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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Kasen International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2020. These interim results have been reviewed by the audit committee of the Company (“**Audit Committee**”), comprising all the independent non-executive Directors.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	<i>NOTES</i>	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2019 <i>RMB'000</i> (unaudited)
Revenue	4, 5	489,637	1,963,606
Cost of sales		<u>(312,945)</u>	<u>(1,311,206)</u>
Gross profit		176,692	652,400
Other income		10,520	7,816
Selling and distribution costs		(36,799)	(110,962)
Administrative expenses		(98,182)	(124,110)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries, net of reversal		(13,129)	(10,740)
Other gains and losses	6	14,764	(29,823)
Finance costs		<u>(27,640)</u>	<u>(11,213)</u>
Profit before tax	7	26,226	373,368
Income tax expenses	8	<u>(19,606)</u>	<u>(130,370)</u>
Profit for the period		<u>6,620</u>	<u>242,998</u>

	<i>NOTES</i>	<b>Six months ended June 30, 2020 RMB'000 (unaudited)</b>	Six months ended June 30, 2019 RMB'000 (unaudited)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial asset through other comprehensive income		<b>(680)</b>	440
Income tax relating to fair value change of financial asset through other comprehensive income		<b>170</b>	(110)
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation		<b>3,612</b>	301
Total comprehensive income for the period		<b><u>9,722</u></b>	<b><u>243,629</u></b>
Profit/(loss) for the period attributable to:			
– Owners of the Company		<b>14,096</b>	227,785
– Non-controlling interests		<b>(7,476)</b>	15,213
		<b><u>6,620</u></b>	<u>242,998</u>
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		<b>17,198</b>	228,539
– Non-controlling interests		<b>(7,476)</b>	15,090
		<b><u>9,722</u></b>	<b><u>243,629</u></b>
Earnings per share	<i>10</i>		
– Basic		<b><u>RMB1.0 cent</u></b>	<b><u>RMB15.3 cents</u></b>
– Diluted		<b><u>RMB1.0 cent</u></b>	<b><u>RMB15.2 cents</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2020

	<i>NOTES</i>	<b>June 30, 2020 RMB'000 (unaudited)</b>	December 31, 2019 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,520,072</b>	1,618,576
Right-of-use assets		<b>144,942</b>	177,436
Intangible assets		<b>1,063</b>	1,383
Deferred tax assets		<b>64,403</b>	49,439
Prepayment for acquisition of plant and equipment		<b>38,375</b>	44,305
Deposits paid for acquisition of a subsidiary		<b>8,000</b>	8,000
Financial asset at fair value through other comprehensive income		<b>16,762</b>	17,442
Financial asset at fair value through profit or loss		<b>21,699</b>	–
Prepayment for acquisition of freehold and leasehold land		<b>278,133</b>	276,274
		<b>2,093,449</b>	2,192,855
<b>CURRENT ASSETS</b>			
Inventories		<b>84,236</b>	83,922
Properties under development		<b>1,405,964</b>	1,431,249
Properties held for sale		<b>1,028,161</b>	1,048,009
Amounts due from non-controlling interests of subsidiaries		<b>37,099</b>	24,359
Trade, bills and other receivables	<i>11</i>	<b>1,173,975</b>	1,111,709
Prepaid income tax		<b>43,920</b>	23,595
Prepaid land appreciation tax		<b>22,636</b>	10,497
Pledged bank deposits		<b>90,965</b>	46,093
Restricted bank deposit for property development business		<b>50,398</b>	111,037
Bank balances and cash		<b>178,705</b>	211,903
		<b>4,116,059</b>	4,102,373

