

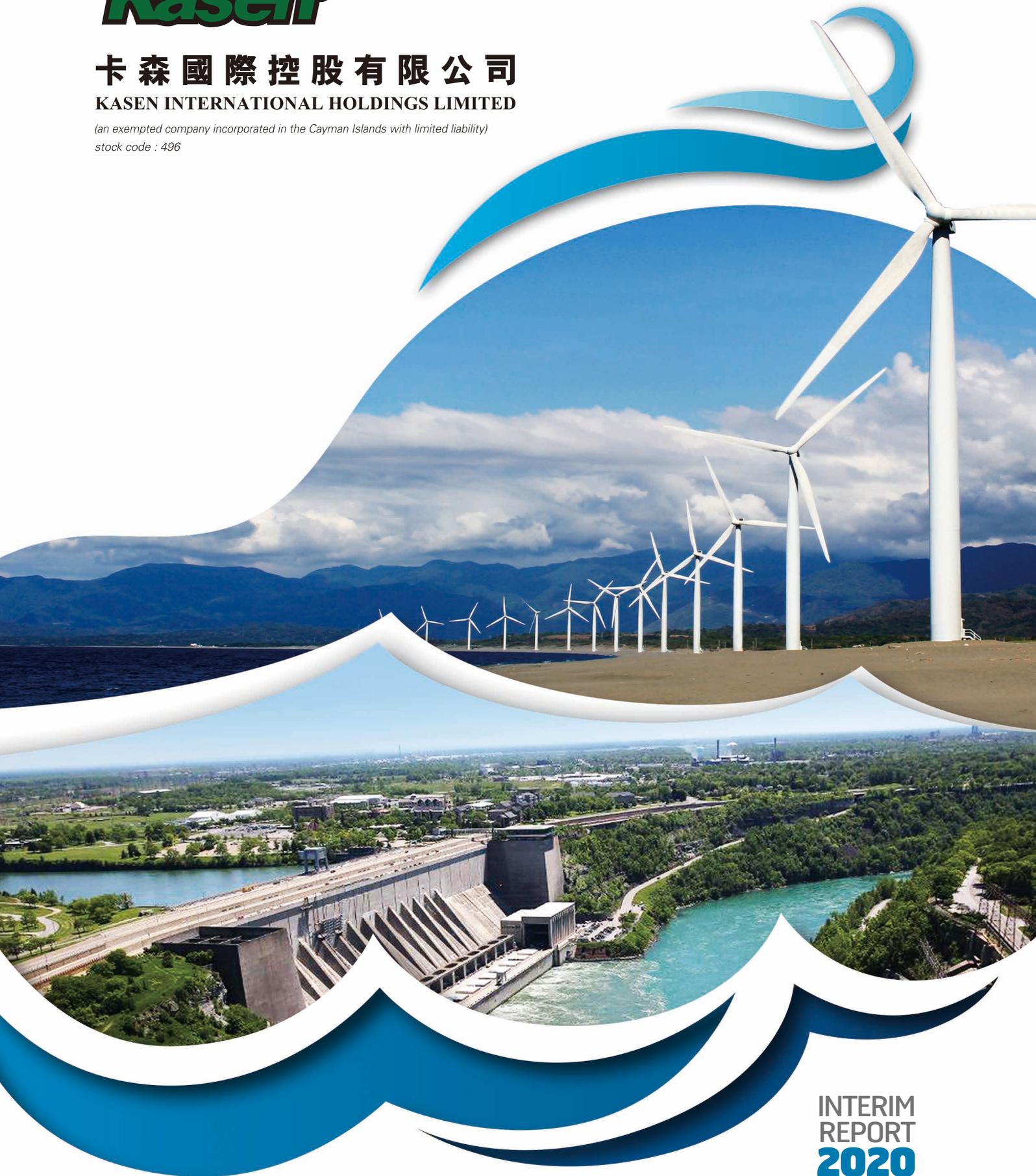


卡森國際控股有限公司

KASEN INTERNATIONAL HOLDINGS LIMITED

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

stock code : 496



**INTERIM
REPORT
2020**



CONTENTS

Business Review and Prospects	2
Disclosure of Interests	8
Corporate Governance	12
Other Information	13
Report on Review of Condensed Consolidated Interim Financial Statements	14
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2020, Kasen International Holdings Limited (the “Company”) together with its subsidiaries (collectively, 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
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	297.3	60.7	359.8	18.3	-17.4
Property development	158.9	32.5	1,544.9	78.7	-89.7
Others	33.4	6.8	58.9	3.0	-43.3
Total	489.6	100.0	1,963.6	100.0	-75.1

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the period under review, the Group's manufacturing and trading of upholstered furniture 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.

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Property Development Business (cont'd)

Group's Property Project Portfolio as at June 30, 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%	108,138	Under development	Residential
Total				3,046,174		

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	337,071	337,071	282,323	257,054	217,031	8,116
Total		2,910,664	2,590,611	2,372,945	1,857,945	1,777,878	

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

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 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 as set out in this interim report.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was a 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.

BUSINESS REVIEW AND PROSPECTS (cont'd)

FINANCIAL RESOURCES AND LIQUIDITY (cont'd)

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 interim report, 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 20 to the Condensed Consolidated Financial Statements as set out in this interim report.

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.

BUSINESS REVIEW AND PROSPECTS (cont'd)

EMPLOYEES AND EMOLUMENTS POLICIES (cont'd)

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

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the share option scheme are set out in the section headed "Disclosure of Interests – Share Options Schemes" of this interim report.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

With the 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.

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

As at June 30, 2020, the interests of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(1) Long positions in Shares

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

Notes:

