



卡森國際控股有限公司

KASEN INTERNATIONAL HOLDINGS LIMITED

(an exempted company incorporated in the Cayman Islands with limited liability)

stock code : 496



INTERIM
REPORT
2022



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BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2022, Kasen International Holdings Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) recorded a consolidated turnover of approximately RMB491.4 million (six months ended June 30, 2021: RMB702.6 million), representing a decrease of approximately 30.1% when compared with the corresponding period in 2021. The decrease in turnover was mainly due to the decline in the delivery of property for the Group’s property development projects during the period under review.

The Group’s gross profit for the six months ended June 30, 2022 was approximately RMB174.5 million (six months ended June 30, 2021: RMB249.0 million), with an average gross profit margin of approximately 35.5% (six months ended June 30, 2021: 35.4%), representing a decrease of approximately 29.9% in gross profit when compared with the corresponding period in 2021.

The net profit attributable to owners of the Company for the first half of 2022 was approximately RMB35.5 million (six months ended June 30, 2021: RMB46.8 million), representing a decrease of approximately RMB11.3 million or 24.2%.

Review by Business Segments

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

The table below shows the total turnover by business segments for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021:

	2022		Six Months Ended June 30,		Change
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	335.0	68.2	361.9	51.5	-7.4
Property developments	112.9	23.0	284.7	40.5	-60.3
Others	43.5	8.8	56.0	8.0	-22.3
Total	491.4	100.0	702.6	100.0	-30.1



BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

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 RMB335.0 million, representing a decrease of approximately 7.4% as compared to the total turnover of approximately RMB361.9 million in the corresponding period of 2021. As a result of the volatile economic recovery in the United States and Europe, consumers' purchasing power for furniture products was insufficient and orders from furniture importers in Europe and the United States were lower compared to the corresponding period of last year. Coupled with the domestic resurgence of the Covid-19 pandemic in the first half of the year, the region where the Group's factories are located experienced suspension of production due to the Covid-19 pandemic, which affected sales results. Despite the unfavourable external environment, the Group integrated its production resources, flexibly arranged production, enhanced production efficiency and seized the timeframe brought by the depreciation of RMB to accelerate sales receipt collection, resulting in a better overall profit position of the furniture business. The segment recorded an overall profit of approximately RMB35.7 million for the first half of 2022, representing an increase of approximately 37.8% as compared to the profit of approximately RMB25.9 million in the corresponding period of 2021.

Property Development Business

As at June 30, 2022, the Group had in total seven property projects under different stages of development or held for sale in mainland China and Cambodia. During the six months ended June 30, 2022, due to the decrease of properties delivery, the turnover recorded from the property development segment was approximately RMB112.9 million, representing a decrease of approximately 60.3% as compared to approximately RMB284.7 million in the corresponding period of 2021.

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Property Development Business (cont'd)

Group's Property Project Portfolio as at June 30, 2022

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	Completed	Residential
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	286,082	Preliminary development	Residential
Total				3,332,256		

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, 2022 (sq.m.)	Accumulated GFA delivered as at June 30, 2022 (sq.m.)	Average selling price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	206,052	188,502	18,084
2	Qianjiang Continent	775,292	775,292	669,717	664,882	663,839	12,119
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	41,240	38,558	—*
5	Qianjiang Oasis	334,899	334,899	282,323	266,779	264,151	—
Total		2,908,492	2,594,536	2,372,945	1,887,683	1,863,780	

* This project has been completed and there was no properties delivery during the six months ended June 30, 2022.



BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2022 increased to approximately RMB45.6 million, representing an increase of approximately RMB3.9 million as compared to approximately RMB41.7 million in the first half of 2021. All selling and distribution costs kept at same level as in 2021. The selling and distribution costs to turnover in the first half of 2022 increased to approximately 9.3% as compared to approximately 5.9% for the corresponding period in 2021.

The administrative costs for the six months ended June 30, 2022 were approximately RMB89.8 million, representing a decrease of approximately RMB11.1 million as compared to approximately RMB100.9 million for the corresponding period in 2021 which was mainly due to the decrease in staff costs by approximately RMB5.0 million, since the staff costs of property development segment were reduced as the sales of property were decreased, and also a property management subsidiary was disposed in June 2021.

The Group's finance cost in the first half of 2022 was approximately RMB24.7 million, representing a small decrease of approximately RMB3.3 million as approximately RMB28.0 million for the corresponding period of 2021.

