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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, 2023

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, 2023, together with comparative figures for the year ended December 31, 2022, as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Revenue	4	956,757	863,429
Cost of sales		(607,100)	(612,883)
Gross profit		349,657	250,546
Other income	5	9,179	21,141
Other gains and losses	6	32,800	136,897
Share of result of associates		5,589	(1,283)
Selling and distribution costs		(69,816)	(81,867)
Administrative expenses		(177,116)	(188,742)
Reversal of impairment loss on financial assets, net		3,044	3,692
Finance costs	7	(42,655)	(63,139)
Profit before income tax	8	110,682	77,245
Income tax expense	9	(44,773)	(17,495)
Profit for the year		65,909	59,750

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Other comprehensive income, including reclassification adjustments			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income		(1,086)	(840)
Income tax relating to fair value change of financial asset through other comprehensive income		<u>271</u>	<u>210</u>
		(815)	(630)
Item that will be reclassified subsequently to profit or loss:			
Exchange profit on translation of financial statements of foreign operations		<u>1,685</u>	<u>10,751</u>
Other comprehensive income for the year, including reclassification adjustments and net of tax		<u>870</u>	<u>10,121</u>
Total comprehensive income for the year		<u>66,779</u>	<u>69,871</u>
Profit for the year attributable to:			
– Owners of the Company		70,426	68,279
– Non-controlling interests		<u>(4,517)</u>	<u>(8,529)</u>
		<u>65,909</u>	<u>59,750</u>
Profit and total comprehensive income attributable to:			
– Owners of the Company		71,296	77,734
– Non-controlling interests		<u>(4,517)</u>	<u>(7,863)</u>
		<u>66,779</u>	<u>69,871</u>
Earnings per share attributable to the owners of the Company (expressed in RMB per share)			
Basic and diluted	<i>11</i>	<u>4.88 cents</u>	<u>4.59 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		967,535	989,052
Right-of-use assets		134,705	140,908
Interests in associates		23,394	24,297
Intangible assets		26	96
Financial asset at fair value through other comprehensive income		–	18,763
Financial asset at fair value through profit or loss		21,355	41,805
Prepayment for acquisition of freehold land		127,004	125,362
Prepayment for acquisition of property, plant and equipment		503	–
Lands held for development or sale		262,138	–
Deferred tax assets		75,931	66,119
		<u>1,612,591</u>	<u>1,406,402</u>
Current assets			
Inventories		63,963	69,643
Properties under development for sale		1,681,827	1,786,540
Properties held for sale		998,636	765,677
Trade, bills and other receivables	<i>12</i>	952,093	1,193,026
Prepaid income tax		14,711	40,623
Prepaid land appreciation tax		6,494	6,711
Pledged bank deposits		81,650	88,750
Restricted bank deposit for property development business		3,271	4,024
Cash and cash equivalents		567,542	460,310
		<u>4,370,187</u>	<u>4,415,304</u>
Current liabilities			
Trade and other payables	<i>13</i>	404,181	464,455
Lease liabilities		20,176	22,550
Contract liabilities		546,371	489,178
Bank borrowings		284,128	217,764
Tax payable		219,059	236,190
Amounts due to non-controlling interests of subsidiaries		227,364	78,565
		<u>1,701,279</u>	<u>1,508,702</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net current assets	<u>2,668,908</u>	<u>2,906,602</u>
Total assets less current liabilities	<u>4,281,499</u>	<u>4,313,004</u>
Non-current liabilities		
Lease liabilities	10,821	29,793
Bank borrowings	444,083	551,418
Deferred tax liabilities	<u>13,145</u>	<u>19,786</u>
	<u>468,049</u>	<u>600,997</u>
Net assets	<u><u>3,813,450</u></u>	<u><u>3,712,007</u></u>
CAPITAL AND RESERVES		
Share capital	1,654	1,654
Reserves	<u>3,750,967</u>	<u>3,679,671</u>
Equity attributable to the owners of the Company	3,752,621	3,681,325
Non-controlling interests	<u>60,829</u>	<u>30,682</u>
Total equity	<u><u>3,813,450</u></u>	<u><u>3,712,007</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) land and property development; and (iii) travel and tourism-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 material 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

Amended IFRSs that are effective for annual periods beginning on January 1, 2023

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, 2023:

IFRS 17	Insurance Contracts and related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for those mentioned below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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.

