

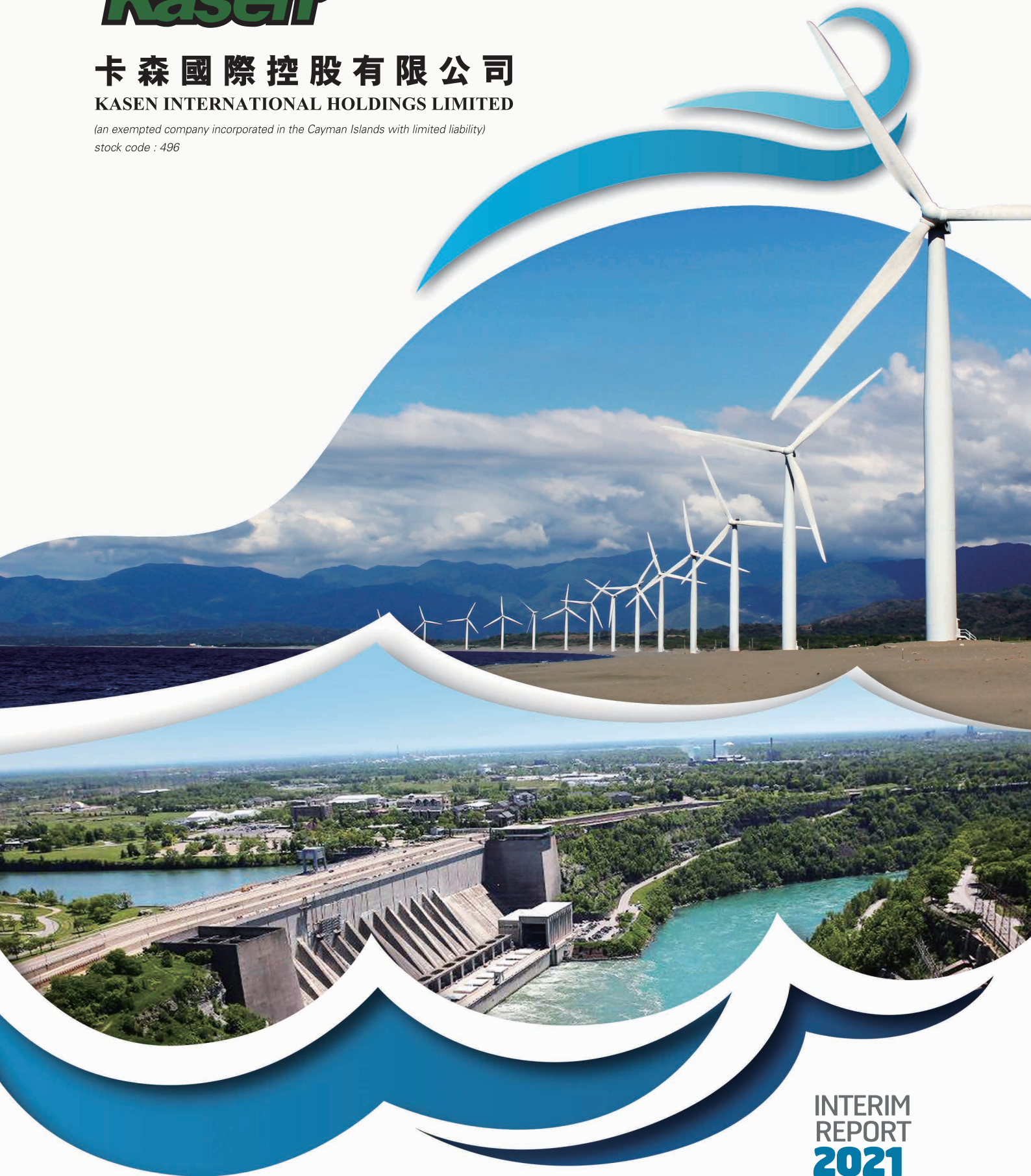


卡森國際控股有限公司

KASEN INTERNATIONAL HOLDINGS LIMITED

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

stock code : 496



INTERIM
REPORT
2021



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BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2021, Kasen International Holdings Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) recorded a consolidated turnover of approximately RMB702.6 million (six months ended June 30, 2020: RMB489.6 million), representing an increase of approximately 43.5% when compared with the corresponding period in 2020.

The Group’s gross profit for the six months ended June 30, 2021 was approximately RMB249.0 million (six months ended June 30, 2020: RMB176.7 million), with an average gross profit margin of approximately 35.4% (six months ended June 30, 2020: 36.1%), representing an increase of approximately 40.9% in gross profit when compared with the corresponding period in 2020.

The net profit attributable to owners of the Company for the first half of 2021 was approximately RMB46.8 million (six months ended June 30, 2020: net profit of RMB14.1 million), representing an increase of approximately RMB32.7 million. The increase in profit was mainly due to an one-off disposal gain in relation to a disposal of a wholly-owned subsidiary of approximately RMB24.4 million.