The Group's income tax in the first half of 2022 was approximately RMB3.5 million, representing a decrease of approximately RMB32.1 million as compared to approximately RMB35.6 million for the corresponding period in 2021. The decrease was mainly resulted from a refund of land appreciation tax in the People's Republic of China (the "PRC") property development subsidiary of approximately RMB12.1 million, a decrease of land appreciation tax charge of approximately RMB9.8 million as well as a decrease of enterprise income tax charge of approximately RMB7.9 million. For details, please refer to note 8 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

The Group recorded a net gain of approximately RMB1.4 million in other gains and losses in the first half of 2022, while it recorded a net gain of approximately RMB25.0 million during the corresponding period of 2021. For details of the other gains and losses, please refer to note 6 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was a decrease in profit, such that the net profit attributable to owners of the Company for the first half of 2022 was approximately RMB35.5 million (six months ended June 30, 2021: RMB46.8 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2022, the Group had cash and cash equivalent available for utilisation totalling approximately RMB307.5 million (as at December 31, 2021: RMB279.6 million) and a total borrowings of approximately RMB814.3 million (as at December 31, 2021: RMB804.1 million). This represents a gearing ratio of 22.2% (as at December 31, 2021: 22.2%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2022, 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, 2022, the Group's inventory was approximately RMB76.2 million, representing a decrease of approximately RMB17.5 million as compared to approximately RMB93.7 million as of December 31, 2021. During the six months ended June 30, 2022, 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 53 days as compared to 57 days as at December 31, 2021.

BUSINESS REVIEW AND PROSPECTS (cont'd)

FINANCIAL RESOURCES AND LIQUIDITY (cont'd)

During the six months ended June 30, 2022, 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 29 days for the first half of 2022 (as at December 31, 2021: 37 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 62 days for the six months ended June 30, 2022 (as at December 31, 2021: 75 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, 2022.

SIGNIFICANT INVESTMENTS HELD

Save as otherwise disclosed in this interim report, the Group did not have significant investments held during the six months ended June 30, 2022.

PLEDGE OF ASSETS

During the six months ended June 30, 2022, 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 0.3%-1.0%. There were no significant changes in the Group's pledge of assets at June 30, 2022 as compared with that of December 31, 2021.

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) are mainly denominated in U.S. dollars, and trade receivables may be exposed to exchange rate fluctuation. During the period under review, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group had cash or cash equivalent denominated in US dollars of approximately US\$5.6 million as at June 30, 2022. 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, 2022, the Group had certain contingent liabilities. For details, please refer to note 19 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2022, the Group employed a total of approximately 2,790 full time employees (as at December 31, 2021: approximately 2,800) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2022, the Group's total expenses on the remuneration of employees were approximately RMB85.0 million (six months ended June 30, 2021: RMB95.1 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.



BUSINESS REVIEW AND PROSPECTS (cont'd)

EMPLOYEES AND EMOLUMENTS POLICIES (cont'd)

The Group's emolument policies of the employees are formulated by the board (the "Board") of directors (the "Directors", each the "Director") 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 are set out in the section headed "Disclosure of Interests – Share Options Schemes" of this interim report.

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

In the field of upholstered furniture, the Group has confirmed the strategic development direction of "domestic integration and overseas expansion" and has basically completed the relocation of production facilities and the integration of production resources domestically. We are committed to reducing production and management costs by prioritising efficiency while maintaining order intake. In the overseas, the production base in Cambodia is in full operation and we will further expand our investment in Cambodia depending on the situation.

In the field of property development, the Group will not continue to develop new domestic projects in the near future, but will focus on the sale and delivery of the projects already developed, based on its assessment of the overall status and future development of the domestic property industry. We will also look for partners to jointly dispose of certain of our assets. In the overseas, the Group will focus on the development of "Phnom Penh Kasen Garden", a property project located in Phnom Penh, the capital of Cambodia, with a view to expanding sales revenue.

In the field of tourism resort business, the Group will take a cautious approach to business development due to the domestic ongoing pandemic prevention and control policies. On the one hand, the Group will strive to improve the business performance of its existing water parks and hotels through refinement of management, and on the other hand, actively search for partners to promote the optimization and integration of related assets.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2022, the interests of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(1) Long positions in Shares

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total number of shares interested	
Zhu Zhangjin ("Mr. Zhu") (Note 1)	12,360,000	555,645,113	568,005,113	38.03%
Zhou Xiaohong (Note 2)	9,514,561	–	9,514,561	0.64%
Zhu Ruijun	3,000,000	–	3,000,000	0.20%

Notes:

- (i) Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial Shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 Shares as at June 30, 2022 under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme"), the grant of which was approved by the Board on May 26, 2015.
- (2) This figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 shares as at June 30, 2022 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.



DISCLOSURE OF INTERESTS (cont'd)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

(2) Long positions in underlying shares

Long positions in underlying shares are separately disclosed in the paragraph "Share Options Schemes" below.

Save as disclosed herein, none of the Directors nor the chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at June 30, 2022.

SHARE OPTIONS SCHEMES

On October 20, 2005, the Company adopted the 2005 Share Option Scheme for the primary purpose of providing incentives to Directors, eligible employees and third party services providers. The 2005 Share Option Scheme became effective on October 20, 2005 and the options issued pursuant to the 2005 Share Option Scheme will expire no later than 10 years from the date of grant of the option. Under the 2005 Share Option Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe for shares of the Company. The 2005 Share Option Scheme was terminated on May 29, 2015. As at June 30, 2022, the Company had 10,850,000 outstanding options granted pursuant to the 2005 Share Option Scheme.