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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendment to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of exchangeability ²

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

² Effective for annual periods beginning on or after January 1, 2025

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.

4. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision-maker (“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) Land and property development (“Land and property development”); and
- (iii) Others, comprising mainly provision of travel and tourism-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, 2023:

	Manufacturing <i>RMB’000</i>	Land and property development <i>RMB’000</i>	Others <i>RMB’000</i>	Eliminations <i>RMB’000</i>	Total <i>RMB’000</i>
External sales	529,668	300,912	126,177	–	956,757
Inter-segment sales	–	–	2,004	(2,004)	–
	<u>529,668</u>	<u>300,912</u>	<u>128,181</u>	<u>(2,004)</u>	<u>956,757</u>

For the year ended December 31, 2022:

	Manufacturing <i>RMB’000</i>	Land and property 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>

Disaggregation of revenue from contracts with customers

For the year ended December 31, 2023:

	Manufacturing <i>RMB'000</i>	Land and property development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Primary geographical markets					
United States	416,073	–	–	–	416,073
The People's Republic of China ("the PRC"), including Hong Kong	60,749	278,345	128,181	(2,004)	465,271
Cambodia	43,327	22,567	–	–	65,894
Europe	7,012	–	–	–	7,012
Others	2,507	–	–	–	2,507
	<u>529,668</u>	<u>300,912</u>	<u>128,181</u>	<u>(2,004)</u>	<u>956,757</u>
Major products and services					
Sales of upholstered furniture	529,668	–	–	–	529,668
Sales of properties	–	300,912	–	–	300,912
Travel & tourism-related services	–	–	54,326	–	54,326
Catering & entertainment	–	–	56,617	(2,004)	54,613
Property management services	–	–	17,238	–	17,238
	<u>529,668</u>	<u>300,912</u>	<u>128,181</u>	<u>(2,004)</u>	<u>956,757</u>
Timing of revenue recognition					
At a point in time	529,668	300,912	20,254	(2,004)	848,830
Transferred over time	–	–	107,927	–	107,927
	<u>529,668</u>	<u>300,912</u>	<u>128,181</u>	<u>(2,004)</u>	<u>956,757</u>

For the year ended December 31, 2022:

	Manufacturing <i>RMB'000</i>	Land and property development <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Primary geographical markets					
United States	493,320	–	–	–	493,320
PRC, including Hong Kong	75,233	173,421	91,244	(1,014)	338,884
Cambodia	22,549	–	–	–	22,549
Europe	5,681	–	–	–	5,681
Others	2,995	–	–	–	2,995
	<u>599,778</u>	<u>173,421</u>	<u>91,244</u>	<u>(1,014)</u>	<u>863,429</u>
Major products and services					
Sales of upholstered furniture	599,778	–	–	–	599,778
Sales of properties	–	173,421	–	–	173,421
Travel & tourism-related 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>
Timing of revenue recognition					
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>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Segment profit/(loss)		
– Manufacturing	49,109	80,436
– Land and property development	8,811	(35,573)
– Others	6,922	(6,386)
	<u>64,842</u>	<u>38,477</u>
Unallocated corporate income	2,068	16,546
Unallocated other gains and losses	(1,001)	4,727
	<u>65,909</u>	<u>59,750</u>

The following is an analysis of other segment information of the Group:

For the year ended December 31, 2023

	Manufacturing <i>RMB'000</i>	Land and property development <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Share of result of associates	–	5,589	–	–	5,589
Interest income	1,220	119	54	25	1,418
Depreciation and amortization of non-current assets	(36,918)	(45,117)	(1,446)	(816)	(84,297)
Finance costs	(9,391)	(31,576)	(1,635)	(53)	(42,655)
Income tax (expense)/credit	(1,232)	(46,718)	3,177	–	(44,773)

For the year ended December 31, 2022

	Manufacturing <i>RMB'000</i>	Land and property development <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Share of result of associates	–	(1,283)	–	–	(1,283)
Interest income	1,041	7,789	201	5	9,036
Depreciation and amortization of non-current assets	(25,681)	(45,405)	(2,374)	(11,034)	(84,494)
Finance costs	(9,483)	(34,271)	(19,349)	(36)	(63,139)
Income tax (expense)/credit	(38,180)	27,416	(6,731)	–	(17,495)

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.

