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## KASEN INTERNATIONAL HOLDINGS LIMITED

### 卡森國際控股有限公司

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

(Stock Code: 496)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, together with comparative figures for the year ended December 31, 2021, as below.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	4	<b>863,429</b>	1,513,538
Cost of sales		<b>(612,883)</b>	(953,973)
Gross profit		<b>250,546</b>	559,565
Other income	5	<b>21,141</b>	5,272
Other gains and losses	6	<b>136,897</b>	182,504
Share of loss of associates		<b>(1,283)</b>	–
Selling and distribution costs		<b>(81,867)</b>	(88,325)
Administrative expenses		<b>(188,742)</b>	(208,733)
Reversal of impairment loss/(Impairment loss) on trade and other receivables, amounts due from non-controlling interest of subsidiaries and an associate, net		<b>3,692</b>	(56,684)
Finance costs	7	<b>(63,139)</b>	(53,804)
Profit before income tax	8	<b>77,245</b>	339,795
Income tax expense	9	<b>(17,495)</b>	(126,628)
Profit for the year		<b>59,750</b>	213,167

	<i>NOTE</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive income, including reclassification adjustments			
Item that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on financial asset at fair value through other comprehensive income		<b>(840)</b>	3,241
Income tax relating to fair value change of financial asset through other comprehensive income		<b>210</b>	(810)
		<u><b>(630)</b></u>	<u>2,431</u>
Item that will be reclassified subsequently to profit or loss:			
Exchange profit/(loss) on translation of financial statements of foreign operations		<b>10,751</b>	(1,269)
Other comprehensive income for the year, including reclassification adjustments and net of tax		<u><b>10,121</b></u>	<u>1,162</u>
Total comprehensive income for the year		<u><b>69,871</b></u>	<u>214,329</u>
Profit for the year attributable to:			
– Owners of the Company		<b>68,279</b>	220,039
– Non-controlling interests		<b>(8,529)</b>	(6,872)
		<u><b>59,750</b></u>	<u>213,167</u>
Profit and total comprehensive income attributable to:			
– Owners of the Company		<b>77,734</b>	221,050
– Non-controlling interests		<b>(7,863)</b>	(6,721)
		<u><b>69,871</b></u>	<u>214,329</u>
Earnings per share attributable to the owners of the Company (expressed in RMB per share)			
Basic and diluted	<i>11</i>	<u><b>4.59 cents</b></u>	<u>14.73 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	<i>NOTES</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>989,052</b>	1,324,083
Right-of-use assets		<b>140,908</b>	162,872
Interests in associates		<b>24,297</b>	48,100
Intangible assets		<b>96</b>	729
Financial asset at fair value through other comprehensive income		<b>18,763</b>	19,603
Financial asset at fair value through profit or loss		<b>41,805</b>	55,970
Prepayment for acquisition of freehold land		<b>125,362</b>	114,763
Deferred tax assets		<b>66,119</b>	65,221
		<b>1,406,402</b>	1,791,341
<b>Current assets</b>			
Inventories		<b>69,643</b>	93,660
Properties under development for sale		<b>1,786,540</b>	1,858,589
Properties held for sale		<b>765,677</b>	711,886
Amounts due from non-controlling interests of subsidiaries		–	36,040
Trade and other receivables	<i>12</i>	<b>1,193,026</b>	1,061,945
Prepaid income tax		<b>40,623</b>	27,438
Prepaid land appreciation tax		<b>6,711</b>	6,884
Pledged bank deposits		<b>88,750</b>	104,688
Restricted bank deposit for property development business		<b>4,024</b>	2,354
Cash and cash equivalents		<b>460,310</b>	279,567
		<b>4,415,304</b>	4,183,051
<b>Current liabilities</b>			
Trade, bills and other payables	<i>13</i>	<b>464,455</b>	676,050
Lease liabilities		<b>22,550</b>	14,442
Contract liabilities		<b>489,178</b>	459,531
Bank borrowings		<b>217,764</b>	204,366
Tax payable		<b>236,190</b>	211,467
Amounts due to non-controlling interests of subsidiaries		<b>78,565</b>	104,514
		<b>1,508,702</b>	1,670,370