- (i) Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial Shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 Shares as at June 30, 2020 under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme"), the grant of which was approved by the Board on May 26, 2015.
- (2) This figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 shares as at June 30, 2020 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.

(2) Long positions in underlying shares

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

Save as disclosed herein, none of the Directors nor the chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at June 30, 2020.

DISCLOSURE OF INTERESTS (cont'd)

SHARE OPTIONS SCHEMES

On October 20, 2005, the Company adopted the 2005 Share Option Scheme for the primary purpose of providing incentives to Directors, eligible employees and third party services providers. The 2005 Share Option Scheme became effective on October 20, 2005 and the options issued pursuant to the 2005 Share Option Scheme will expire no later than 10 years from the date of grant of the option. Under the 2005 Share Option Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe for shares of the Company. The 2005 Share Option Scheme was terminated on May 29, 2015. As at June 30, 2020, the Company had 10,850,000 outstanding options granted pursuant to the 2005 Share Option Scheme.

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

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

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

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

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

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

DISCLOSURE OF INTERESTS (cont'd)

SHARE OPTIONS SCHEMES (cont'd)

As at June 30, 2020, the total numbers of Shares available for issue under the 2005 Share Option Scheme and the 2015 Share Option Scheme were 10,850,000 Shares and 116,232,298 Shares, respectively, which represented 0.7% and 7.8% of the Shares in issue respectively as at the date of this interim report.

Details of movement of the share options during the six months ended June 30, 2020, being share options granted pursuant to the 2005 Share Option Scheme on May 5, 2008 and May 26, 2015, respectively, were as follows:

Name of Director	Exercise price HK\$	Number of share options				Outstanding as at June 30, 2020	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at January 1, 2020	Granted from January 1, 2020 to June 30, 2020	Exercised from January 1, 2020 to June 30, 2020	Forfeited from January 1, 2020 to June 30, 2020				
Zhu Zhangjin	1.37	1,000,000	-	-	-	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3
Zhou Xiaohong	1.37	3,000,000	-	-	-	3,000,000	0.20%	1/1/2016 to 25/5/2025	1,2,3
		4,000,000	-	-	-	4,000,000	0.27%		
Other employees in aggregate	1.37	6,850,000	-	-	-	6,850,000	0.46%	1/1/2016 to 25/5/2025	1,2,3
		10,850,000	-	-	-	10,850,000	0.73%		