Unallocated corporate income/(expense) mainly include fair value changes of financial guarantee and financial assets at fair value through profit or loss.

In 2022, the segment profit from manufacturing segment included the gain from disposal of a building and affiliated equipment and fixture located in Haining City, Zhejiang Province, the PRC (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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
United States	416,073	493,320
PRC, including Hong Kong	465,271	338,884
Cambodia	65,894	22,549
Europe	7,012	5,681
Others	2,507	2,995
	<u>956,757</u>	<u>863,429</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods		
Upholstered furniture	529,668	599,778
Residential properties	300,912	173,421
	<u>830,580</u>	<u>773,199</u>
Provision of services		
Others (<i>note</i>)	126,177	90,230
	<u>956,757</u>	<u>863,429</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

The transaction price allocated to the remaining performance obligations (including unsatisfied or partially unsatisfied) as at December 31, 2023 and the expected timing of recognising revenue as follows:

	Land and property development	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
More than one year but not more than two years	<u>902,000</u>	<u>–</u>

5. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividend income from financial asset at fair value through profit or loss	1,044	–
Government grants (<i>note a</i>)	980	4,247
Interest income (<i>note b</i>)	1,418	9,036
Sub-contracting fee income	–	145
Rental income (<i>note c</i>)	3,330	4,656
Others	2,407	3,057
	<u>9,179</u>	<u>21,141</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 associate of approximately RMB823,000 (2022: RMB7,680,000) for the year ended December 31, 2023.
- (c) Rental income represents 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Gain on early termination of right-of-use asset	224	1,864
Net foreign exchange gain	6,174	24,251
Donation	–	(35)
Change in fair value of financial asset at fair value through profit or loss	(626)	9,177
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>)	2,119	24,547
Gain on disposal of subsidiaries	–	90,989
Release of financial guarantees (<i>note b</i>)	5,425	5,425
Written-back of payables	17,116	–
Others	2,368	(3,046)
	<u>32,800</u>	<u>136,897</u>

Notes:

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest charges on bank and other borrowings (<i>note</i>)	40,849	60,905
Interest charges on lease liabilities	1,806	2,234
	<u>42,655</u>	<u>63,139</u>

Note: The amounts were offset by interest capitalization of RMB5,832,000 (2022: RMB1,938,000) to property under development in the current year.

8. PROFIT BEFORE INCOME TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortization of intangible assets	69	160
Depreciation of property, plant and equipment	56,081	60,425
Depreciation of right-of-use assets	28,147	23,909
	<u>84,297</u>	<u>84,494</u>
Auditor's remuneration		
– Audit service	2,400	2,300
– Non-audit service	750	800
Reversal of impairment loss on financial assets, net		
– Trade receivables	(280)	(474)
– Other receivables	(2,764)	(518)
– Loan to an associate	–	(2,700)
	<u>(3,044)</u>	<u>(3,692)</u>
Cost of inventories under Manufacturing segment recognized as expenses (including net provision for allowance of inventories of RMB1,545,000 (2022: RMB930,000))	387,499	418,652
Cost of properties under land and property development segment recognized as cost of sales	156,332	131,258
Expenses relating to short term leases	5,080	2,233
Impairment loss on property, plant and equipment	1,482	26,447
Employee costs (including directors' emoluments)		
– Wages, salaries and other benefits	162,674	158,461
– Contributions to defined contribution retirement plans	13,565	13,322
	<u>176,239</u>	<u>171,783</u>

9. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
– PRC Enterprise Income Tax		
– Current year	14,052	32,392
– Over-provision in respect of prior years	(7,868)	(3,698)
– Withholding tax on dividend	2,295	15,000
	<u>8,479</u>	<u>43,694</u>
– Cambodia corporate tax		
– Current year	5,445	3,382
– Over-provision in respect of prior years	(2,212)	–
	<u>3,233</u>	<u>3,382</u>
Land appreciation tax	49,243	(26,517)
Deferred tax	<u>(16,182)</u>	<u>(3,064)</u>
Total income tax expense	<u><u>44,773</u></u>	<u><u>17,495</u></u>

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the years ended December 31, 2023 and 2022.