On the same date of the termination of the 2005 Share Option Scheme (i.e. May 29, 2015), a new share option scheme was adopted by the Company pursuant to a resolution of the Shareholders passed on May 29, 2015 (the "2015 Share Option Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The 2015 Share Option Scheme became effective on May 29, 2015 and the options issued pursuant to the 2015 Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at the date of this interim report, no options have been granted by the Company under the 2015 Share Option Scheme.

For any options granted to Directors, chief executives or substantial shareholders of the Company, options to be granted shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed grantee of options).

The total number of Shares in respect of which options may be granted under the 2005 Share Option Scheme is not permitted to exceed 10% of the Shares in issue on October 20, 2005 (i.e. 101,404,536 Shares) and the total number of Shares of which options may be granted under the 2015 Share Option Scheme is not permitted to exceed 10% of the Shares in issue on May 29, 2015 (i.e. 116,232,298 Shares) without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total Shares in issue at any point of time, without prior approval from the Shareholders.

In relation to any options granted under both the 2005 Share Option Scheme and the 2015 Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. Each grantee shall pay the Company a consideration of HK\$1.00 upon acceptance of the option granted.

DISCLOSURE OF INTERESTS (cont'd)

SHARE OPTIONS SCHEMES (cont'd)

Both the 2005 Share Option Scheme and the 2015 Share Option Scheme do not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of granting of the options, the Company may specify any such minimum period(s).

Unless otherwise terminated by the Board or the Shareholders in general meeting in accordance with the terms of the 2015 Share Option Scheme, the 2015 Share Option Scheme shall be valid and effective for a period of 10 years from the date (i.e. May 29, 2015) on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the 2015 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the 2015 Share Option Scheme.

As at June 30, 2022, the total numbers of Shares available for issue under the 2005 Share Option Scheme and the 2015 Share Option Scheme were 10,850,000 Shares and 116,232,298 Shares, respectively, which represented 0.7% and 7.8% of the Shares in issue respectively as at the date of this interim report.

Details of movement of the share options during the six months ended June 30, 2022, being share options granted pursuant to the 2005 Share Option Scheme on May 26, 2015, were as follows:

Name of Director	Exercise price HK\$	Number of share options				Outstanding as at June 30, 2022	Percentage of total issued share capital	Exercisable period	Notes
		Granted from January 1, 2022 to June 30, 2022	Exercised from January 1, 2022 to June 30, 2022	Forfeited from January 1, 2022 to June 30, 2022	Outstanding as at January 1, 2022				
Zhu Zhangjin	1.37	1,000,000	-	-	-	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3
Zhou Xiaohong	1.37	3,000,000	-	-	-	3,000,000	0.20%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	-	-	-	4,000,000	0.27%		
Other employees in aggregate	1.37	6,850,000	-	-	-	6,850,000	0.46%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	-	-	-	10,850,000	0.73%		

Notes:

- These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 and are exercisable at HK\$1.37 per Share from January 1, 2016 to May 25, 2025. The closing price of Shares immediately before the date of grant of share options was HK\$1.38.
- These share options represent personal interest held by the relevant participants as beneficial owner.
- During the six months ended June 30, 2022, none of these share options were exercised, forfeited, lapsed nor cancelled.

DISCLOSURE OF INTERESTS (cont'd)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the schemes disclosed in the paragraph headed "Share Options Schemes" above, at no time during the six months ended June 30, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at June 30, 2022, the following persons (other than the Directors or chief executives of the Company stated in the above paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Short position	Long position	Number of issued Shares held	Percentage of the Company's issued share capital
Joyview ¹	Beneficial owner	–	555,645,113	555,645,113	37.20%
Prosperity and Wealth Limited ¹	Trustee	–	555,645,113	555,645,113	37.20%
Team Ease Limited ²	Beneficial owner	–	235,043,057	235,043,057	15.74%
Chen Dianer (陳鈿兒) ²	Interest in controlled corporation	–	235,043,057	235,043,057	15.74%

Notes:

- Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial Shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview which in turn is wholly owned by the trustee of such family trust).
- Team Ease Limited is a company beneficially owned by Chen Dianer.

Save as disclosed above, the Company had not been notified by any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at June 30, 2022.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules as its corporate governance code of practices. For the six months ended June 30, 2022, 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 as its own code of conduct regarding directors’ securities transactions. Specific enquiries had been made with all Directors, who had confirmed that, throughout the six months ended June 30, 2022, each of them had complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (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, 2022. 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, 2022. This interim report has been reviewed and agreed by the Audit Committee.

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.



OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Company had certain material event after the reporting date. For details, please refer to note 23 to the interim condensed consolidated financial statements of this interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2022, the Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its Directors, the Company had maintained sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2022.

