the year 2020.

Review by Business Segments

The Group's reportable business segments in 2021 principally consist of manufacturing and trading of upholstered furniture, properties development and others (comprising mainly travel and related services, catering and entertainment services and provision of property management service).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2021 together with the comparative figures for the year ended December 31, 2020:

	2021		2020		Y-O-Y Change
	<i>RMB'Million</i>	%	<i>RMB'Million</i>	%	%
Manufacturing and Trading of Upholstered Furniture	784.2	51.8	692.9	55.0	13.2
Property Development	602.8	39.8	440.2	34.9	36.9
Others	126.5	8.4	127.2	10.1	-0.5
Total	<u>1,513.5</u>	<u>100.0</u>	<u>1,260.3</u>	<u>100.0</u>	20.1

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 RMB784.2 million, representing an increase of approximately 13.2% as compared to the total turnover of approximately RMB692.9 million in the corresponding period of 2020. Customers of the Group's trading of upholstered furniture are mainly from the United States and Europe. Affected by the local economic stimulus policies, customers' purchasing demand for upholstered furniture continued to grow. Benefiting from the long-term and stable supply relationship with major customers and the advantages accumulated by the Group over the years in the fields of production and logistics, the Group has successfully completed the timely delivery for customers' orders, enabling the upholstered furniture business to continue to maintain stable performance. The Group recorded a profit of approximately RMB184.8 million from manufacturing and trading of upholstered furniture business in 2021, representing an increase of approximately 3.5% as compared to the profit of approximately RMB178.6 million in the corresponding period of 2020.

Property Development Business

As at December 31, 2021, the Group had in total seven property projects under different stages of development or held for sale in mainland China and Cambodia. The turnover from the property development segment was RMB602.8 million in 2021, representing an increase of approximately 36.9% as compared to RMB440.2 million in 2020. The increase in sales was mainly due to increase in delivery of properties, especially the Asia Bay project, in 2021 as compared to that in the corresponding period of last year. As a result, operating profit generated from this segment in 2021 was RMB101.1 million, representing an increase of approximately 170.0% as compared to an operating profit of RMB37.5 million in 2020.

The Group's Property Project Portfolio as at December 31, 2021

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (sq.m.)	Status	Estimated year/actual year of completion (Note)	Usage
1	Asia Bay	Boao, Asia Bay, Binhai Avenue, Boao Town, Qionghai City, Hainan Province	92%	590,165	Under development	2025	Residential and tourism resort
2	Sanya Project	Dream Water Park, Shibu Nongchang Road, Tianya District, Sanya City, Hainan Province	80.5%	1,423,987	Under development	2028	Residential, hotel and tourism resort
3	Qianjiang Continent	No.66 Middle Dongjin Road, Tinghu District, Yancheng City, Jiangsu Province	100%	335,822	Completed	2015	Residential and commercial
4	Kasen Star City	No. 1 Haiyun Road, Haining City, Zhejiang Province	100%	469,867	Completed	2019	Residential and commercial
5	Changbai Paradise	Baihe Town, Er Dao, Antu County, Yanji City, Jilin Province	89%	118,195	Completed	2015	Residential and hotel
6	Qianjiang Oasis	No.29 Kaichuang Road, Yandu District, Yancheng City, Jiangsu Province	55%	108,138	Completed	2021	Residential and commercial
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	286,082	Preliminary development	2026	Residential
Total				<u>3,332,256</u>			

Note: The estimated year of completion is derived 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 or held for sale as at December 31, 2021

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, 2021 (sq.m.)	GFA delivered as at December 31, 2021 (sq.m.)	
1	Asia Bay	718,665	404,709	590,165	201,344	183,138	19,110
2	Qianjiang Continent	775,292	775,292	669,717	664,199	662,658	8,343
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	13,561
4	Changbai Paradise	122,412	122,412	122,010	40,696	38,558	—*
5	Qianjiang Oasis	334,899	334,899	282,323	266,779	264,151	8,144
Total		<u>2,908,492</u>	<u>2,594,536</u>	<u>2,372,945</u>	<u>1,881,748</u>	<u>1,857,235</u>	

* This project was 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 RMB88.3 million, representing a decrease of approximately RMB1.6 million as compared to approximately RMB89.9 million in 2020. The selling and distribution costs maintained at a relatively stable level as compared with 2020. The Group's selling and distribution costs to turnover in 2021 decreased to approximately 5.8% as compared to approximately 7.1% in 2020.