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 RMB70,426,000 (2022: RMB68,279,000) by the weighted average number of ordinary shares in issue during the years December 31, 2023 and 2022. The earnings per share is calculated using the weighted average number of ordinary shares of 1,443,141,881 (2022: 1,487,975,076) shares issued during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2023 and 2022 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, 2023 and 2022.

12. TRADE AND BILLS RECEIVABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0-60 days	38,544	52,059
61-90 days	12,187	3,188
91-180 days	4,506	7,384
181-365 days	2,821	3,527
Over 1 year	18,449	15,121
	<u>76,507</u>	<u>81,279</u>

13. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group was granted by its suppliers average credit period of 60 days. The aging analysis of the trade payables based on invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0-60 days	221,003	165,296
61-90 days	9,417	8,506
91-180 days	4,083	5,494
181-365 days	777	1,909
1-2 years	7,094	21,723
Over 2 years	20,715	34,810
	<u>263,089</u>	<u>237,738</u>

14. CAPITAL AND OTHER COMMITMENTS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,297,412	2,295,956
– Properties under development	159,172	391,733
– Lands held for development or sale	235,905	–
– Contribution to investment funds	39,858	41,283
	<u>2,732,347</u>	<u>2,728,972</u>

15. PLEDGED ASSETS

As at December 31, 2023, the facilities were secured by:

- (i) pledge of buildings of the Group with net book value of RMB11,020,000 (2022: RMB12,464,000);
- (ii) pledge of bank deposit of the Group of RMB81,650,000 (2022: RMB88,750,000);
- (iii) pledge of listed equity investments of the Group of RMBnil (2022: RMB18,763,000); and
- (iv) pledge of certain properties under development and held for sale of the Group of RMB1,076,400,000 (2022: RMB1,015,540,000).

16. FINANCIAL GUARANTEE CONTRACTS

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

The Group provided guarantees of RMB74,369,000 at December 31, 2023 (2022: RMB64,472,000) 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 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 of RMB393,000,000 and RMB370,000,000 respectively. The fair value of the Financial Guarantees at January 1, 2022 amounting to approximately RMB16,275,000 was recognized 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 recognized in profit or loss for the year ended December 31, 2023 (2022: RMB5,425,000) 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, 2023 and 2022, 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 recognized in the profit or loss. Accordingly, the financial guarantee contracts are measured at its fair values initially recognized less cumulative amortization.

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. 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, 2023 and December 31, 2022 in respect of the Financial Guarantees issued to CCT Group and an independent third party are RMB308,000,000 and RMB370,000,000 respectively.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	10,850	–
Recognition of fair value of financial guarantee contracts at initial recognition	–	16,275
Release of financial guarantee liabilities	<u>(5,425)</u>	<u>(5,425)</u>
At the end of the year	<u>5,425</u>	<u>10,850</u>

17. ACQUISITION OF A SUBSIDIARY

On September 29, 2023, Kasen International Company Limited (“Kasen International”), a wholly owned subsidiary of the Company entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with Ms. Zhu Jiayun (“Ms. Zhu”), pursuant to which Ms. Zhu has agreed to sell, and Kasen International has agreed to purchase 49% of the equity interest in Koh Kong Zhejiang Sez Co., Ltd (“Koh Kong”) at a consideration of HK\$338,000,000 (equivalent to approximately RMB306,296,000) , which will be satisfied by cash of HK\$152,000,000 (equivalent to approximately RMB137,743,000) and the issue of the convertible bonds of HK\$186,000,000 (equivalent to approximately RMB168,553,000) (collectively, the “Total Considerations”).