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Net current assets</b>	<u>2,906,602</u>	<u>2,512,681</u>
<b>Total assets less current liabilities</b>	<u>4,313,004</u>	<u>4,304,022</u>
<b>Non-current liabilities</b>		
Lease liabilities	29,793	28,120
Bank borrowings	551,418	599,750
Deferred tax liabilities	<u>19,786</u>	<u>22,162</u>
	<u>600,997</u>	<u>650,032</u>
<b>Net assets</b>	<u><u>3,712,007</u></u>	<u><u>3,653,990</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,654	1,712
Reserves	<u>3,679,671</u>	<u>3,620,373</u>
Equity attributable to the owners of the Company	<u>3,681,325</u>	<u>3,622,085</u>
Non-controlling interests	<u>30,682</u>	<u>31,905</u>
<b>Total equity</b>	<u><u>3,712,007</u></u>	<u><u>3,653,990</u></u>

Notes:

**1. GENERAL INFORMATION**

Kasen International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on December 19, 2002 as an exempted company with limited liability under the Companies Act Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands and its principal place of business in Hong Kong is located at Unit 1107, 11/F, COSCO Tower, 183 Queen’s Road Central, Sheung Wan, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since October 20, 2005 (the “Listing”).

The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in (i) manufacturing and trading of upholstered furniture; (ii) properties development; and (iii) travel and related operations.

**2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of issued but not yet effective IFRSs and the impacts on the consolidated financial statement of the Group, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values. The consolidated financial statements are presented in thousands of RMB (“RMB’000”) unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

**3. ADOPTION OF NEW AND AMENDED IFRSs AND CHANGES IN ACCOUNTING POLICIES**

**Amended IFRSs that are effective for annual periods beginning on January 1, 2022**

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on January 1, 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendment 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 Standards	Annual Improvements to IFRSs Standards 2018-2020

The adoption of the amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

### **Issued but not yet effective IFRSs**

The Group has not early applied the following new and amended IFRSs which have been issued but are not yet effective:

IFRS 17	Insurance Contract and related amendments <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendment to IAS 1	Non-current Liabilities with Convenants <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

2 Effective for annual periods beginning on or after January 1, 2024

3 Effective date to be determined

The Directors anticipate that all of the new and amended IFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended IFRSs. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

#### ***Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"***

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

IFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual reporting period beginning on or after January 1, 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note to consolidated financial statements may need to be revised to cope with the above changes, the Directors expect that the amendments have no other material impact on the consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

The executive Directors, being CODM, who is responsible for allocating resources and assessing performance of the operating segment, has identified the Groups' operating and reportable segments as below:

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

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

##### For the year ended December 31, 2022:

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
External sales	599,778	173,421	90,230	-	863,429
Inter-segment sales	-	-	1,014	(1,014)	-
	<u>599,778</u>	<u>173,421</u>	<u>91,244</u>	<u>(1,014)</u>	<u>863,429</u>

##### For the year ended December 31, 2021:

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

## Disaggregation of revenue from contracts with customers

For the year ended December 31, 2022:

	Manufacturing <i>RMB'000</i>	Properties development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Primary geographical markets</b>					
United States	493,320	-	-	-	493,320
PRC, including HK	75,233	173,421	91,244	(1,014)	338,884
Europe	5,681	-	-	-	5,681
Others	25,544	-	-	-	25,544
	<u>599,778</u>	<u>173,421</u>	<u>91,244</u>	<u>(1,014)</u>	<u>863,429</u>
<b>Major products and services</b>					
Sales of upholstered furniture	599,778	-	-	-	599,778
Sales of properties	-	173,421	-	-	173,421
Travel & tourism services	-	-	34,345	-	34,345
Catering & entertainment	-	-	26,009	(1,014)	24,995
Property management services	-	-	30,890	-	30,890
	<u>599,778</u>	<u>173,421</u>	<u>91,244</u>	<u>(1,014)</u>	<u>863,429</u>
<b>Timing of revenue recognition</b>					
At a point in time	599,778	173,421	26,009	(1,014)	798,194
Transferred over time	-	-	65,235	-	65,235
	<u>599,778</u>	<u>173,421</u>	<u>91,244</u>	<u>(1,014)</u>	<u>863,429</u>

For the year ended December 31, 2021:

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
<b>Primary geographical markets</b>					
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>
<b>Major products and services</b>					
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>
<b>Timing of revenue recognition</b>					
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>

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

	2022 RMB'000	2021 RMB'000
Segment profit/(loss)		
- Manufacturing ( <i>note</i> )	<b>80,436</b>	184,759
- Properties development	<b>(35,573)</b>	101,109
- Others	<b>(6,386)</b>	(27,377)
	<b>38,477</b>	258,491
Unallocated corporate expense	<b>16,546</b>	(24,047)
Unallocated other gains and losses	<b>4,727</b>	(21,277)
	<b>59,750</b>	213,167

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.