Notes:

- These share options were granted pursuant to the 2005 Share Option Scheme on May 26, 2015 and are exercisable at HK\$1.37 per Share from January 1, 2016 to May 25, 2025. The closing price of Shares immediately before the date of grant of share options was HK\$1.38.
- These share options represent personal interest held by the relevant participants as beneficial owner.
- During the six months ended June 30, 2020, none of these share options were exercised, forfeited, lapsed nor cancelled.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the schemes disclosed in the paragraph headed "Share Options Schemes" above, at no time during the six months ended June 30, 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS (cont'd) SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at June 30, 2020, the following persons (other than the Directors or chief executives of the Company stated in the above paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Notes:

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

Save as disclosed above, the Company had not been notified by any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at June 30, 2020.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules as its corporate governance code of practices. For the six months ended June 30, 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 as its own code of conduct regarding directors’ securities transactions. Specific enquiries had been made with all Directors, who had confirmed that, throughout the six months ended June 30, 2020, each of them had complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), comprises all the three independent non-executive Directors namely, Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has reviewed with the management and the external auditors on the accounting principles and practices adopted by the Group during the six months ended June 30, 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.



OTHER INFORMATION 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).

EVENTS AFTER THE REPORTING PERIOD

The Company had certain event(s) after the reporting period. For details, please refer to note 22 to the Condensed Consolidated Financial Statements as set out in this interim report.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS

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

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

PRC, August 31, 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have reviewed the condensed consolidated interim financial statements of Kasen International Holdings Limited and its subsidiaries set out on pages 15 to 38, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate Number P05309

Hong Kong, August 31, 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	NOTES	Six months ended June 30, 2020 RMB'000 (unaudited)	Six months ended June 30, 2019 RMB'000 (unaudited)
Revenue	4,5	489,637	1,963,606
Cost of sales		(312,945)	(1,311,206)
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		(27,640)	(11,213)
Profit before tax	7	26,226	373,368
Income tax expenses	8	(19,606)	(130,370)
Profit for the period		6,620	242,998
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial asset through other comprehensive income		(680)	440
Income tax relating to fair value change of financial asset through other comprehensive income		170	(110)
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation		3,612	301
Total comprehensive income for the period		9,722	243,629

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	NOTES	Six months ended June 30, 2020 RMB'000 (unaudited)	Six months ended June 30, 2019 RMB'000 (unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		14,096	227,785
– Non-controlling interests		(7,476)	15,213
		6,620	242,998
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		17,198	228,539
– Non-controlling interests		(7,476)	15,090
		9,722	243,629
Earnings per share			
– Basic	10	RMB1.0 cent	RMB15.3 cents
– Diluted		RMB1.0 cent	RMB15.2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,520,072	1,618,576
Right-of-use assets		144,942	177,436
Intangible assets		1,063	1,383
Deferred tax assets		64,403	49,439
Prepayment for acquisition of plant and equipment		38,375	44,305
Deposits paid for acquisition of a subsidiary		8,000	8,000
Financial asset at fair value through other comprehensive income	12	16,762	17,442
Financial asset at fair value through profit or loss	13	21,699	–
Prepayment for acquisition of freehold and leasehold land		278,133	276,274
		2,093,449	2,192,855
CURRENT ASSETS			
Inventories		84,236	83,922
Properties under development		1,405,964	1,431,249
Properties held for sale		1,028,161	1,048,009
Amounts due from non-controlling interests of subsidiaries		37,099	24,359
Trade, bills and other receivables	14	1,173,975	1,111,709
Prepaid income tax		43,920	23,595
Prepaid land appreciation tax		22,636	10,497
Pledged bank deposits		90,965	46,093
Restricted bank deposit for property development business		50,398	111,037
Bank balances and cash		178,705	211,903
		4,116,059	4,102,373