	<i>NOTES</i>	<b>June 30, 2020 RMB'000 (unaudited)</b>	December 31, 2019 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	<i>12</i>	<b>783,685</b>	981,468
Lease liabilities – current portion		<b>2,453</b>	6,384
Contract liabilities		<b>819,370</b>	648,545
Bank and other borrowings – due within one year		<b>337,095</b>	309,660
Tax payable		<b>193,241</b>	239,674
Amounts due to non-controlling interests of subsidiaries		<b>91,279</b>	111,196
		<u><b>2,227,123</b></u>	<u>2,296,927</u>
<b>NET CURRENT ASSETS</b>		<u><b>1,888,936</b></u>	<u>1,805,446</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>3,982,385</b></u>	<u>3,998,301</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>21,647</b>	22,015
Lease liabilities – non current portion		<b>5,113</b>	15,334
Bank and other borrowings – due after one year		<b>591,686</b>	600,435
		<u><b>618,446</b></u>	<u>637,784</u>
<b>NET ASSETS</b>		<u><b>3,363,939</b></u>	<u>3,360,517</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,712</b>	1,712
Reserves		<b>3,311,669</b>	3,294,471
Equity attributable to owners of the Company		<b>3,313,381</b>	3,296,183
Non-controlling interests		<b>50,558</b>	64,334
<b>TOTAL EQUITY</b>		<u><b>3,363,939</b></u>	<u>3,360,517</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements of Kasen International Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after January 1, 2020. Details of any changes in accounting policies are set out in note 2.

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

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

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

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

Amendments to IAS 1 and IAS 8	Amendment to Definition of Materiality
Amendments to IFRS 3 (Revised)	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
IFRSs (Amendments)	Conceptual Framework for Financial Reporting (Revised)

### 3. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 (“COVID-19”) in early January 2020 and certain quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group, including decrease in sales orders from overseas customers and the temporary suspension of the Group’s production factories which led to decline in order deliveries. Certain development plans of the Group has also been affected during the first half of 2020. As at June 30, 2020, all of the Group’s manufacturing and other facilities are operational despite the global economy remain amid the COVID-19 pandemic.

#### 4. SEGMENT INFORMATION

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

- Manufacturing and trading of upholstered furniture ("Manufacturing");
- Properties developments; and
- Others, comprising mainly operation of resort, provision of property management service and tourism resort-related services ("Others")

#### Segment revenues and results

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

#### Revenue

##### *Six months ended June 30, 2020 (unaudited)*

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

Six months ended June 30, 2019 (unaudited)

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue from external customers</b>	359,752	1,544,940	58,914	–	1,963,606
<b>Inter-segment revenue</b>	–	–	1,517	(1,517)	–
<b>Reportable segment revenue</b>	<u>359,752</u>	<u>1,544,940</u>	<u>60,431</u>	<u>(1,517)</u>	<u>1,963,606</u>
<b>Primary geographical markets</b>					
United States	300,328	–	–	–	300,328
PRC, including HK	23,160	1,544,940	60,431	(1,517)	1,627,014
Europe	34,352	–	–	–	34,352
Others	1,912	–	–	–	1,912
<b>Total</b>	<u>359,752</u>	<u>1,544,940</u>	<u>60,431</u>	<u>(1,517)</u>	<u>1,963,606</u>
<b>Major products</b>					
Sale of upholstered furniture	359,752	–	–	–	359,752
Sale of properties	–	1,544,940	–	–	1,544,940
Travel & tourism services	–	–	49,312	–	49,312
Catering & entertainment	–	–	2,581	–	2,581
Property management services	–	–	8,538	(1,517)	7,021
	<u>359,752</u>	<u>1,544,940</u>	<u>60,431</u>	<u>(1,517)</u>	<u>1,963,606</u>
<b>Timing of revenue recognition</b>					
At a point in time	359,752	1,544,940	–	–	1,904,692
Transferred over time	–	–	60,431	(1,517)	58,914
	<u>359,752</u>	<u>1,544,940</u>	<u>60,431</u>	<u>(1,517)</u>	<u>1,963,606</u>

## Results

	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2019 <i>RMB'000</i> (unaudited)
<b>Segment profit/(loss)</b>		
– Manufacturing	21,065	28,215
– Properties development	18,515	270,777
– Others	<u>(33,709)</u>	<u>(38,020)</u>
	5,871	260,972
Unallocated corporate expenses	(13,793)	(11,756)
Unallocated other gains and losses	<u>14,542</u>	<u>(6,218)</u>
Profit for the period	<u><u>6,620</u></u>	<u><u>242,998</u></u>

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

Inter-segment sales are charged at prevailing market rates.