*Note:* In 2021, the segment profit from manufacturing segment included the gain from early termination of right-of-use assets of RMB51,559,000 and gain on disposal of property plant and equipment of RMB104,399,000 (note 6). In 2022, the segment profit from manufacturing segment included the gain from disposal of a building and affiliated equipment and fixture of RMB22,194,000 (note 6).

## 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 are detailed below:

	Revenue from external customers	
	Year ended December, 31	
	2022	2021
	RMB'000	RMB'000
United States	493,320	650,313
PRC, including HK	338,884	805,692
Europe	5,681	33,459
Others	25,544	24,074
	<u>863,429</u>	<u>1,513,538</u>

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

	2022	2021
	RMB'000	RMB'000
Sale of goods		
Upholstered furniture	599,778	784,171
Residential properties	<u>173,421</u>	<u>602,815</u>
	773,199	1,386,986
Provision of services		
Others (note)	<u>90,230</u>	<u>126,552</u>
	<u>863,429</u>	<u>1,513,538</u>

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

## Transaction price allocated to the remaining performance obligation for contracts with customers

As at December 31, 2022 and 2021, 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.

## 5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants ( <i>note a</i> )	4,247	2,988
Interest income ( <i>note b</i> )	9,036	1,223
Sub-contracting fee income	145	85
Others ( <i>note c</i> )	7,713	976
	<u>21,141</u>	<u>5,272</u>

### Notes:

- (a) Government grants represent various incentives received from government for business development. There were no specific conditions attached to the incentives.
- (b) Interest income include unwinding impact of loan to an interest in associate of approximately RMB7,680,000 (2021: RMBnil) for the year ended December 31, 2022.
- (c) Others mainly includes income from certain value-added services and rental 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.

## 6. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on early termination of right-of-use asset ( <i>note a</i> )	1,864	51,559
Net foreign exchange gain/(loss)	24,251	(16,153)
Donation	(35)	(70)
Penalty	(135)	(157)
Change in fair value of financial asset at fair value through profit or loss	9,177	5,918
Fair value of financial guarantee issued on initial recognition ( <i>note b</i> )	(16,275)	–
Gain on disposal of property, plant and equipment, net ( <i>note a</i> )	24,547	111,910
Gain on disposal of subsidiaries	90,989	24,422
Net gain from sale of scrap materials	–	909
Release of financial guarantees ( <i>note b</i> )	5,425	6,617
Others	(2,911)	(2,451)
	<u>136,897</u>	<u>182,504</u>

*Notes:*

- (a) In 2022, the amounts mainly include the gains from disposal of a building and affiliated equipment and fixture of RMB17,989,000 to an independent third party for total considerations of RMB98,820,000. 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.
- (b) The provision of financial guarantees represented the fair value of the financial guarantees recognised at its initial recognition (note 16(b)). 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.

**7. FINANCE COSTS**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest charges on bank and other borrowings	<b>60,905</b>	51,244
Interest charges on lease liabilities	<b>2,234</b>	2,560
	<b>63,139</b>	53,804