The administrative costs in 2021 was approximately RMB208.7 million, representing a slight increase of approximately RMB2.4 million as compared to approximately RMB206.3 million in 2020. All administrative costs and expenses kept at same level as in 2020.

The Group's finance cost in 2021 was approximately RMB53.8 million, representing a decrease of approximately RMB7.7 million, as compared to approximately RMB61.5 million in 2020, mainly due to the decrease in the Group's bank borrowings during 2021. 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 RMB182.5 million in other gains and losses in 2021, while it recorded a net gain of approximately RMB93.3 million in 2020. For details of the other gains and losses, please refer to note 7 to the consolidated financial statements.

The Group's income tax in 2021 was approximately RMB126.6 million, representing an increase of approximately RMB66.1 million, as compared to approximately RMB60.5 million in 2020. The increase was mainly resulted from (1) an increase in PRC income tax of approximately RMB42.6 million mainly due to an increase in taxable profits generated at the subsidiary level especially for property development segment with significantly increased operating profit, (2) an increase in PRC land appreciation tax of approximately RMB16.1 million from the property development projects, and (3) the decrease in deferred taxation credit of approximately RMB7.3 million.

Based on the aforesaid factors, profit attributable to owners of the Company in 2021 increased by approximately 91.3% to approximately RMB220.0 million (2020: RMB115.0 million).

CAPITAL EXPENDITURE

Capital expenditure in 2021 decreased to approximately RMB115.7 million (including construction in progress of approximately RMB58.3 million) from approximately RMB128.4 million in 2020. The capital expenditure mainly comprised the amount of approximately RMB115.7 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, 2021, the Group's bank and other borrowings amounted to approximately RMB804.1 million, (in which approximately 0.9% (2020: 0.9%) was denominated in USD and approximately 99.1% (2020: 99.1%) was denominated in RMB) representing a decrease of approximately 8.7% from approximately RMB880.6 million as at December 31, 2020. As at December 31, 2021, the Group had outstanding bank and other borrowings amounted to approximately RMB204.4 million repayable within one year and approximately RMB599.7 million repayable after one year (2020: approximately RMB315.2 million repayable within one year and approximately RMB565.4 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2021, the inventory turnover period decreased to 57 days (2020: 68 days).

In 2021, 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 decreased to 37 days in 2021 (2020: 45 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments decreased to 75 days in 2021 (2020: 86 days).

As at December 31, 2021, the Group's current ratio was 2.50 (December 31, 2020: 1.97). The Group's cash and cash equivalent balance was approximately RMB279.6 million as at December 31, 2021 (December 31, 2020: approximately RMB297.7 million). As at December 31, 2021, cash and cash equivalent balance of the Group was approximately 86.0% (2020: 80.6%) of bank balance denominated in RMB, approximately 12.3% (2020: 17.1%) denominated in USD, approximately 1.2% (2020: 1.3%) denominated in HKD and Japanese Yen currency, and approximately 0.5% (2020: 1.0%) denominated in other currencies. This represents a gearing ratio of 22.2% as at December 31, 2021 (December 31, 2020: 25.9%) and a net debt-to-equity ratio of 14.5% as at December 31, 2021 (December 31, 2020: 17.1%). 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 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 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 September 16, 2021, Haining Hidea Furniture Co., Ltd (海寧慧達傢俱有限公司) (“Haining Hidea”), a wholly-owned subsidiary of the Company, entered into the land resumption agreement, pursuant to which Haining Hidea 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. 26, Wenchang Road, Jianshan New District, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 152,023 sq.m., for a total consideration of approximately RMB180,143,845. For further details, please refer to the announcement of the Company dated September 16, 2021.