DIRECTORS

As at the date of this interim report, 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.

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

August 31, 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have reviewed the interim condensed consolidated financial statements of Kasen International Holdings Limited and its subsidiaries set out on pages 15 to 42, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

LAI Cheuk Wai

Practising Certificate Number P07921

Hong Kong, August 31, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	NOTES	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Revenue	4,5	491,387	702,551
Cost of sales		(316,909)	(453,553)
Gross profit		174,478	248,998
Other income		3,978	2,536
Selling and distribution costs		(45,582)	(41,668)
Administrative expenses		(89,830)	(100,855)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal		(3,113)	(16,874)
Other gains and losses	6	1,391	25,036
Finance costs		(24,717)	(27,976)
Profit before tax	7	16,605	89,197
Income tax expenses	8	(3,462)	(35,561)
Profit for the period		13,143	53,636
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		(920)	(80)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income		230	20
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		6,863	(354)
Total comprehensive income for the period		19,316	53,222

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	<i>NOTES</i>	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		35,485	46,795
– Non-controlling interests		(22,342)	6,841
		13,143	53,636
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		41,668	46,246
– Non-controlling interests		(22,352)	6,976
		19,316	53,222
Earnings per share			
– Basic and diluted	<i>10</i>	RMB2.4 cents	RMB3.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2022

	NOTES	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,299,803	1,324,083
Right-of-use assets		152,151	162,872
Investment in associates		17,250	48,100
Intangible assets		612	729
Deferred tax assets		60,684	65,221
Prepayment for construction of property, plant and equipment	14	21,500	–
Financial asset at fair value through other comprehensive income	12	18,683	19,603
Financial asset at fair value through profit or loss	13	70,827	55,970
Prepayment for acquisition of freehold land		120,805	114,763
		1,762,315	1,791,341
CURRENT ASSETS			
Inventories		76,217	93,660
Properties under development		1,899,060	1,858,589
Properties held for sale		676,979	711,886
Amounts due from non-controlling interests of subsidiaries		53,156	36,040
Trade, bills and other receivables	14	1,026,353	1,061,945
Prepaid income tax		25,410	27,438
Prepaid land appreciation tax		6,664	6,884
Pledged bank deposits		98,367	104,688
Restricted bank deposit for property development business		201	2,354
Bank balances and cash		307,489	279,567
		4,169,896	4,183,051

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT JUNE 30, 2022

	NOTES	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	15	639,671	676,050
Lease liabilities – current portion		13,842	14,442
Contract liabilities		453,609	459,531
Bank and other borrowings – due within one year	16	190,820	204,366
Tax payable		190,365	211,467
Amounts due to non-controlling interests of subsidiaries		96,845	104,514
		1,585,152	1,670,370
NET CURRENT ASSETS			
		2,584,744	2,512,681
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,347,059	4,304,022
NON-CURRENT LIABILITIES			
Deferred tax liabilities		21,657	22,162
Lease liabilities – non-current portion		21,983	28,120
Bank and other borrowings – due after one year	16	623,473	599,750
		667,113	650,032
NET ASSETS			
		3,679,946	3,653,990
CAPITAL AND RESERVES			
Share capital	17	1,712	1,712
Reserves		3,662,041	3,620,373
Equity attributable to owners of the Company		3,663,753	3,622,085
Non-controlling interests		16,193	31,905
TOTAL EQUITY			
		3,679,946	3,653,990

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Attributable to owners of the Company										Non-Controlling interests	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI reserve	Translation reserve	Retained earnings	Sub-total		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At January 1, 2022 (audited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	11,581	(7,544)	1,843,270	3,622,085	31,905	3,653,990
Profit/(loss) for the period	-	-	-	-	-	-	-	-	35,485	35,485	(22,342)	13,143
Other comprehensive income	-	-	-	-	-	-	(690)	6,873	-	6,183	(10)	6,173
Total comprehensive income for the period	-	-	-	-	-	-	(690)	6,873	35,485	41,668	(22,352)	19,316
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,640	6,640
At June 30, 2022 (unaudited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	10,891	(671)	1,878,755	3,663,753	16,193	3,679,946

	Attributable to owners of the Company										Non-Controlling interests	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI reserve	Translation reserve	Retained earnings	Sub-total		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At January 1, 2021 (audited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,150	(6,124)	1,623,231	3,401,035	38,626	3,439,661
Profit for the period	-	-	-	-	-	-	-	-	46,795	46,795	6,841	53,636
Other comprehensive income	-	-	-	-	-	-	(60)	(489)	-	(549)	135	(414)
Total comprehensive income for the period	-	-	-	-	-	-	(60)	(489)	46,795	46,246	6,976	53,222
At June 30, 2021 (unaudited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,090	(6,613)	1,670,026	3,447,281	45,602	3,492,883