## 8. PROFIT BEFORE INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amortisation of intangible assets	160	48
Depreciation of property, plant and equipment	60,425	79,009
Depreciation of right-of-use assets	23,909	20,485
Total depreciation and amortisation	<b>84,494</b>	99,542
Auditor's remuneration		
– Audit service	2,300	2,000
– Non-audit service	800	800
(Reversal of) impairment loss/impairment loss on financial assets, net		
– Trade receivables	(474)	(1,532)
– Other receivables	(518)	56,116
– Amounts due from non-controlling interests of subsidiaries	–	(600)
– Loan to an associate	(2,700)	2,700
	<b>(3,692)</b>	56,684
Cost of inventories under Manufacturing segment recognised as expenses (including net reverse of allowance of inventories of RMB930,000) (2021: RMB433,000)	<b>418,652</b>	553,385
Cost of properties under properties development segment recognised as cost of sale	<b>131,258</b>	317,579
Expenses relating to short term leases	2,233	1,085
Impairment loss on property, plant and equipment ( <i>note</i> )	26,447	–
Employee cost (including Directors' emoluments)		
– Wages, salaries and other benefits	158,461	187,332
– Contributions to defined contribution retirement plans	13,322	12,689
	<b>171,783</b>	200,021

*Note:* The amount relates to impairment loss on a building due to underperformance of the cash generating unit (“CGU”). The recoverable amount of the CGU was determined based on value-in-use calculations, using cash flows projection covering the useful life of the assets with discounting factor.

## 9. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current income tax - PRC Enterprise Income Tax (“EIT”)</b>		
- Current year	35,774	91,507
- (Over)/Under-provision in respect of prior years	(3,698)	679
- Withholding tax	15,000	–
	<u>47,076</u>	<u>92,186</u>
<b>LAT</b>	(26,517)	38,855
<b>Deferred tax</b>	<u>(3,064)</u>	<u>(4,413)</u>
<b>Total income tax expense</b>	<u><u>17,495</u></u>	<u><u>126,628</u></u>

## 10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended December 31, 2022 and 2021.

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB68,279,000 (2021: RMB220,039,000) by the weighted average number of ordinary shares in issue during the years December 31, 2022 and 2021. The earnings per share is calculated using the weighted average number of ordinary shares of 1,487,975,076 (2021: 1,493,636,881) shares issued during the year.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2022 and 2021 do not assume the exercise of the Company’s outstanding share options which had anti-dilutive effect and would result in an addition in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the years ended December 31, 2022 and 2021.

## 12. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0-60 days	52,059	82,115
61-90 days	3,188	3,153
91-180 days	7,384	4,508
181-365 days	3,527	1,790
Over 1 year	15,121	17,181
	<u>81,279</u>	<u>108,747</u>

## 13. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0-60 days	165,296	311,130
61-90 days	8,506	55,339
91-180 days	5,494	6,623
181-365 days	1,909	8,845
1-2 years	21,723	27,955
Over 2 years	34,810	40,674
	<u>237,738</u>	<u>450,566</u>

## 14. PLEDGED ASSETS

As at December 31, 2022, the facilities were secured by:

- (i) pledge of buildings of the Group with net book value of RMB12,464,000 (2021: RMB155,458,000);
- (ii) pledge of bank deposit of the Group of RMB88,750,000 (2021: RMB104,688,000);
- (iii) listed equity investments of the Group of RMB18,763,000 (2021: RMB19,603,000); and
- (iv) pledge of certain properties under development and held for sale of the Group of RMB1,015,540,000 (2021: RMB1,475,852,000).

## 15. CAPITAL AND OTHER COMMITMENTS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Commitments for acquisition/addition of:</b>		
– Property, plant and equipment	2,295,956	2,262,995
– Property under development	391,733	153,998
– Contribution to investment funds	41,283	110,710
	<u>2,728,972</u>	<u>2,527,703</u>

## 16. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB64,472,000 at December 31, 2022 (2021: RMB657,160,000) 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 consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

### (b) Financial guarantee issued

During the year ended December 31, 2022, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to Haining Schinder Leather Company Limited and Yancheng Dafeng Huasheng Leather Company Limited ("CCT Group") (the "CCT Master Guarantee") and an independent third party for three years between January 1, 2022 and December 31, 2024 with a maximum amounts (before the updates on CCT Master Guarantee on June 30, 2022) of RMB393,000,000 (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 consolidated statement of financial position and the corresponding amount was debited to profit or loss. The fair value of Financial Guarantee provided for the CCT Group and an independent third party on initial recognition was determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer independent to the Group. Subsequently approximately RMB5,425,000 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 December 31, 2022 and 2021, the Directors 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 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.

The movement of financial guarantee liabilities as shown as below:

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

The maximum amounts guaranteed by the Group as at December 31, 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.