On November 18, 2021, Zhejiang Kasen Industrial Group Co., Limited (“Zhejiang Kasen”), a wholly-owned subsidiary of the Company and Beijing Gongjiao Junding Fund Management Co., Ltd.* (北京公交君鼎基金管理有限公司) (“Beijing Gongjiao Junding”) entered into the partnership agreement for the formation of Smart Carbon (Chongqing) Private Equity Investment Fund Partnership (Limited Partnership) (智碳(重慶)私募股權投資基金合夥企業(有限合夥)) (“The Partnership”). The total capital contribution to be paid by all partners of the Partnership shall be RMB100,000,000, of which RMB99,000,000 shall be contributed by Zhejiang Kasen and RMB1,000,000 shall be contributed by Beijing Gongjiao Junding. For further details, please refer to the announcement of the Company dated November 18, 2021.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2021.

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, 2021, 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, 2021, the Group had contracted, but not provided for, a total capital and other expenditure of RMB2,527.7 million (2020: RMB2,493.3 million), in which an amount of RMB154.0 million (2020: RMB115.7 million) was in respect of properties under development for sale. For details, please refer to note 16 to the consolidated financial statements.

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 ended December 31, 2021, 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, 2021, the Group employed a total of approximately 2,800 full time employees (December 31, 2020: approximately 3,000), including management staff, technicians, salespersons and workers. In 2021, the Group's total expense on the remuneration of employees was approximately RMB200.0 million (2020: approximately RMB184.9 million), representing approximately 13.2% (2020: 14.7%) 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, 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, 2021.

FUTURE PLANS AND PROSPECTS

Based on study and judgment on the development changes of domestic and foreign economic situation, in order to promote the sustainable development of the Group, the Group will accelerate the transformation and upgrading of its development strategy. While consolidating its domestic businesses, it will vigorously expand its overseas industrial layout.

In the field of upholstered furniture business, the Group will continue to implement the business policy of “consolidating key customers, integrating domestic production resources, and developing overseas production bases”. It will continuously strengthen long-term cooperative relationships with key customers in the United States and Europe, striving to make steady progress in respect of orders. In terms of production, the production layout of upholstered furniture enterprise will be further optimized and self-owned plants will be cut down to reduce costs and improve asset efficiency. The production capacity of the upholstered furniture factory in Cambodia will be enhanced and the factory will be built into an important export production base for Europe and the United States.

In the field of property development, the Group will continue to speed up the sales progress of existing domestic projects and accelerate the delivery of properties. At the same time, it proposes to dispose of certain idle property assets to recover funds. The Group is exploring new projects with sound development prospects in overseas countries to pursue new business growth points. The Group has a land available for development of approximately 270,000 sq.m in Phnom Penh, Cambodia, and the land was originally planned to be developed into high-end residence for sale to Cambodians and foreigners. Construction and sales of phase I of the project started in January 2022.

In the field of tourism resort business, in the context of the ongoing pandemic, the Group will focus on optimizing the management of water parks and resort hotels, and strive to achieve stable and normal operations on the premise of strictly abiding by the government’s pandemic prevention and control policies.

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.

EVENTS AFTER THE REPORTING DATE

No significant events occur for the Group after the reporting date December 31, 2021.

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2021 (2020: 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 annual general meeting (the “AGM”) of the Company dated May 31, 2022, the register of members of the Company will be closed from May 26, 2022 to May 31, 2022 (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, 2022.

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, 2021.

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, 2021.

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, 2021, 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, 2021 and as at the date of this 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, 2021.

The audited annual results of the Company for the year ended December 31, 2021 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, 2021 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, 2021.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

The annual report of the Company for the year ended December 31, 2021 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, 2022. 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 28, 2022.

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

March 31, 2022

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

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