## 5. REVENUE

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

	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2019 <i>RMB'000</i> (unaudited)
<b>Sale of goods</b>		
Upholstered furniture	297,260	359,752
Residential properties	<u>158,931</u>	<u>1,544,940</u>
	456,191	1,904,692
<b>Provision of services</b>		
Others ( <i>note</i> )	<u>33,446</u>	<u>58,914</u>
	<u><u>489,637</u></u>	<u><u>1,963,606</u></u>

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



## 6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2020 RMB'000 (unaudited)	Six months ended June 30, 2019 RMB'000 (unaudited)
Net foreign exchange gain	1,472	200
Impairment loss recognised in respect of properties under development and held for sale	–	(1,154)
Impairment loss on property, plant and equipment	(3,000)	(5,405)
Loss on deconsolidation of a subsidiary ( <i>note 14</i> )	(18,501)	–
Recovery of deposits paid for cooperation of development of land in PRC written off in prior year ( <i>note</i> )	39,500	–
Change in fair value of financial asset at fair value through profit or loss	(1,663)	–
Loss on disposal of property, plant and equipment	(5,950)	(15)
Provision of financial guarantees	–	(19,851)
Release of financial guarantees	3,308	3,308
Others	(402)	(6,906)
	<u>14,764</u>	<u>(29,823)</u>

*Note:* During the period, the Group has successfully sued against Shenjianong Equity Cooperative Company and Hangzhou Zhuantang Street Hengqiao Equity Cooperative Company at high court in Hangzhou for refund of deposits paid for cooperation of development of land with principal amounts of RMB39,500,000. The amounts were included in other receivables and has successfully received in July 2020.

## 7. PROFIT BEFORE TAX

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

	Six months ended June 30, 2020 RMB'000 (unaudited)	Six months ended June 30, 2019 RMB'000 (unaudited)
Amortisation of intangible assets	320	233
Depreciation of property, plant and equipment	<u>38,332</u>	<u>38,664</u>
Total depreciation and amortisation	<u>38,652</u>	<u>38,897</u>
Depreciation and amortisation of right of use assets	4,764	4,995
Costs of inventories recognised as expenses (including net reversal of allowance of inventories of RMB844,000 (June 30, 2019: provision allowance for RMB137,000))	205,743	261,799
Interest on lease liabilities	410	453
Interest on bank and other borrowings	29,580	23,447
Less: amount capitalised in respect of property under development	<u>(2,350)</u>	<u>(12,687)</u>
	27,230	10,760
Government grants	(8,820)	(5,046)
Interest income	<u>(598)</u>	<u>(1,736)</u>

## 8. INCOME TAX EXPENSES

	Six months ended June 30, 2020 RMB'000 (unaudited)	Six months ended June 30, 2019 RMB'000 (unaudited)
Land appreciation tax ("LAT")	<u>10,185</u>	<u>64,385</u>
People's Republic of China enterprise income tax		
– Current period	17,482	69,471
– Underprovision of income tax in previous periods	<u>7,100</u>	<u>980</u>
	24,582	70,451
Deferred tax credit	<u>(15,161)</u>	<u>(4,466)</u>
	<u><u>19,606</u></u>	<u><u>130,370</u></u>

## 9. DIVIDENDS

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

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB14,096,000 (six months ended June 30, 2019: RMB227,785,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2019: 1,493,636,881 shares) in issue during the period.

### Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB14,096,000 (six months ended June 30, 2019: RMB227,785,000) and the weighted average of 1,495,601,373 ordinary shares (six months ended June 30, 2019: 1,501,539,475 shares) in issue during the period assuming the conversion of all dilutive potential ordinary shares, calculated as follows:

	<b>Six months ended June 30, 2020 (unaudited)</b>	Six months ended June 30, 2019 (unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,493,636,881</b>	1,493,636,881
Effect of dilutive potential ordinary shares: – share options	<b>1,964,492</b>	7,902,594
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>1,495,601,373</u></b>	<b><u>1,501,539,475</u></b>

## 11. TRADE AND BILLS RECEIVABLES

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

	<b>June 30, 2020 RMB'000 (unaudited)</b>	December 31, 2019 RMB'000 (audited)
Aged:		
Within 60 days	99,538	87,040
61 – 90 days	1,869	2,415
91 – 180 days	5,326	2,593
181 – 365 days	3,456	2,191
Over 1 year	16,932	17,757
	<u>127,121</u>	<u>111,996</u>

## 12. TRADE AND BILLS PAYABLES

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

	<b>June 30, 2020 RMB'000 (unaudited)</b>	December 31, 2019 RMB'000 (audited)
Within 60 days	332,459	443,613
61 – 90 days	20,855	22,552
91 – 180 days	20,106	26,141
181 – 365 days	40,580	137,473
1 – 2 years	83,464	29,557
Over 2 years	37,019	40,488
	<u>534,483</u>	<u>699,824</u>