Pursuant to the Sale and Purchase Agreement, Ms. Zhu undertakes (i) to procure the duly transfer of the legal title of the certain lands located in Cambodia (the “Target Lands”) to Koh Kong in 4 batches upon the Target Lands were acquired by Ms. Zhu from independent third parties; and (ii) that the Target Lands shall be free from any encumbrances and there shall be no defect in the title to the Land.

The Total Considerations will be settled by the Group in 4 instalments within 5 business days upon the completion of the transfer of each batch of the Target Lands.

Prior to completion of the acquisition of Koh Kong, certain of the Target Lands were transferred to Koh Kong by Ms. Zhu. On December 29, 2023, the Group obtained control of Koh Kong and Koh Kong become a subsidiary of the Group.

As at December 31, 2023, the consideration payable of approximately HK\$77,677,000 (equivalent to approximately RMB70,391,000) was recorded under “Amounts due to non-controlling interests of subsidiaries”. Subsequent to the year ended December 31, 2023, the Group has fully settled the first and second instalments of the Total Considerations in form of cash of HK\$68,400,000 (equivalent to approximately RMB61,984,000) and issuance of convertible bond of HK\$83,611,000 (equivalent to approximately RMB75,768,000).

Koh Kong did not operate any business or have substantial operation prior to the acquisition and major assets are lands held for development or sale. Therefore, the Group considered the acquisition of Koh Kong to be an asset acquisition in substance and the difference between the purchase consideration paid, and the net assets acquired were recognised as adjustments to the carrying value of lands held for development or sale.

Details of the aggregate fair values of the identifiable assets and liabilities of Koh Kong as at the date of acquisition are as follows:

	Recognised assets and liabilities on acquisition <i>RMB'000</i>
Property, plant and equipment	86
Lands for development or sale	262,138
Trade and other receivables	2,114
Bank balances and cash	456
Trade and other payables	(2,126)
Amount due to a shareholder	(82,570)
Amount due to group companies	<u>(36,442)</u>
Net assets acquired	<u>143,656</u>
Cash at banks and on hand in subsidiary acquired	
Cash inflow on acquisition of subsidiary	<u><u>456</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2023, the Company together with its subsidiaries (the “Group”) recorded a consolidated turnover of RMB956.8 million (2022: RMB863.4 million), representing an increase of approximately 10.8% when compared with the year 2022. The increase in revenue mainly attributable to the increase of approximately RMB127.5 million in land and property development segment since there was an increase in the delivery of properties for the Group’s property development projects during the year ended December 31, 2023 as compared to the year 2022.

The Group’s gross profit for the year ended December 31, 2023 was RMB349.7 million (2022: RMB250.6 million), representing an increase of approximately RMB99.1 million or approximately 39.5% when compared with the year 2022. The Group’s gross profit margin for the year ended December 31, 2023 was approximately 36.5% (2022: 29.0%).

The net profit attributable to owners of the Company was approximately RMB70.4 million for the year ended December 31, 2023 (2022: profit of RMB68.3 million), representing an increase of approximately RMB2.1 million or approximately 3.1% as compared with the year 2022. The increase in profit was largely attributable to the increase in the delivery of properties for the Group’s land and property development projects during the year ended December 31, 2023 as compared to the year 2022. Further discussions are set out in the following contents within this section.

Review by Business Segments

The Group’s reportable business segments in 2023 principally consist of manufacturing and trading of upholstered furniture, land and property development and others (comprising mainly travel and related services, catering and entertainment services and property management services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2023 together with the comparative figures for the year ended December 31, 2022:

	2023		2022		Year-on-year Change
	<i>RMB’Million</i>	<i>%</i>	<i>RMB’Million</i>	<i>%</i>	<i>%</i>
Manufacturing and Trading of Upholstered Furniture	529.7	55.4	599.8	69.5	-11.7
Land and property Development	300.9	31.4	173.4	20.1	73.5
Others	126.2	13.2	90.2	10.4	39.8
Total	956.8	100.0	863.4	100.0	10.8