Review by Business Segments

The Group’s reportable business segments principally consist of manufacturing and trading of upholstered furniture, property developments and others (mainly comprising operation of resort owned by the Group, provision of travel and tourism-related services, and provision of property management services).

The table below shows the total turnover by business segments for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020:

	2021		Six Months Ended June 30, 2020		Change %
	RMB'Million	%	RMB'Million	%	
Manufacturing and trading of upholstered furniture	361.9	51.5	297.3	60.7	21.7
Property developments	284.7	40.5	158.9	32.5	79.1
Others	56.0	8.0	33.4	6.8	67.5
Total	702.6	100.0	489.6	100.0	43.5

BUSINESS REVIEW AND PROSPECTS (cont'd)

RESULTS OVERVIEW (cont'd)

Review by Business Segments (cont'd)

Manufacturing and Trading of Upholstered Furniture Business

During the period under review, the Group's manufacturing and trading of upholstered furniture business primarily included finished sofa realised a total turnover of approximately RMB361.9 million, representing an increase of approximately 21.7% as compared to the total turnover of approximately RMB297.3 million in the corresponding period of 2020. 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, purchases of the Group's upholstered furniture by American customers increased substantially compared to the first half of 2020. Under the effective preventive and control measures taken by the PRC government against the COVID-19 epidemic, the normal production of the manufacturing plants was well-protected and the delivery of ordered products was ensured. However, the overall profit margin of the furniture business was affected by the continued appreciation of Renminbi, the significant increase in freight rates in the international maritime market and the severe shortage of freight capacity. Given the above factors, the segment recorded an overall profit of approximately RMB25.9 million for the first half of 2021, representing an increase of approximately 22.8% as compared to the profit of approximately RMB21.1 million in the corresponding period of 2020.

Property Development Business

As at June 30, 2021, the Group had six projects at various stages of development in mainland China and one project at Phnom Penh, Cambodia. During the period under review, the Group announced that around 51 plots of adjoining lands located at Toulkey Village, Phnom Penh, Cambodia with a total site area of approximately 271,478 square metres will be developed into a real estate project and the then proposed development and operation of the Water Park will be terminated and for further details, please refer to the announcement of the Company dated February 1, 2021. During the six months ended June 30, 2021, the turnover recorded from the property development segment was approximately RMB284.7 million, representing an increase of approximately 79.1% as compared to approximately RMB158.9 million in the corresponding period of 2020. The increase in sales revenue was mainly due to the increase 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, 2021

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
7	Phnom Penh Kasen Garden	Phnom Penh, Cambodia	49%	271,478	Preliminary development	Residential
Total				3,317,652		

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, 2021 (sq.m.)	Accumulated GFA delivered as at June 30, 2021 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	398,612	590,165	196,130	168,635	30,730
2	Qianjiang Continent	775,292	775,292	669,717	663,692	660,957	—*
3	Kasen Star City	957,224	957,224	708,730	708,730	707,024	10,064
4	Changbai Paradise	122,412	122,412	122,010	46,700	38,558	—*
5	Qianjiang Oasis	337,071	337,071	283,344	268,646	263,681	7,829
Total		2,910,664	2,590,611	2,373,966	1,883,898	1,838,855	

* This project has been completed and there was no properties delivery during the six months ended June 30, 2021.

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, 2021 increased to approximately RMB41.7 million, representing an increase of approximately RMB4.9 million as compared to approximately RMB36.8 million in the first half of 2020. All selling and distribution costs kept at same level as in 2020. The selling and distribution costs to turnover in the first half of 2021 decreased to approximately 5.9% as compared to approximately 7.5% for the corresponding period in 2020.

The administrative costs for the six months ended June 30, 2021 were approximately RMB100.9 million, representing a small increase of approximately RMB2.7 million as compared to approximately RMB98.2 million for the corresponding period in 2020.

The Group's finance cost in the first half of 2021 was approximately RMB28.0 million, which was at the same level as approximately RMB27.6 million for the corresponding period of 2020.

The Group's income tax in the first half of 2021 was approximately RMB35.6 million, representing an increase of approximately RMB16.0 million as compared to approximately RMB19.6 million for the corresponding period in 2020. The increase was mainly resulted from a net change in deferred tax charge of approximately RMB17.9 million.

The Group recorded a net gain of approximately RMB25.0 million in other gains and losses in the first half of 2021, while it recorded a net gain of approximately RMB14.8 million during the corresponding period of 2020, which included an one-off disposal gain arised from a disposal of a wholly-owned subsidiary of approximately RMB24.4 million during the period under review. For details of the other gains and losses, please refer to note 6 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

Based on the aforesaid factors, including changes in business revenue, operating expenses and taxation, etc., there was an increase in profit, such that the net profit attributable to owners of the Company for the first half of 2021 was approximately RMB46.8 million (six months ended June 30, 2020: net profit of RMB14.1 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2021, the Group had cash and cash equivalent available for utilisation totalling approximately RMB282.5 million (as at December 31, 2020: RMB297.7 million) and a total borrowings of approximately RMB880.2 million (as at December 31, 2020: RMB880.6 million). This represents a gearing ratio of 25.5% (as at December 31, 2020: 25.9%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2021, 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, 2021, the Group's inventory was approximately RMB110.8 million, representing an increase of approximately RMB14.7 million as compared to approximately RMB96.1 million as of December 31, 2020. During the six months ended June 30, 2021, the Group endeavored to control the inventory level and the inventory turnover period of the Group's manufacturing and trading of upholstered furniture segment was 75 days as compared to 68 days as at December 31, 2020.