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At the beginning of the year	–	6,617
Recognition of fair value of financial guarantee contracts at initial recognition	<b>16,275</b>	–
Release of financial guarantee liabilities	<b>(5,425)</b>	(6,617)
At the end of the year	<b><u>10,850</u></b>	<u>–</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OVERVIEW

### Financial Review

For the year ended December 31, 2022, the Company together with its subsidiaries (the “Group”) recorded a consolidated turnover of RMB863.4 million (2021: RMB1,513.5 million), representing a decrease of approximately 43.0% when compared with the year of 2021. The decrease in revenue mainly attributable to (1) the decrease of approximately RMB429.4 million in property development segment since there was a decrease in the delivery of properties for the Group’s property development projects, and (2) the decrease of approximately RMB184.4 million in manufacturing segment due to the decrease in furniture sales order received during the year ended December 31, 2022 as compared to the year 2021.

The Group’s gross profit for the year ended December 31, 2022 was RMB250.6 million (2021: RMB559.6 million) with an average gross profit margin of 29.0% (2021: 37.0%), which resulted in a decrease of approximately RMB309.0 million, representing a decrease of approximately 55.2% when compared with the year of 2021.

The net profit attributable to owners of the Company was approximately RMB68.3 million in the year ended December 31, 2022 (2021: profit of RMB220.0 million), representing a decrease of approximately RMB151.7 million or approximately 69.0% as compared with the year of 2021. The decrease in profit was largely attributable to (1) the decrease in the delivery of properties for the Group’s property development projects, and (2) the decrease in gain on disposal of land use rights and related property, plant and equipment during the year ended December 31, 2022 as compared to the year 2021. Further discussions are set out in the following contents within this section.

### Review by Business Segments

The Group’s reportable business segments in 2022 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, 2022 together with the comparative figures for the year ended December 31, 2021:

	2022		2021		Y-O-Y
	RMB’Million	%	RMB’Million	%	Change
Manufacturing and Trading of Upholstered Furniture	599.8	69.5	784.2	51.8	-23.5
Property Development	173.4	20.1	602.8	39.8	-71.2
Others	90.2	10.4	126.5	8.4	-28.7
Total	<u>863.4</u>	<u>100.0</u>	<u>1,513.5</u>	<u>100.0</u>	-43.0

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

During the year ended December 31, 2022, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB599.8 million, representing a decrease of approximately 23.5% as compared to the total turnover of approximately RMB784.2 million in the corresponding period of 2021. Customers of the Group's trading of upholstered furniture are mainly from the United States and Europe, and based on their judgement on the economic situation in the PRC, they have decreased purchase orders in the PRC, making the most domestic upholstered furniture suppliers, including the Group, suffering from varying degrees of decline in export sales. Although the orders were lower, the Group ensured the timely delivery for customers' orders and achieved profit in an unfavorable environment of epidemic control by enhancing the production efficiency, streamlining personnel and other measures. The Group recorded a net profit of approximately RMB80.4 million from manufacturing and trading of upholstered furniture business in 2022, representing a decrease of approximately 56.5% as compared to the net profit of approximately RMB184.8 million in the corresponding period of 2021.

## ***Property Development Business***

As at December 31, 2022, 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 RMB173.4 million in 2022, representing a decrease of approximately 71.2% as compared to RMB602.8 million in 2021. The decrease in sales was mainly due to decrease in delivery of properties, in 2022 as compared to that in the corresponding period of last year. As a result, operating loss incurred from this segment in 2022 was RMB35.6 million, (2021: an operating profit of RMB101.1 million).

### The Group's Property Project Portfolio as at December 31, 2022

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%	291,035	Under development	2026	Residential
Total				<u>3,337,209</u>			

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

Analysis of properties under development or held for sale as at December 31, 2022

No.	Project Name	Total GFA (sq.m.)	GFA under development /completed (sq.m.)	Total Saleable GFA (sq.m.)	Accumulated GFA sold as at December 31, 2022 (sq.m.)	Accumulated GFA delivered as at December 31, 2022 (sq.m.)	Average Selling Price (RMB/ sq.m.)
1	Asia Bay	718,665	404,709	590,165	209,794	190,870	18,232
2	Qianjiang Continent	775,292	775,292	669,717	666,671	664,774	9,938
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	42,248	39,896	5,762
5	Qianjiang Oasis	334,899	334,899	282,323	266,985	264,604	13,266
Total		<u>2,908,492</u>	<u>2,594,536</u>	<u>2,372,945</u>	<u>1,894,428</u>	<u>1,868,874</u>	

\* This project was completed and all properties were delivered.