Manufacturing and Trading of Upholstered Furniture Business

During the year ended December 31, 2023, the Group's manufacturing and trading of upholstered furniture business realized a total turnover of approximately RMB529.7 million, representing a decrease of approximately 11.7% as compared to the total turnover of approximately RMB599.8 million in the corresponding period of 2022. The Group recorded a net profit of approximately RMB49.1 million from manufacturing and trading of upholstered furniture business in 2023, representing a decrease of approximately 38.9% as compared to the net profit of approximately RMB80.4 million in the corresponding period of 2022. Adversely affected by international geopolitical conflicts and international trade frictions, major customers from the United States and Europe reduced their purchase orders in the PRC. The Group endeavours to maintain on-hand orders by strengthening communication and consultation with its customers, ensuring quality service and other measures. Meanwhile, it strives to enhance the production and delivery capacity of its furniture export base in Cambodia, continues to promote the improvement of the supply chain, the reduction of logistics costs and the improvement of production efficiency. With two production bases in China and Cambodia, the Group is able to meet the diverse sourcing needs of its customers, ensuring its competitiveness and sustainable development in the international upholstered furniture market.

Land and Property Development Business

As at December 31, 2023, 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 RMB300.9 million in 2023, representing an increase of approximately 73.5% as compared to RMB173.4 million in 2022. The increase in sales was mainly due to increase in delivery of properties in 2023 as compared to that in the corresponding period of last year. As a result, operating gain generated from this segment in 2023 was RMB8.8 million (2022: an operating loss of RMB35.6 million).

The Group's property project portfolio as at December 31, 2023 is set out below.

No.	Project Name	Location/Postal address	Interests Attributable to the Group	Total Site Area (square meters) ("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 subject to change and adjustment as and when necessary.

The table below sets out an analysis of the properties under development or held for sale as at December 31, 2023.

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 December 31, 2023 (sq.m.)	Accumulated GFA delivered as at December 31, 2023 (sq.m.)	Average selling price (RMB/sq.m.)
1	Asia Bay	718,665	404,709	590,165	214,475	201,433	20,708
2	Qianjiang Continent	775,292	775,292	670,065	670,065	670,065	17,631
3	Kasen Star City	957,224	957,224	708,730	708,730	708,730	—*
4	Changbai Paradise	122,412	122,412	122,010	51,598	43,554	3,004
5	Qianjiang Oasis	334,899	334,899	260,296	253,824	253,685	8,770
6	Phnom Penh Kasen Garden (Phase 1)	64,527	64,527	63,782	37,974	3,104	7,271
Total		<u>2,973,019</u>	<u>2,659,063</u>	<u>2,415,048</u>	<u>1,936,666</u>	<u>1,880,571</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, 2023 decreased to approximately RMB69.8 million, representing a decrease of approximately 14.7% as compared to approximately RMB81.9 million in 2022. The decrease was mainly due to the decrease in the selling and distribution costs spent in the manufacturing and trading of upholstered furniture segment as the sales of this segment decreased in 2023 as compared with 2022. The Group's selling and distribution costs to turnover in 2023 decreased to approximately 7.3% as compared to approximately 9.5% in 2022.

The administrative expenses in 2023 was approximately RMB177.1 million, representing a decrease of approximately 6.1% as compared to approximately RMB188.7 million in 2022. The administrative expenses maintained at a relatively stable level as compared with 2022.

The Group's reversal of impairment loss on financial assets decreased by approximately RMB0.7 million from approximately RMB3.7 million in 2022 to approximately RMB3.0 million in 2023 under the relevant accounting policies of the Group adopted in accordance with IFRS 9.

The Group's finance cost in 2023 was approximately RMB42.7 million, representing a decrease of approximately RMB20.4 million, as compared to approximately RMB63.1 million in 2022. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings and interest expense on lease liabilities. The decrease in finance cost was mainly due to the decrease in the Group's bank borrowings and higher interest capitalization to property projects during the year under review.

The Group recorded a net gain of approximately RMB32.8 million in other gains and losses in 2023, while it recorded a net gain of approximately RMB136.9 million in 2022. For details of the other gains and losses, please refer to note 6 to the consolidated financial statements.