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	42,912	103,565
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	6,321	10,367
Capital injection for formation of an associate	–	(10,908)
Amount advanced to an associate	–	(59,092)
Repayment received from an associate	30,400	–
Purchases of property, plant and equipment	(5,318)	(27,718)
Prepayment made for construction of property, plant and equipment	(21,500)	–
Payment of subscription of unlisted investment fund	(14,127)	–
Interest received	487	702
Proceeds from disposal of property, plant and equipment	94	325
Net cash outflow from disposal of a subsidiary (note 22)	–	(1,227)
NET CASH USED IN INVESTING ACTIVITIES	(3,643)	(87,551)
FINANCING ACTIVITIES		
Interest elements of lease liabilities paid	(992)	(1,385)
Capital elements of lease liabilities paid	(8,159)	(7,157)
Capital contribution from non-controlling interests	6,640	–
Repayments of bank and other borrowings	(180,066)	(276,281)
Bank and other borrowings raised	190,243	275,945
Interest paid	(23,725)	(26,591)
NET CASH USED IN FINANCING ACTIVITIES	(16,059)	(35,469)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,210	(19,455)
Effect of changes in exchange rates	4,712	4,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	279,567	297,684
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	307,489	282,513

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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 2021 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to amendments to standards or interpretations effective for the first time for periods beginning on or after January 1, 2022. 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”). BDO Limited’s independent review report to the Board of Directors is included on page 14 of the interim report.

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

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IFRS	Annual Improvements to IFRSs 2018-2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

3. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 (“Covid-19”) since 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 June 30, 2022, 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. 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.

4. SEGMENT INFORMATION

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

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

Segment revenues and results

The following is an analysis of the Group’s revenue that is disaggregated by primary geographical market, major products and service line and timing of revenue recognition and results by reportable segment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. SEGMENT INFORMATION (cont'd) Segment revenues and results (cont'd)

Revenue

Six months ended June 30, 2022 (unaudited)

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	335,002	112,935	43,450	-	491,387
Inter-segment revenue	-	-	6,250	(6,250)	-
Reportable segment revenue	335,002	112,935	49,700	(6,250)	491,387
Primary geographical markets					
United States	293,147	-	-	-	293,147
PRC, including HK	37,045	112,935	49,700	(6,250)	193,430
Europe	4,526	-	-	-	4,526
Others	284	-	-	-	284
Total	335,002	112,935	49,700	(6,250)	491,387
Major products					
Sales of upholstered furniture	335,002	-	-	-	335,002
Sales of properties	-	112,935	-	-	112,935
Travel & tourism services	-	-	14,274	-	14,274
Catering & entertainment	-	-	11,946	-	11,946
Property management services	-	-	23,480	(6,250)	17,230
	335,002	112,935	49,700	(6,250)	491,387
Timing of revenue recognition					
At a point in time	335,002	112,935	-	-	447,937
Transferred over time	-	-	49,700	(6,250)	43,450
	335,002	112,935	49,700	(6,250)	491,387

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. SEGMENT INFORMATION (cont'd) Segment revenues and results (cont'd)

Revenue (cont'd)

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)	–
Reportable segment revenue	361,857	284,667	56,854	(827)	702,551
Primary geographical markets					
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
Total	361,857	284,667	56,854	(827)	702,551
Major products					
Sales of upholstered furniture	361,857	–	–	–	361,857
Sales 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
	361,857	284,667	56,854	(827)	702,551
Timing of revenue recognition					
At a point in time	361,857	284,667	–	–	646,524
Transferred over time	–	–	56,854	(827)	56,027
	361,857	284,667	56,854	(827)	702,551

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. SEGMENT INFORMATION (cont'd) Segment revenues and results (cont'd) Results

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Segment profit/(loss)		
– Manufacturing	35,701	25,862
– Properties development	4,783	24,072
– Others (Note)	(25,907)	3,172
	14,577	53,106
Unallocated corporate expenses	(13,005)	(16,808)
Unallocated other gains and losses	11,571	17,338
	13,143	53,636

Segment profit/(loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain (loss). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Note: The balance included a gain on disposal of subsidiary of RMB24,422,000 recognised in the profit or loss for the period ended June 30, 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Manufacturing	1,397,739	1,222,958
Properties development	3,624,267	3,880,058
Others	689,277	679,203
Total segment assets	5,711,283	5,782,219
Unallocated	220,928	192,173
Consolidated assets	5,932,211	5,974,392

Segment liabilities

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Manufacturing	408,582	445,203
Properties development	1,581,219	1,641,574
Others	225,552	208,681
Total segment liabilities	2,215,353	2,295,458
Unallocated	36,912	24,944
Consolidated liabilities	2,252,265	2,320,402

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. SEGMENT INFORMATION (cont'd) Segment assets and liabilities (cont'd)

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than investment in associates, investment in financial assets, deferred tax assets and head office assets;
- All liabilities are allocated to operating segments other than deferred tax liabilities and head office liabilities; and
- All intergroup balances and investment costs have been eliminated in internal reports when presenting segment assets and liabilities to CODM.