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT JUNE 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	15	783,685	981,468
Lease liabilities – current portion		2,453	6,384
Contract liabilities		819,370	648,545
Bank and other borrowings – due within one year	16	337,095	309,660
Tax payable		193,241	239,674
Amounts due to non-controlling interests of subsidiaries		91,279	111,196
		2,227,123	2,296,927
NET CURRENT ASSETS			
		1,888,936	1,805,446
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,982,385	3,998,301
NON-CURRENT LIABILITIES			
Deferred tax liabilities		21,647	22,015
Lease liabilities – non current portion		5,113	15,334
Bank and other borrowings – due after one year	16	591,686	600,435
		618,446	637,784
NET ASSETS			
		3,363,939	3,360,517
CAPITAL AND RESERVES			
Share capital	17	1,712	1,712
Reserves		3,311,669	3,294,471
Equity attributable to owners of the Company		3,313,381	3,296,183
Non-controlling interests		50,558	64,334
TOTAL EQUITY			
		3,363,939	3,360,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI reserve	Translation reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,959	3,190	1,508,256	3,296,183	64,334	3,360,517
Profit/(loss) for the period	-	-	-	-	-	-	-	-	14,096	14,096	(7,476)	6,620
Other comprehensive income	-	-	-	-	-	-	(510)	3,612	-	3,102	-	3,102
Total comprehensive income for the period	-	-	-	-	-	-	(510)	3,612	14,096	17,198	(7,476)	9,722
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(6,300)	(6,300)
At June 30, 2020 (unaudited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	9,449	6,802	1,522,352	3,313,381	50,558	3,363,939

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Share option reserve	Other reserve	FVTOCI reserve	Translation reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	1,712	1,470,892	171,276	167,983	4,618	(41,703)	10,530	686	1,063,298	2,849,292	69,666	2,918,958
Profit for the period	-	-	-	-	-	-	-	-	227,785	227,785	15,213	242,998
Other comprehensive income	-	-	-	-	-	-	330	424	-	754	(123)	631
Total comprehensive income for the period	-	-	-	-	-	-	330	424	227,785	228,539	15,090	243,629
At June 30, 2019 (unaudited)	1,712	1,470,892	171,276	167,983	4,618	(41,703)	10,860	1,110	1,291,083	3,077,831	84,756	3,162,587

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2019 <i>RMB'000</i> (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	96,308	17,599
INVESTING ACTIVITIES		
Increase of pledged bank deposits	(44,872)	(24,752)
Payment for purchases of property, plant and equipment	(41,644)	(144,757)
Payment for purchase of leasehold land	(5,768)	-
Payment of subscription of unlisted investment fund	(23,337)	-
Payment of purchases of intangible assets	-	(531)
Prepayment for acquisition of freehold and leasehold land	-	(31,825)
Deposit paid for other non-current assets	-	(12,812)
Deposit refund from acquisition of property, plant and equipment	-	5,204
Interest received	598	1,736
Proceeds from disposal of property, plant and equipment	6,500	288
NET CASH USED IN INVESTING ACTIVITIES	(108,523)	(207,449)
FINANCING ACTIVITIES		
Interest elements of lease liabilities paid	(410)	(453)
Capital elements of lease liabilities paid	(3,707)	(3,248)
Repayment of bank and other borrowings	(166,520)	(379,001)
Bank and other borrowings raised	185,051	421,804
Interest paid	(29,580)	(23,447)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(15,166)	15,655
DECREASE IN CASH AND CASH EQUIVALENTS	(27,381)	(174,195)
Effect of changes in exchange rates	(5,817)	(1,257)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	211,903	457,708
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
represented by bank balances and cash	178,705	282,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. BASIS OF PREPARATION

The condensed consolidated interim 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”). BDO Limited’s independent review report to the Board of Directors is included on page 14 of the interim report.