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

The Group's selling and distribution costs during the year ended December 31, 2022 decreased to approximately RMB81.9 million, representing a decrease of approximately RMB6.4 million as compared to approximately RMB88.3 million in 2021. The selling and distribution costs maintained at a relatively stable level as compared with 2021. The Group's selling and distribution costs to turnover in 2022 increased to approximately 9.5% as compared to approximately 5.8% in 2021.

The administrative expenses in 2022 was approximately RMB188.7 million, representing a decrease of approximately RMB20.0 million as compared to approximately RMB208.7 million in 2021. The decrease was mainly included (1) the decrease of approximately RMB40.0 million in administrative expenses (especially depreciation charge of property, plant and equipment) largely as a result of the disposal of a subsidiary and certain land (including the buildings erected thereon), please refer to the paragraphs in below headed "MATERIAL ACQUISITION AND DISPOSAL", offset by (2) impairment loss on property, plant and equipment of approximately RMB26.4 million. The amount relates to impairment loss on a building due to underperformance of the cash generating unit ("CGU"). The recoverable amount of the CGU was determined based on value-in-use calculations, using cash flows projection covering the useful life of the assets with discounting factor.

The Group's impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate decreased by approximately RMB60.4 million from approximately RMB56.7 million in 2021 to reversal of impairment loss of approximately RMB3.7 million in 2022 under the relevant management policies of the Group adopted in accordance with IFRS 9. The decrease was mainly due to 1) a specific and additional provision of approximately RMB39.9 million recognized in 2021 in relation to the amounts due from Hangzhou Xinanjiang Hot Spring Resort Development Co. Ltd., a former non-wholly owned subsidiary of the Company which was liquidated in 2022; and 2) recovery of certain receivables which were impaired in prior years.

The Group's finance cost in 2022 was approximately RMB63.1 million, representing an increase of approximately RMB9.3 million, as compared to approximately RMB53.8 million in 2021. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings and interest expense on lease liabilities.

The Group recorded a net gain of approximately RMB136.9 million in other gains and losses in 2022, while it recorded a net gain of approximately RMB182.5 million in 2021. For details of the other gains and losses, please refer to note 6 to the consolidated financial statements.

The Group's income tax in 2022 was approximately RMB17.5 million, representing a decrease of approximately RMB109.1 million, as compared to approximately RMB126.6 million in 2021. The decrease was mainly resulted from (1) a decrease in PRC income tax of approximately RMB45.1 million mainly due to a decrease in taxable profits generated at the subsidiary level with significantly decreased operating profit, (2) a decrease in PRC land appreciation tax of approximately RMB65.4 million from the property development projects, and offset by (3) the decrease in deferred taxation credit of approximately RMB1.3 million.

Based on the aforesaid factors, profit attributable to owners of the Company in 2022 decreased by approximately 69.0% to approximately RMB68.3 million (2021: RMB220.0 million).

## **CAPITAL EXPENDITURE**

Capital expenditure in 2022 decreased to approximately RMB8.0 million (including construction in progress of approximately RMB6.2 million) from approximately RMB115.7 million in 2021. The capital expenditure mainly comprised the amount of approximately RMB8.0 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year ended December 31, 2022.

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

### **Bank Borrowings**

As at December 31, 2022, the Group's bank borrowings amounted to approximately RMB769.2 million, (in which approximately 4.8% (2021: 0.9%) was denominated in USD and approximately 95.2% (2021: 99.1%) was denominated in RMB) representing a decrease of approximately 4.3% from approximately RMB804.1 million as at December 31, 2021. As at December 31, 2022, the Group had outstanding bank borrowings amounted to approximately RMB217.8 million repayable within one year and approximately RMB551.4 million repayable after one year (2021: approximately RMB204.4 million repayable within one year and approximately RMB599.7 million repayable after one year).

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

In 2022, the inventory turnover period decreased to 54 days (2021: 57 days).