5. REVENUE

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

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Sale of goods		
Upholstered furniture	335,002	361,857
Residential properties	112,935	284,667
	447,937	646,524
Provision of services		
Others (note)	43,450	56,027
	491,387	702,551

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Net foreign exchange gain/(loss)	18,940	(6,519)
Gain on disposal of a subsidiary (note)	-	24,422
Change in fair value of financial asset at fair value through profit or loss	(637)	5,918
Fair value of financial guarantee issued on initial recognition	(16,275)	-
Loss on disposal of property, plant and equipment	(887)	(140)
Release of financial guarantees	2,713	3,308
Others	(2,463)	(1,953)
	1,391	25,036

Note: In June 2021, the Group disposed of its entire equity interest in 海寧市四海之家物業管理有限公司 to an independent third party for a cash consideration of RMB25,300,000. A gain on disposal of subsidiary of RMB24,422,000 was recognised in the profit or loss for the period ended June 30, 2021. Details of the disposal are set out in note 22.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

7. PROFIT BEFORE TAX

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

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Amortisation of intangible assets	117	94
Depreciation of property, plant and equipment	39,049	35,069
Depreciation and amortisation of right-of-use assets	9,762	10,255
Total depreciation and amortisation	48,928	45,418
Costs of inventories under Manufacturing segment recognised as expenses (including net reversal of allowance of inventories of RMB22,000 (June 30, 2021: net reversal provision allowance for RMB170,000))	232,027	265,088
Interest on lease liabilities	992	1,385
Interest on bank and other borrowings	23,725	26,591
	24,717	27,976
Government grants	(1,953)	(1,148)
Interest income	(487)	(702)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

8. INCOME TAX EXPENSES

	Six months ended June 30, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Land appreciation tax ("LAT")		
– Current period	1,989	11,829
– Over provision of LAT in previous periods	(12,111)	–
	(10,122)	11,829
The People's Republic of China enterprise income tax		
– Current period	12,193	20,045
– (Over)/under provision of income tax in previous periods	(3,145)	979
	9,048	21,024
Deferred tax	4,536	2,708
	3,462	35,561

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 for the period attributable to owners of the Company of RMB35,485,000 (six months ended June 30, 2021: RMB46,795,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2021: 1,493,636,881 shares) in issue during the period.

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 the six months ended June 30, 2022 and June 30, 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment at a consideration of approximately RMB5,318,000 (six months ended June 30, 2021: RMB64,255,000).

12. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Financial asset at fair value through other comprehensive income		
– Listed equity investment (Note)	18,683	19,603

Note:

The listed equity investments represent 4,000,554 shares (0.31% equity interest) (December 31, 2021: 4,000,554 shares (0.31% equity interest)) in Haining China Leather Market Co., Ltd (“HCLM”). The principal activity of HCLM is the operation of department stores in the PRC. The shares of HCLM are listed in the Shenzhen Stock Exchange. The fair value as at June 30, 2022 and December 31, 2021 were based on market price quoted at Shenzhen Stock Exchange.

These shares have also been pledged to secure for related parties' bank borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Financial asset at fair value through profit or loss		
– Unlisted investment fund A (Note i)	30,827	25,970
– Unlisted investment fund B (Note ii)	40,000	30,000
	70,827	55,970

Note:

- (i) On February 28, 2020, the Company's wholly owned subsidiary, Cardina International Company Limited ("Cardina") entered into a limited partnership agreement which committed to a capital contribution of US\$10,000,000 (equivalent to approximately RMB70,750,000) in Asia Greentech Fund I LP (the "Greentech Fund"). This Greentech Fund was established principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in green energy sectors with focus on solar, hydro, waste to energy and other green energy projects that have applications in Asia.

Cardina is a limited partner in this Greentech Fund and the operational and financing decisions of Greentech Fund is responsible by the general partner. Up to June 30, 2022, the Group's capital contribution to the Greentech Fund was approximately US\$4,073,000 (December 31, 2021: US\$3,458,000).

- (ii) On November 18, 2021, the Company's wholly owned subsidiary, Zhejiang Kasen Industrial Group Co., Limited ("Zhejiang Kasen") entered into a limited partnership agreement which committed to a capital contribution not exceeding RMB99,000,000 by installments in Smart Carbon (Chongqing) Private Equity Investment Fund Partnership (the "Smart Carbon"). The Smart Carbon was established principally to achieve long-term capital appreciation primarily through investment in equity and/or equity oriented securities of companies operating in carbon sink business investment and smart energy to invest in ecological forestry carbon sink, smart energy, carbon emission reduction, and carbon trading-related businesses in China.

Zhejiang Kasen is a limited partner in The Smart Carbon and the operational and financing decisions of Smart Carbon Fund is responsible by the general partner. Up to June 30, 2022, the Group's capital contribution to the Smart Carbon Fund was RMB40,000,000 (December 31, 2021: RMB30,000,000).