### 13. CAPITAL COMMITMENTS

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

	<b>June 30, 2020 RMB'000 (unaudited)</b>	December 31, 2019 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	<b>2,012,347</b>	2,108,347
– Properties under development	<b>186,215</b>	216,461
– Financial asset at fair value through profit or loss	<b>47,416</b>	–
	<b><u>2,245,978</u></b>	<b><u>2,324,808</u></b>

### 14. DECONSOLIDATION OF A SUBSIDIARY

On April 26, 2020, Jiande City People's Court (the "Court") approved the liquidation of Hangzhou Xinanjiang Hot Spring Resort Development Co. Ltd. ("Xinanjiang"), a subsidiary with 55% equity interest of the Group, and an independent administrator was appointed by the Court. Xinanjiang was principally engaged in operation of resort in Zhejiang, the PRC.

Based on assessment made by the directors of the Company, the Group has lost control on Xinanjiang as the Group had no further involvement in the relevant activities of Xinanjiang nor any ability to affect the return thereof.

A loss on deconsolidation of a subsidiary of RMB18,501,000 was recognised in the profit or loss for the period ended June 30, 2020.

### 15. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB579,321,000 at June 30, 2020 (December 31, 2019: RMB1,571,081,000) 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 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

In November 2018, the Group renewed the financial guarantees ("Financial Guarantees") issued to banks in respect of banking facilities granted to CCT Group and an independent third party for three years between January 1, 2019 and December 31, 2021. The fair value of the Financial Guarantees at January 1, 2019 amounting to RMB19,851,000 was recognised as liabilities in the consolidated statement of financial position and the corresponding amount was debited to profit or loss.

As at June 30, 2020 and December 31, 2019, the directors of the Company do not consider it probable that a claim will be made against the Group under the Financial Guarantees, and therefore the Financial Guarantees are measured at its fair values initially recognized less cumulative amortisation released to profit or loss.

The maximum liabilities of the Group as at June 30, 2020 in respect of the financial guarantees issued to CCT Group and an independent third party is RMB394,800,000 (December 31, 2019: RMB394,800,000) and RMB374,100,000 (December 31, 2019: RMB374,100,000) respectively.

## **16. EVENT AFTER THE REPORTING PERIOD**

On July 8, 2020, Haining Hainix Sofa Co., Ltd (the “Haining Hainix”), a wholly-owned subsidiary of the Group, entered into a land resumption agreement with Haining Jianshan New Area Administrative Committee (the “Haining Jianshan Administrative Committee”). Pursuant to the land resumption agreement, Haining Hainix shall surrender the land use rights it owned together with the buildings erected on the land to Haining Jianshan Administrative Committee at a consideration of approximately RMB167,972,000.

The Group expected to record an estimated net gain before tax from the surrender of land of approximately RMB136.6 million.

## BUSINESS REVIEW AND PROSPECTS

### RESULTS OVERVIEW

For the six months ended June 30, 2020, the Group recorded a consolidated turnover of approximately RMB489.6 million (six months ended June 30, 2019: RMB1,963.6 million), representing a decrease of approximately 75.1% when compared with the corresponding period in 2019.

The Group's gross profit for the six months ended June 30, 2020 was RMB176.7 million (six months ended June 30, 2019: RMB652.4 million), with an average gross profit margin of approximately 36.1% (six months ended June 30, 2019: 33.2%), representing a decrease of approximately 72.9% in gross profit when compared with the corresponding period in 2019.

The net profit attributable to owners of the Company for the first half of 2020 was approximately RMB14.1 million (six months ended June 30, 2019: net profit of RMB227.8 million), representing a substantial decrease of approximately 93.8%. The drop in profit was largely attributable to (i) the substantial decline in the delivery of residential buildings for the Group's property development projects in the PRC during the six months ended June 30, 2020 as compared with the corresponding period in last year; and (ii) the drop in revenue for the Group's manufacturing segment as a result of the outbreak of COVID-19 pandemic, which led to the decrease in sales orders from overseas customers, as well as the temporary suspension of the Group's PRC production factories during the period due to epidemic prevention requirements of the government, which contributed to a decline in order deliveries.

#### Review by Business Segments

The Group's reportable business segments principally consist of manufacturing and trading of upholstered furniture, property development and others (mainly comprising operation of tourism resort business, operation of restaurant and hotel, and provision of travel-related services).