In 2022, 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 24 days in 2022 (2021: 37 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments decreased to 44 days in 2022 (2021: 75 days).

As at December 31, 2022, the Group's current ratio was 2.9 (December 31, 2021: 2.50). The Group's cash and cash equivalent balance was approximately RMB460.3 million as at December 31, 2022 (December 31, 2021: approximately RMB279.6 million). As at December 31, 2022, cash and cash equivalent balance of the Group was approximately 85.3% (2021: 86.0%) of bank balance denominated in RMB, approximately 13.9% (2021: 12.3%) denominated in USD, approximately 0.7% (2021: 1.2%) denominated in HKD and Japanese Yen currency, and approximately less than 0.1% (2021: 0.5%) denominated in other currencies. This represents a gearing ratio of 20.7% as at December 31, 2022 (December 31, 2021: 22.2%) and a net debt-to-equity ratio of 8.3% as at December 31, 2022 (December 31, 2021: 14.5%). 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 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 year ended December 31, 2022.

## Capital Structure

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

## MATERIAL ACQUISITION AND DISPOSAL

On July 29, 2022, Jiangsu Kasen Property Development Co., Ltd. (江蘇卡森置業有限公司) ("Jiangsu Kasen"), a non-wholly owned subsidiary of the Company entered into the equity transfer agreement with Yancheng Dayangwan Group Development Co., Ltd.\* (鹽城大洋灣組團開發有限公司) ("Yancheng Dayangwan Group"), pursuant to which Jiangsu Kasen has agreed to sell, and Yancheng Dayangwan Group has agreed to purchase 80% of the equity interest in Yancheng Dayangwan Changle Health Development Co., Ltd. (鹽城大洋灣長樂健康發展有限公司) ("the Target Company") at a consideration of RMB93,739,800. Prior to the disposal, the Target Company was a company established in the PRC with limited liability and was owned as to 80% by Jiangsu Kasen and 20% by Yancheng Dayangwan Group which was a connected person at the subsidiary level of the Company. The Target Company was principally engaged in operation of water park located in Tinghu District, Yancheng city, Jiangsu Province, the PRC. For further details, please refer to the announcement of the Company dated July 29, 2022.

On September 6, 2022, Haining Kareno Furniture Co., Ltd. (海寧卡雷諾家私有限公司) ("Haining Kareno"), a wholly-owned subsidiary of the Company, entered into the property transfer agreement, pursuant to which Haining Kareno agreed to dispose, and 海寧市斜橋鎮華豐股份經濟合作社 (Huafeng Economic Cooperative of Xieqiao Town, Haining City) agreed to purchase the land located at No. 2 Luotang Road, Xieqiao Town, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 11,485 sq.m., (including the buildings erected thereon) for a total amount of RMB88,310,000 and equipment and fixture affiliated to the land for a total amount of RMB10,510,000. For further details, please refer to the announcement of the Company dated September 6, 2022.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2022.

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

Saved as disclosed in “Future Plans and Prospects” section, 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 ended December 31, 2022.

## **CONTINGENT LIABILITIES**

As at December 31, 2022, the Group had certain contingent liabilities. For details, please refer to note 16 to the consolidated financial statements.

## **PLEDGE OF ASSETS**

Some of the Group’s assets have been pledged to secure the bank borrowings and the bank facilities granted to the Group. For details, please refer to note 14 to the consolidated financial statements.

## **CAPITAL AND OTHER COMMITMENTS**

As at December 31, 2022, the Group had contracted, but not provided for, a total capital and other expenditure of RMB2,729.0 million (2021: RMB2,527.7 million), in which an amount of RMB391.7 million (2021: RMB154.0 million) was in respect of properties under development for sale. For details, please refer to note 15 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, 2022, 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, 2022, the Group employed a total of approximately 2,117 full time employees (December 31, 2021: approximately 2,800), including management staff, technicians, salespersons and workers. In 2022, the Group's total expense on the remuneration of employees was approximately RMB171.8 million (2021: approximately RMB200.0 million), representing approximately 19.9% (2021: 13.2%) 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 are set out in the "Directors' Report" section of the annual report of the Company for the year ended December 31, 2022.