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

The Group has applied the following 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
Amendments to IFRS 3 (Revised)
Amendments to IFRS 9,
IAS 39 and IFRS 7
IFRSs (Amendments)

Amendment to Definition of Materiality
Definition of a Business
Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting (Revised)

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

4. SEGMENT INFORMATION (cont'd)

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)	-
Reportable segment revenue	297,260	158,931	34,503	(1,057)	489,637
Primary geographical markets					
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
Total	297,260	158,931	34,503	(1,057)	489,637
Major products					
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
	297,260	158,931	34,503	(1,057)	489,637
Timing of revenue recognition					
At a point in time	297,260	158,931	-	-	456,191
Transferred over time	-	-	34,503	(1,057)	33,446
	297,260	158,931	34,503	(1,057)	489,637

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

4. SEGMENT INFORMATION (cont'd)

Revenue (cont'd)

Six months ended June 30, 2019 (unaudited)

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	359,752	1,544,940	58,914	-	1,963,606
Inter-segment revenue	-	-	1,517	(1,517)	-
Reportable segment revenue	359,752	1,544,940	60,431	(1,517)	1,963,606
Primary geographical markets					
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
Total	359,752	1,544,940	60,431	(1,517)	1,963,606
Major products					
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
	359,752	1,544,940	60,431	(1,517)	1,963,606
Timing of revenue recognition					
At a point in time	359,752	1,544,940	-	-	1,904,692
Transferred over time	-	-	60,431	(1,517)	58,914
	359,752	1,544,940	60,431	(1,517)	1,963,606

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

4. SEGMENT INFORMATION (cont'd) Results

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

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.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

4. SEGMENT INFORMATION (cont'd) SEGMENT ASSETS

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

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Manufacturing	1,103,659	1,095,497
Properties development	4,368,463	4,330,269
Others	703,652	854,278
	6,175,774	6,280,044
Unallocated	33,734	15,184
Consolidated assets	6,209,508	6,295,228

5. REVENUE

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

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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 (note 19)	(18,501)	–
Recovery of deposits paid for cooperation of development of land in PRC written off in prior year (note)	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)
	14,764	(29,823)

Note: During the period, the Group 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 were fully received in July 2020.

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

FOR THE SIX MONTHS ENDED JUNE 30, 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	38,332	38,664
Total depreciation and amortisation	38,652	38,897
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	(2,350)	(12,687)
	27,230	10,760
Government grants	(8,820)	(5,046)
Interest income	(598)	(1,736)

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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")	10,185	64,385
People's Republic of China enterprise income tax		
– Current period	17,482	69,471
– Underprovision of income tax in previous periods	7,100	980
	24,582	70,451
Deferred tax credit	(15,161)	(4,466)
	19,606	130,370

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.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

10. EARNINGS PER SHARE (cont'd)

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:

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

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment amounting to approximately RMB43,644,000 (six months ended June 30, 2019: RMB169,264,000).

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

12. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Financial asset at fair value through other comprehensive income		
– Listed equity investment, at FVTOCI (Note)	16,762	17,442

Note:

The listed securities represent 4,000,554 shares (0.31% equity interest) (December 31, 2019: 4,000,554 shares (0.31% equity interest)) in Haining China Leather Market Co., Ltd (“HCLM”). The principal activity of HCLM is the operation of department stores in the PRC. The shares of HCLM are listed in the Shenzhen Stock Exchange.