The table below shows the total turnover by business segments for the six months ended June 30, 2020, together with the comparative figures for the corresponding period in 2019:

	2020		Six Months Ended June 30, 2019		Change %
	<i>RMB'Million</i>	%	<i>RMB'Million</i>	%	
Manufacturing and trading of upholstered furniture	<b>297.3</b>	<b>60.7</b>	359.8	18.3	-17.4
Property development	<b>158.9</b>	<b>32.5</b>	1,544.9	78.7	-89.7
Others	<b>33.4</b>	<b>6.8</b>	58.9	3.0	-43.3
Total	<b>489.6</b>	<b>100.0</b>	1,963.6	100.0	-75.1

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

During the period under review, the Group's manufacturing and trading of upholstered furniture primarily included finished sofa realised a total turnover of approximately RMB297.3 million, representing a decrease of approximately 17.4% as compared to the total turnover of approximately RMB359.8 million in the corresponding period of 2019. The major customers of the Group's manufacturing of upholstered furniture business are large and medium-sized furniture importers from America and Europe. During the period under review, the novel COVID-19 epidemic affected the world, resulting in a decrease in orders from overseas customers, cancellation of partial orders and a substantial drop in market demand. Domestically, the Group's production factories were temporarily suspended due to epidemic prevention requirements of the government, which contributed to a decline in order deliveries. Given the above adverse factors, the segment recorded a profit of approximately RMB21.1 million for the first half of 2020, representing a decrease of approximately 25.2% as compared to the profit of approximately RMB28.2 million in the corresponding period of 2019.

### ***Property Development Business***

As at June 30, 2020, the Group had six projects at various stages of development in mainland China. During the period under review, the Group did not have new property development project. During the six months ended June 30, 2020, the turnover recorded from the property development segment was approximately RMB158.9 million, representing a decrease of approximately 89.7% as compared to approximately RMB1,544.9 million in the corresponding period of 2019. The decrease in sales revenue was mainly due to the decrease of properties delivery from the Group's existing development projects.



*Group's Property Project Portfolio as at June 30, 2020*

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m)	Status	Usage
1	Asia Bay	Boao, Hainan	92%	590,165	Under development	Residential and tourism resort
2	Sanya Project	Sanya, Hainan	80.5%	1,423,987	Under development	Residential, hotel and tourism resort
3	Qianjiang Continent	Yancheng, Jiangsu	100%	335,822	Completed	Residential and commercial
4	Kasen Star City (Including Kingdom Garden and Jing Xiang Yuan, etc.)	Haining, Zhejiang	100%	469,867	Completed	Residential and commercial
5	Changbai Paradise	Changbai Mountain, Jilin	89%	118,195	Completed	Residential and hotel
6	Qianjiang Oasis	Yancheng, Jiangsu	55%	<u>108,138</u>	Under development	Residential
Total				<u><u>3,046,174</u></u>		

*Analysis of the Group's Property Development Projects*

No.	Project Name	Total gross floor area ("GFA") (sq.m.)	GFA under development/ completed (sq.m.)	Total Saleable GFA (sq.m.)	Accumulated GFA sold as at June 30, 2020 (sq.m.)	Accumulated GFA delivered as at June 30, 2020 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	398,612	590,165	187,101	166,708	26,941
2	Qianjiang Continent	775,292	775,292	669,717	662,303	660,358	19,716
3	Kasen Star City	957,224	957,224	708,730	704,787	695,223	12,777
4	Changbai Paradise	122,412	122,412	122,010	46,700	38,558	—*
5	Qianjiang Oasis	<u>337,071</u>	<u>337,071</u>	<u>282,323</u>	<u>257,054</u>	<u>217,031</u>	8,116
Total		<u><u>2,910,664</u></u>	<u><u>2,590,611</u></u>	<u><u>2,372,945</u></u>	<u><u>1,857,945</u></u>	<u><u>1,777,878</u></u>	

\* This project has been completed and there was no properties delivery during the period.