The Group's income tax in 2023 was approximately RMB44.8 million, representing an increase of approximately RMB27.3 million, as compared to approximately RMB17.5 million in 2022. The increase was mainly resulted from (1) a net increase in PRC land appreciation tax of approximately RMB75.8 million from the property development projects, and offset by (2) a decrease in PRC income tax of approximately RMB35.2 million mainly due to a decrease in taxable profits of the subsidiaries in the PRC, and (3) the increase in deferred taxation credit of approximately RMB13.1 million.

Based on the aforesaid factors, profit attributable to owners of the Company in 2023 increased by approximately 3.1% to approximately RMB70.4 million (2022: RMB68.3 million).

CAPITAL EXPENDITURE

Capital expenditure in 2023 increased to approximately RMB48.9 million (including construction in progress of approximately RMB23.6 million) from approximately RMB8.0 million in 2022. The capital expenditure mainly comprised the amount of approximately RMB48.9 million spent on the purchase of property and equipment, and construction of plants for operational purpose during the year ended December 31, 2023.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Bank Borrowings

As at December 31, 2023, the Group's bank borrowings amounted to approximately RMB728.2 million (in which approximately 9.5% (2022: 4.8%) was denominated in USD and approximately 90.5% (2022: 95.2%) was denominated in RMB), representing a decrease of approximately 5.3% from approximately RMB769.2 million as at December 31, 2022. As at December 31, 2023, the Group had outstanding bank borrowings amounted to approximately RMB284.1 million repayable within one year and approximately RMB444.1 million repayable after one year (2022: approximately RMB217.8 million repayable within one year and approximately RMB551.4 million repayable after one year).

Turnover Period, Liquidity and Gearing

In 2023, the inventory turnover period remained at 54 days (2022: 54 days).

In 2023, 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 increased to 33 days in 2023 (2022: 24 days).

The accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segments increased to 53 days in 2023 (2022: 44 days).

As at December 31, 2023, the Group's current ratio was 2.6 (December 31, 2022: 2.9). The Group's cash and cash equivalent balance was approximately RMB567.5 million as at December 31, 2023 (December 31, 2022: approximately RMB460.3 million). As at December 31, 2023, cash and cash equivalent balance of the Group was approximately 89.4% (2022: 85.3%) denominated in RMB, approximately 10.1% (2022: 13.9%) denominated in USD, approximately 0.4% (2022: 0.7%) denominated in HKD and Japanese Yen, and less than 0.1% (2022: 0.1%) denominated in other currencies. This represents a gearing ratio of 19.4% as at December 31, 2023 (December 31, 2022: 20.9%) and a net debt-to-equity ratio of 4.3% as at December 31, 2023 (December 31, 2022: 8.4%). The gearing ratio is based on bank borrowings to owners' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to owners' equity. In 2023, 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, 2023.

Capital Structure

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

MATERIAL ACQUISITION AND DISPOSAL

On September 29, 2023, Kasen International, a wholly owned subsidiary of the Company entered into the sale and purchase agreement with Ms. Zhu Jiayun, pursuant to which Ms. Zhu Jiayun has agreed to sell, and Kasen International has agreed to purchase 49% of the equity interest in Koh Kong Zhejiang Sez Co., Ltd. (the "Target Company") at a consideration of HK\$338,000,000, which will be satisfied by cash and the issue of convertible bonds by the Company. Ms. Zhu Jiayun is the daughter of Mr. Zhu Zhangjin, the controlling shareholder of the Company. Ms. Zhu Jiayun is therefore a connected person of the Company. The Target Company is a limited liability company registered under the laws of Cambodia and principally engaged in industrial development project. Upon completion of the sale and purchase which took place on December 29, 2023 and as at December 31, 2023, the Target Company was owned by Ms. Zhu Jiayun and Kasen International as to 51% and 49%, respectively. As the Company has obtained control over the board of directors of the Target Company, the Target Company has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Group. For further details, please refer to the announcement of the Company dated September 29, 2023.

Saved as disclosed, the Group did not have any material acquisitions or disposals during the year ended December 31, 2023.