## **FUTURE PLANS AND PROSPECTS**

With the gradual relaxation and cessation of the global policy on the prevention and control of the COVID-19 pandemic, it is expected that 2023 will be an important period of economic recovery and there will be more business development opportunities. The Group will steadfastly implement its internationalization strategy and accelerate the pace of its industrial investment outside the PRC. Offshore industrial investment will focus on the fields of electric power infrastructure and mineral resources, leveraging the Group's long-standing experience in overseas trade and investment, and working with domestic and overseas partners to focus on developing countries in Africa, Asia, and Central and Eastern Europe, so as to create new economic growth points and bring sustainable returns to shareholders.

In the field of upholstered furniture business, the Group will further expand the scale of its production base in Cambodia and increase the volume of exports from Cambodia in response to requests from customers in Europe and the United States. Upstream supporting partners have been introduced to the production base in Cambodia to create a whole industry chain, thereby reducing costs, improving the competitiveness of our products and striving for progress in orders while ensuring stability.

In the field of property development, a series of supportive policies in the real estate industry have been issued in the PRC. The Group will follow the policies closely and adopt various flexible measures to speed up the progress of sales of existing projects with the primary objective of accelerating sales, and at the same time, dispose of some projects to recover funds. Outside the PRC, the Group will focus on developing real estate projects in Phnom Penh, Cambodia, and expand the scale of our projects when appropriate.

In the field of tourism resort business, the domestic market is set to rebound significantly. The Group will make full use of its existing resources to optimize the operation and management of the water park and the resort hotel in Hainan, increase its marketing efforts, expand its influence, attract more visitors and provide consumers with better services.

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, 2022.

## **DIVIDENDS**

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2022 (2021: 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, 2023, the register of members of the Company will be closed from May 25, 2023 to May 31, 2023 (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 24, 2023.

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

At the Company's annual general meeting held on May 31, 2022, the shareholders of the Company approved a general mandate to authorize the Directors to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 31, 2022. During the year ended December 31, 2022, the Company had repurchased 50,495,000 ordinary shares in total on the Stock Exchange at an aggregate consideration of HK\$20,868,305 and such shares were cancelled in November 2022. The Directors believe that such share buy-back may lead to an enhancement of the net asset value per Share and/or the earning per Share.

Month/Year	Number of Shares bought back	Purchase price per Share		Aggregate purchase consideration  HK\$
		Highest	Lowest	
		HK\$	HK\$	
October 2022 ( <i>note a</i> )	33,352,000	0.4000	0.3950	13,340,575
November 2022 ( <i>note b</i> )	<u>17,143,000</u>	0.4400	0.4350	<u>7,527,730</u>
	<u><u>50,495,000</u></u>			<u><u>20,868,305</u></u>

*Note:* a) The shares repurchased were cancelled on November 17, 2022.

b) The shares repurchased were cancelled on November 29, 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

## CORPORATE GOVERNANCE CODE

The Company has complied with code provisions (the "CG Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix 14 of the Listing Rules throughout the year ended December 31, 2022, except for the following deviation:

## **CG CODE PROVISION C.2.1**

Under CG Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhu Ruijun acted as the role of the CEO all the time until his resignation of the executive Director, the CEO and other positions on October 7, 2022. From October 7, 2022 onwards, Mr. Zhu Zhangjin was appointed as the CEO and then, the Company does not at present separate the roles of chairman and chief executive. Mr. Zhu Zhangjin, Kasen is the chairman and CEO responsible for overseeing the operations of the Group. Despite of the deviation from the CG Code Provision C.2.1, Mr. Zhu Zhangjin will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and maintain the continuous operation of business of the Group. Moreover, under the supervision of other existing members of the Board including the independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interest of the Company and its shareholders. As such, the Board considers that the deviation from CG Code Provision C.2.1 is appropriate in the current situation. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

The Board will keep this matter under review. Following sustained development and growth of the Company, the Company will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies can meet the general rules and standards required by the Stock Exchange.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 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, 2022, 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, 2022 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, 2022.

The audited annual results of the Company for the year ended December 31, 2022 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. GRANT THORNTON HONG KONG LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2022 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the Auditor 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 the Auditor on the preliminary announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended December 31, 2022.

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

The annual report of the Company for the year ended December 31, 2022 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, 2023. 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, 2023.

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

March 31, 2023

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

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