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

The Group's selling and distribution costs during the six months ended June 30, 2020 decreased to approximately RMB36.8 million, representing a decrease of approximately RMB74.2 million as compared to approximately RMB111.0 million in the first half of 2019, mainly attributable to (i) a decrease of approximately RMB52.1 million in the selling costs incurred in relation to the sales of properties and (ii) a decrease of approximately RMB11.0 million in the staff costs incurred in the Group's hotels and waterpark operation in the PRC as a result of the temporary suspension of these operations of the Group in PRC during the period due to epidemic prevention requirements of the government regarding the outbreak of COVID-19 pandemic. The selling and distribution costs to turnover in the first half of 2020 increased to 7.5% as compared to 5.7% for the corresponding period in 2019.

The administrative costs for the six months ended June 30, 2020 were approximately RMB98.2 million, representing a decrease of approximately RMB25.9 million as compared to approximately RMB124.1 million for the corresponding period in 2019. The decrease was mainly attributable to a decrease in the staff costs incurred of approximately RMB21.2 million, by the Group's hotels and property development segment operation in the PRC.

The Group's finance cost in the first half of 2020 was approximately RMB27.6 million, representing an increase of approximately RMB16.4 million as compared to approximately RMB11.2 million for the corresponding period of 2019 mainly due to the decrease in capitalization of finance interest to cost of construction. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings.

The Group's income tax in the first half of 2020 was approximately RMB19.6 million, representing a decrease of approximately RMB110.8 million as compared to approximately RMB130.4 million for the corresponding period in 2019. The decrease was mainly resulted from (1) a decrease in PRC income tax of approximately RMB52.0 million mainly due to a decrease in taxable profits generated at the subsidiary level especially for property development segment with significantly decreased operating profit; and (2) a decrease in PRC land appreciation tax of approximately RMB54.2 million from the property development projects.

The Group recorded a net gain of approximately RMB14.8 million in other gains and losses in the first half of 2020, while it recorded a net loss of approximately RMB29.8 million during the corresponding period of 2019. For details of the other gains and losses, please refer to note 6 to the Condensed Consolidated Financial Statements.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was a drop in profit, such that the net profit attributable to owners of the Company for the first half of 2020 was approximately RMB14.1 million (six months ended June 30, 2019: net profit of RMB227.8 million).

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at June 30, 2020, the Group had cash and cash equivalent available for utilisation totalling approximately RMB178.7 million (as at December 31, 2019: RMB211.9 million) and a total borrowings of approximately RMB928.8 million (as at December 31, 2019: RMB910.1 million). This represents a gearing ratio of 28.0% (as at December 31, 2019: 27.6%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2020, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the period under review.

As at June 30, 2020, the Group's inventory was approximately RMB84.2 million, representing an increase of approximately RMB0.3 million as compared to approximately RMB83.9 million as of December 31, 2019. During the six months ended June 30, 2020, the Group endeavored to control the inventory level and its inventory turnover period was 68 days as compared to 54 days as at December 31, 2019.

During the six months ended June 30, 2020, the Group continued to maintain a strict credit policy. The account and bills receivable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 59 days for the first half of 2020 (as at December 31, 2019: 42 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 118 days for the six months ended June 30, 2020 (as at December 31, 2019: 78 days).

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any material acquisitions or disposal of its subsidiaries, associates or joint ventures during the six months ended June 30, 2020.

## **SIGNIFICANT INVESTMENTS HELD**

Save as otherwise disclosed in this announcement, the Group did not have significant investments held during the six months ended June 30, 2020.

## **PLEDGE OF ASSETS**

During the six months ended June 30, 2020, the Group pledged deposits, property, plant and equipment to banks to secure the bank borrowings and the bank facilities granted to the Group. The deposits carry an average interest rate of 0.30%-1.35%.

## **FOREIGN EXCHANGE EXPOSURE**

The upholstered furniture export-related business of the Group (including sales and procurements) are mainly denominated in U.S. dollars, and trade receivables may be exposed to exchange rate fluctuation. During the period under review, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group did not implement any hedging measures, but will continue to monitor the situation and make necessary arrangement as and when appropriate.

## **CONTINGENT LIABILITIES**

As at June 30, 2020, the Group had certain contingent liabilities. For details, please refer to note 15 to the Condensed Consolidated Financial Statements.