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 land and property development.

SIGNIFICANT INVESTMENTS

Save as disclosed, the Company had no other significant investments held during the year ended December 31, 2023.

CONTINGENT LIABILITIES

As at December 31, 2023, 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 15 to the consolidated financial statements.

CAPITAL AND OTHER COMMITMENTS

As at December 31, 2023, the Group had contracted, but not provided for, total capital and other expenditure of RMB2,732.3 million (2022: RMB2,729.0 million), in which an amount of RMB159.2 million (2022: RMB391.7 million) was in respect of properties under development for sale. For details, please refer to note 14 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, 2023, 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, 2023, the Group employed a total of approximately 2,285 full time employees (December 31, 2022: approximately 2,117), including management staff, technicians, salespersons and workers. In 2023, the Group's total expense on the remuneration of employees was approximately RMB176.2 million (2022: approximately RMB171.8 million), representing approximately 18.4% (2022: 19.9%) 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 contributions to 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, 2023.

FUTURE PLANS AND PROSPECTS

Leveraging on the resources and experience accumulated over the years in international business, the Group will continue to strengthen its investment efforts outside China. Cambodia is a key country for the Group's international business investments due to its stable political environment, rapid economic development, abundant labor force, favorable tax policies and free flow of capital. During 2023, the Group commenced the construction and operation of a large-scale industrial park in Cambodia. In addition to bringing in the Group's furniture production plants and related upstream supporting partners to complete the whole industry chain of the upholstered furniture, the industrial park also provides land, plants, water and electricity supply and property services to Chinese enterprises interested in investing and developing in Cambodia. Revenue generated from the sale/lease of land and plants and infrastructure services will open up new profit growth points for the Group. At the same time, the Group will focus on identifying opportunities for power and energy businesses in Asia and Africa, entering the thermal and new energy power generation sectors.

In the field of upholstered furniture business, the major production capacity will be shifted to Cambodia, significantly increasing the volume of exports from Cambodia to customers in Europe and the United States. New factories will be built at the production base in Cambodia to further expand production capacity, improve the supply chain and enhance the overall competitiveness of our products to ensure the stable development of the Group's upholstered furniture business.

In the field of property development, adhering to the principle of not investing in the real estate in the PRC, the Group accelerated the sales of projects, disposed of inefficient assets and recovered funds. The focus of the property development business was shifted to real estate projects in Phnom Penh, Cambodia, with the goal of building a local benchmark of high-quality real estate projects, thereby doing a good job in the development, construction and sale of such projects.

In the field of tourism resort business, it is expected to perform better with the rapid recovery of the domestic market. The Group will seize the favorable opportunity presented by the PRC government's encouragement of domestic tourism spending to develop tourism resort products and attract more tourists with quality 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 has occurred in respect of the Group after the reporting date December 31, 2023.

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2023 (2022: 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, 2024, the register of members of the Company will be closed from May 28, 2024 to May 31, 2024 (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 27, 2024.

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities during the year ended December 31, 2023.

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 C1 of the Listing Rules throughout the year ended December 31, 2023, except for the following deviation:

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. During the year under review, the Company did not separate the roles of chairman and chief executive. Mr. Zhu Zhangjin, Kasen assumed the role both as the chairman and CEO responsible for overseeing the operations of the Group during the year ended December 31, 2023. Despite of the deviation from the CG Code Provision C.2.1, Mr. Zhu Zhangjin provides 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 C3 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, 2023, 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, 2023 and as at the date of this announcement, the Audit Committee comprises all the three independent non-executive Directors namely, Mr. Chow Hiu Tung (newly appointed on December 18, 2023), 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 risk management effectiveness, and to ensure that management discharged its duty to have an effective internal control system during the year ended December 31, 2023.

The audited annual results of the Company for the year ended December 31, 2023 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.

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. Chow Hiu Tung (newly appointed on December 18, 2023), 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.

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, 2023 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, 2023.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

The annual report of the Company for the year ended December 31, 2023 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, 2024. 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 29, 2024.

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

March 28, 2024

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. Chow Hiu Tung, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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