During the current period, no listed securities were disposed of. These shares have also been pledged to secure for related parties' bank borrowings.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Financial asset at fair value through profit or loss		
– Unlisted investment fund (Note)	21,699	–

Note:

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

Cardina is a limited partner in this Greentech Fund and the operational and financing decisions of Greentech Fund is responsible by the general partner. Up to June 30, 2020, the Group's capital contribution to the Greentech Fund was US\$3,300,000.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

14. TRADE, BILLS AND OTHER RECEIVABLES

	June 30, 2020 <i>RMB'000</i> (unaudited)	December 31, 2019 <i>RMB'000</i> (audited)
Trade and bills receivables	127,121	111,996
Less: Allowance for credit loss	(22,098)	(20,514)
	105,023	91,482
Deposits paid for acquisition of land for development for sale	603,988	603,988
Less: impairment loss	(627)	(627)
	603,361	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale	34,629	33,743
Less: allowance for credit loss	(34,629)	(33,743)
	-	-
Advance payment for purchase of inventories	8,083	39,014
Deposit and prepayments	123,289	130,485
Less: allowance for credit loss	(6,990)	(4,343)
	116,299	126,142
Prepaid other taxes	179,027	176,080
Other receivables	207,345	103,100
Less: allowance for credit loss	(45,163)	(27,470)
	162,182	75,630
	1,173,975	1,111,709

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

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

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(unaudited)	(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
	127,121	111,996

15. TRADE, BILLS AND OTHER PAYABLES

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

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(unaudited)	(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
	534,483	699,824

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained additional bank and other borrowings of approximately RMB185,051,000 (six months ended June 30, 2019: RMB421,804,000) and repaid bank and other borrowings RMB166,520,000 (six months ended June 30, 2019: approximately RMB379,001,000).

The bank borrowings included unsecured bank borrowings of RMB134,047,000 (December 31, 2019: RMB124,360,000), which were guaranteed by Mr. Zhu, the executive director of the Company, a related company in which Mr. Zhu has significant influence and beneficial interests and certain independent third parties.

17. SHARE CAPITAL

Authorised share capital of the Company

	Number of ordinary shares at US\$0.00015 each	US\$'000
At January 1, 2019, December 31, 2019 and June 30, 2020	266,666,666,666	40,000

Issued and fully paid

	June 30, 2020			December 31, 2019		
	Number of shares	US\$	RMB'000	Number of shares	US\$	RMB'000
At the beginning and closing of the period/year ended	1,493,636,881	224,046	1,712	1,493,636,881	224,046	1,712

18. CAPITAL COMMITMENTS

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

19. 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. Assets and liabilities deconsolidated as at the date of deconsolidation are as follow:

	RMB'000 (unaudited)
Property, plant and equipment	94,126
Trade and other receivables	1,663
Bank balances and cash	213
Inventories	1,258
Right-of-use assets	22,853
Trade and other payables	(973)
Amounts due to non-controlling interest of the deconsolidated subsidiary	(35,276)
Contract liability	(847)
Tax payable	(316)
	82,701
Less: non-controlling interest	(6,300)
Net assets deconsolidated of	76,401
Amount due from Xinanjiang, net of expected credit losses recognised (note)	(57,900)
Loss on deconsolidation of a subsidiary	18,501

Note: Upon deconsolidation of Xinanjiang, the Group recognised an amount due from Xinanjiang with principal amounts of RMB68,700,000, net of ECL of RMB10,800,000, based on the expected outcome of the liquidation. The amount is included in "other receivables" as at June 30, 2020.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

20. 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.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (cont'd)

Financial assets	Fair value as at June 30, 2020 RMB'000	Fair value as at December 31, 2019 RMB'000	Fair value hierarchy	Valuation technique and key input
Financial asset classified at fair value through other comprehensive income listed in a stock exchange	16,762	17,442	Level 1	Quoted bid prices in an active market
Unlisted investment fund classified at fair value through profit or loss (Note)	21,699	–	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation

Note: The fair value of unlisted investment fund classified at fair value through profit or loss is determined using adjusted net assets value. The fair value measurement is positively correlated to the underlying net assets' values. As at June 30, 2020, it is estimated that with other variables held constant, an increase/decrease in 5% of underlying net assets' values would have decreased/increased the Company's loss by approximately RMB1,085,000.

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

22. 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.