## **EMPLOYEES AND EMOLUMENTS POLICIES**

As at June 30, 2020, the Group employed a total of approximately 3,100 full time employees (as at December 31, 2019: approximately 3,300) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2020, the Group's total expenses on the remuneration of employees were approximately RMB81.5 million (six months ended June 30, 2019: RMB125.5 million). The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees), national social security fund scheme (for Cambodia employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

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

## **ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY**

With the incorporation of the environmental strategies in the manufacturing process, the Group strives to reduce the environmental pollution and makes continuous improvement on the Group's environmental performance. In the manufacturing process of upholstered furniture, the Group implements control measures to ensure the compliant discharge of pollutants. In respect of property development, the Group promotes energy saving and green construction technology to enhance energy efficiency.

People-oriented approach is an emphasis to develop the Group's business. The Group provides employees with an attractive and promising growth platform, and creates a healthy and safe working environment in an attempt to unite our staff from the management level to the working level through group activities so as to increase employees' sense of belonging to the Group.

The Group implements stringent quality control procedures and maintains a high standard in selecting suppliers to devote itself to providing high quality and safe products for customers. The Company advocates to offer social services to the communities where it operates and to those in need, and participate in various social welfare undertakings in an active manner.

## **FUTURE PLANS AND PROSPECTS**

To respond actively to the policy of the Chinese government on encouraging investments in countries along the "One Belt, One Road", the Group is currently arranging and preparing the construction of international economic zone and overseas electricity and energy infrastructure to help the globalization of Chinese enterprises, and establishing a platform for international cooperation in production capacity so as to build considerable momentum for the Group's business development and profit growth.

In respect of property development business, the Group will uphold the principle of steady development with the aim of focusing on continuous development and sales delivery of existing projects. For overseas countries, the Group will explore regions with growth potential to carry out new property development projects in due course. In the field of tourism resort business, as the impact of the novel COVID-19 epidemic continues to dissipate in the PRC and the domestic tourism market undertakes speedy recovery, the Group will put an emphasis on enhancing both operating revenue and customer satisfaction level and optimizing the business performance of waterparks and hotels.

In the field of upholstered furniture, the novel COVID-19 epidemic was declared as a global public health emergency, and has exerted a profound impact on the global economy. The Group will take a cautious attitude towards the stability and growth of the upholstered furniture business because the customers of the Group are primarily located in America and considering the significant impact of the novel coronavirus epidemic on the market demand of America together with the Sino-US trade disputes. In order to mitigate risks, the Group will continue to strengthen the operation and management of the upholstered furniture factories in China by way of reducing the scale of factories and implementing centralized production to improve efficiency and lower costs. On the other hand, the Group has set up an upholstered furniture factory in Cambodia to meet certain export needs of the market in America.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its corporate governance code of practices. For the six months ended June 30, 2020, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code except for the following deviation to code provisions A.2.1.

### **CODE PROVISION A.2.1**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the period from January 1, 2020 till February 27, 2020, the Company did not separate the roles of chairman and chief executive. Mr. Zhu Zhangjin, Kasen assumed both the roles as the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group during such period as the Company was not able to identify a candidate as chief executive officer with suitable leadership, knowledge, skills and experience within or outside the Group to replace Mr. Zhu. On February 28, 2020, the Company has appointed Mr. Zhu Ruijun as the executive Director and the chief executive officer of the Company. Upon which, Mr. Zhu Zhangjin has resigned from the position as the chief executive officer, and continues to be the chairman of the Company. Upon the effective date of such change (i.e. February 28, 2020), the CG Code Provision A.2.1 is being complied with.

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 six months ended June 30, 2020, each of them has complied with the required standards as set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee, comprises all the three independent non-executive Directors namely, Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has reviewed with the management and the external auditors on the accounting principles and practices adopted by the Group during the six months ended June 30, 2020. The Audit Committee held meetings with the Company's senior management to review, supervise and discuss the Company's financial reporting and internal control principles and risk management effectiveness and to make recommendations to improve the Company's internal control and risk management effectiveness, and to ensure that management discharged its duty to have an effective internal control system during the six months ended June 30, 2020, including the review of the unaudited interim results of the Group for the six months ended June 30, 2020.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **EVENTS AFTER THE REPORTING PERIOD**

The Company had certain event(s) after the reporting period. For details, please refer to note 16 to the Condensed Consolidated Financial Statements.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the first six months ended June 30, 2020.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is available to the Company and within the knowledge of its Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2020.

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

The interim report of the Company for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange and the website of the Company at [www.irasia.com/listco/hk/kasen/index.htm](http://www.irasia.com/listco/hk/kasen/index.htm) in due course.

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

PRC, August 31, 2020

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

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