These funds are redeemable at the reportable net asset value at, or approximately at, the measurement date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

14. TRADE, BILLS AND OTHER RECEIVABLES

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Trade and bills receivables	96,416	108,747
Less: allowance for impairment	(19,535)	(17,815)
	76,881	90,932
Deposits paid for acquisition of land for development for sale	603,988	603,988
Less: allowance for impairment	(627)	(627)
	603,361	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale	32,129	32,129
Less: allowance for impairment	(32,129)	(32,129)
	-	-
Advance payment for purchase of inventories	22,133	4,203
Deposit and prepayments	90,572	52,041
Less: allowance for impairment	(1,861)	(5,420)
	88,711	46,621
Prepaid other taxes	124,455	137,587
Other receivables	187,308	279,801
Less: allowance for impairment	(54,996)	(100,560)
	132,312	179,241
	1,047,853	1,061,945

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

14. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

Analysis of:

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
– Non-current portion (note)	21,500	–
– Current portion	1,026,353	1,061,945
	1,047,853	1,061,945

Note: During the period ended June 30, 2022, the Group has made a prepayment of approximately RMB21,500,000 on construction of property, plant and equipment to expand and upgrade the Group's manufacturing facilities. The balance is included in "Deposits and prepayments".

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

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Aged:		
Within 60 days	64,488	82,115
61 – 90 days	3,604	3,153
91 – 180 days	7,598	4,508
181 – 365 days	3,045	1,790
Over 1 year	17,681	17,181
	96,416	108,747

As at June 30, 2022, the carrying amounts of trade and bills receivables include bills receivables of RMB8,119,000 (December 31, 2021: Nil) which are classified as financial assets at fair value through other comprehensive income as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

14. TRADE, BILLS AND OTHER RECEIVABLES (cont'd)

The Group expects that there is no significant credit risk associated with bills receivables since they are held with state-owned banks in the PRC. The Directors do not expect that there will be any significant credit losses from non-performance by these counterparties.

15. TRADE, BILLS AND OTHER PAYABLES

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

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Within 60 days	261,950	311,130
61 – 90 days	8,483	55,339
91 – 180 days	19,021	6,623
181 – 365 days	44,243	8,845
1 – 2 years	16,617	27,955
Over 2 years	33,627	40,674
	383,941	450,566

16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained additional bank and other borrowings of approximately RMB190,243,800 (six months ended June 30, 2021: RMB275,945,000) and repaid bank and other borrowings RMB180,066,000 (six months ended June 30, 2021: approximately RMB276,281,000).

The bank borrowings included unsecured bank borrowings of RMB72,170,000 (December 31, 2021: RMB96,116,000), which were guaranteed by Mr. Zhu, the executive director of the Company, a related company in which Mr. Zhu has significant influence and beneficial interests and certain independent third parties. The Group has complied with the loan covenants during the period ended June 30, 2022 and the year ended December 31, 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

17. SHARE CAPITAL

Authorised share capital of the Company

	Number of ordinary shares at US\$0.00015 each	US\$'000
At January 1, 2021, December 31, 2021 and June 30, 2022	266,666,666,666	40,000

Issued and fully paid

	June 30, 2022			December 31, 2021		
	Number of shares	US\$	RMB'000	Number of shares	US\$	RMB'000
At the beginning and closing of the period/year ended	1,493,636,881	224,046	1,712	1,493,636,881	224,046	1,712

18. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,266,111	2,262,995
– Properties under development	204,344	153,998
– Contribution to investment funds	98,782	110,710
	2,569,237	2,527,703

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

19. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB62,985,000 at June 30, 2022 (December 31, 2021: RMB675,160,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

During the period ended June 30, 2022, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited ("CCT Group") and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts of RMB 393,000,000 (December 31, 2021: RMB394,800,000) and RMB370,000,000 (December 31, 2021: RMB374,100,000) respectively. The fair value of the Financial Guarantees at January 1, 2022 amounting to approximately RMB16,275,000 was recognised as liabilities in the condensed consolidated statement of financial position and the corresponding amount was debited to profit or loss. The fair value of Financial Guarantee provided for the CCT Group and an independent third party on initial recognition was determined by JLL, a professional valuer independent to the Group. Subsequently approximately RMB2,713,000 was recorded as the release of Financial Guarantees recognised in profit or loss represented the income earned as the performance obligation (i.e. providing the guarantee) satisfied over the period of guarantees since initial recognition.

As at June 30, 2022 and December 31, 2021, the directors of the Company has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount to 12-month expected credit losses. No loss allowance was recognised in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognised less cumulative amortisation.

During the first half of 2022, the CCT Group had continued negotiate with the relevant banks in the PRC and identify suitable parties to replace the Group as guarantor to part or all of the CCT Master Guarantee. As per the announcement made by the Company on June 30, 2022, the maximum guaranteed amount has reduced to approximately RMB308,000,000. Details of the updates on 2021 CCT Master Agreement were disclosed in the announcement of the Company dated June 30, 2022.

The maximum amounts guaranteed by the Group as at June 30, 2022 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 (December 31, 2021: RMB394,800,000) and RMB370,000,000 (December 31, 2021: RMB374,100,000) respectively. As at June 30, 2022, the CCT Group and an independent third party have utilised the Financial Guarantees of approximately RMB308,000,000 and RMB323,547,000 respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at June 30, 2022 RMB'000	Fair value as at December 31, 2021 RMB'000	Fair value hierarchy	Valuation technique and key input
Financial asset classified at fair value through other comprehensive income listed in a stock exchange	18,683	19,603	Level 1	Quoted bid prices in an active market
Unlisted investment funds classified at fair value through profit or loss	70,827	55,970	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation
Bills receivables at fair value through other comprehensive income	8,119	–	Level 2	Fair value are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk

The Directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(cont'd)

Valuation techniques used and key inputs

The fair value of the financial assets at fair value through other comprehensive income listed in a stock exchange as at June 30, 2022 and December 31, 2021 was determined by using quoted bid price in an active market.

The fair value of unlisted investment funds classified at fair value through profit or loss is determined using adjusted net assets value. The fair value measurement is positively correlated to the underlying net assets' value. As at June 30, 2022, management consider the underlying net assets' values of the investment funds as significant unobservable input, and it is estimated that with other variables held constant, an increase/decrease in 5% of underlying net assets' values would have increased/decreased the Group's profit by approximately RMB3,541,000 (December 31, 2021: RMB2,799,000).

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
At beginning of the year	55,970	19,572
Addition	14,127	31,016
(Decrease)/increase in fair value recognised in profit or loss (other gains and losses) during the period/year	(637)	5,918
Exchange differences	1,367	(536)
At end of the period/year	70,827	55,970

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

21. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Details of the amounts due from (to) related parties are as follows:

Name of related parties	Notes	Amounts due from related parties		Amounts due to related parties	
		June 30, 2022 RMB'000 (unaudited)	Dec 31, 2021 RMB'000 (audited)	June 30, 2022 RMB'000 (unaudited)	Dec 31, 2021 RMB'000 (audited)
Trade in nature					
Starcorp Corporation Pty., Ltd.	(i)	1,063	1,079	-	-
Haining Yujie Material Recycling Co., Ltd. ("Yujie") 海寧宇潔物資回收有限公司	(i)	216	921	-	-
		1,279	2,000	-	-
Non-trade in nature					
Mr. Zhu	(ii)	-	-	5,482	5,208
		-	-	5,482	5,208

Notes:

- (i) The amounts are trade in nature and unsecured, interest-free and settle according to agreed credit terms.
- (ii) Mr. Zhu is the controlling shareholder and director of the Company. The amount is unsecured, interest-free and repayable on demand. The balance is included in 'Trade, bills and other payables'.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

21. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

(b) Details of the related parties transactions

Name of the related parties	Notes	Nature of transactions	June 30,	June 30,
			2022	2021
			<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	(unaudited)
Yujie	(i)	Sales of scrap materials by the Group	435	489

Notes:

- (i) Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited ("Sunbridge")'s general meeting. Mr. Zhu has significant influence and beneficial interests in Yujie, through Sunbridge during interim period of 2022 and 2021.

(c) Key management personnel compensation

The remuneration of the Directors and other members of key management during the periods was as follows:

	June 30,	June 30,
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Basic salaries and other benefits	2,429	2,996
Contribution to retirement benefits schemes	109	56
	2,538	3,052

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

22. DISPOSAL OF A SUBSIDIARY

In June 2021, the Group disposed of its entire equity interest in 海寧市四海之家物業管理有限公司 to an independent third party for a cash consideration of RMB25,300,000. A gain on disposal of subsidiary of RMB24,422,000 was recognised in the profit or loss for the period ended June 30, 2021. Assets and liabilities disposed of as at the date of disposal are as follows:

	<i>RMB'000</i>
Property, plant and equipment	382
Intangible assets	70
Trade and other receivables	5,982
Bank balances and cash	1,227
Trade and other payables	(1,288)
Contract liabilities	(5,495)
	<hr/>
Net assets disposed of	878
	<hr/>
Gain on disposal of a subsidiary:	
Consideration receivable	25,300
Net assets disposed of	(878)
	<hr/>
Gain on disposal	24,422
	<hr/>
Net cash outflow arising on the disposal	
Bank balances and cash disposed of	(1,227)
	<hr/>

23. EVENT AFTER THE REPORTING DATE

Subsequent to the end of reporting period, the Group has resolved to dispose its entire equity interest in a non-wholly owned subsidiary, Yancheng Dayangwan Group Development Co., Ltd., at a consideration of approximately RMB93,740,000 with a gain on disposal of subsidiary for approximately RMB46,807,000. Details of the disposal were disclosed in the announcement of the Company dated July 29, 2022.

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