During the six months ended June 30, 2021, the Group continued to maintain a strict credit policy. The account receivable turnover days of the Group's manufacturing and trading of upholstered furniture segment decreased to 42 days for the first half of 2021 (as at December 31, 2020: 45 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment decreased to 75 days for the six months ended June 30, 2021 (as at December 31, 2020: 86 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, 2021.

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, 2021.

PLEDGE OF ASSETS

During the six months ended June 30, 2021, the Group pledged deposits, property, plant and equipment, properties under development and held for sale and listed equity investments to banks to secure the bank borrowings and the bank facilities granted to the Group. The deposits carry an average interest rate of 0.30%-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, 2021, the Group had certain contingent liabilities. For details, please refer to note 19 to the Interim Condensed Consolidated Financial Statements as set out in this interim report.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2021, the Group employed a total of approximately 2,900 full time employees (as at December 31, 2020: approximately 3,000) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2021, the Group's total expenses on the remuneration of employees were approximately RMB95.1 million (six months ended June 30, 2020: RMB81.5 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 corporate mission of "To achieve green production, pioneer in the environmental protection aspect, leading company in China and among the best in the world", the Group is committed to reducing environmental pollution and carbon emissions in its upholstered furniture production, property development, hotel and resort operations, and has taken vigorous steps to continuously improve its environmental performance.

The Group's core value is to align the interests of its employees, the enterprise and society in a harmonious manner. Through its unremitting efforts, the Group has strived to enhance its value, grow and achieve its goals. During the on-going COVID-19 epidemic, the Group has actively implemented various anti-epidemic measures to ensure the health and safety of its employees. The Group has set up an internal "Employee Care and Mutual Help Fund" to provide subsidies to employees in need in the spirit of mutual help and fellowship. The Group advocates the provision of social services to the communities in which it operates and to groups in need, and organises its employees to actively participate in social welfare activities and make regular donations to local charitable organisations.

FUTURE PLANS AND PROSPECTS

The Group is preparing the construction of power and energy infrastructure in countries along the "One Belt, One Road", including thermal power generation and new energy sources such as photovoltaic, wind power and hydropower. Due to the worldwide outbreak of the COVID-19 pandemic, international trade has been disrupted and the progress of related projects has been forced to slow down. The Group will closely monitor the trend of the epidemic and continue to strengthen its project development efforts to create new business growth points.

In respect of property development business, the Group will focus on continuous development and sales delivery of existing projects in mainland China. For overseas countries, the Group will explore regions with growth potential to carry out new property development projects in due course. During the period under review, the Group commenced construction of "Phnom Penh Kasen Garden" (金邊卡森花園), a property project located in Phnom Penh, Cambodia. The target client group of this project is the local middle class in Phnom Penh. As the capital of Cambodia, Phnom Penh is the political, economic, cultural and educational center and also transportation hub of the country. As the Cambodian economy continues to grow, there will be a large influx of people, a growing middle class and increasing disposable income, which will lead to an increasing demand for residential properties. The Group expects that the project will achieve satisfactory economic benefits. In the field of tourism resort business, the Group will strive to improve the performance of its existing waterparks and hotels, while disposing of certain inefficient assets and promoting asset optimization and consolidation.

BUSINESS REVIEW AND PROSPECTS (cont'd) **FUTURE PLANS AND PROSPECTS (cont'd)**

In the field of upholstered furniture, under the influence of the epidemic, the demand for upholstered furniture in overseas markets is characterized by high volatility, increased uncertainty and compressed profit margins. In order to consolidate and strengthen the Group's position in the upholstered furniture field, the Group is implementing a dual-base production strategy in domestic and abroad. In China, the Group has adopted measures including intensification of use of land, reduction of fixed asset expenses and promotion of intelligent manufacturing to reduce costs and improve production efficiency. Meanwhile, production and delivery have been put in place at the factory in Cambodia, and more orders are expected to be fulfilled at the Cambodian factory in the future.

The Company will continue to closely monitor the funding need for its future plans. As at the date of this interim report, the Directors believe the Group has sufficient internal sources of funding for the future plans but will also consider short term loans from banks or financial institutions in the future.

DISCLOSURE OF INTERESTS

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

As at June 30, 2021, 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, 2021 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, 2021 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.

DISCLOSURE OF INTERESTS (cont'd)

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

(2) Long positions in underlying shares

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

Save as disclosed herein, none of the Directors nor the chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at June 30, 2021.

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, 2021, the Company had 10,850,000 outstanding options granted pursuant to the 2005 Share Option Scheme.

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

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

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

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

DISCLOSURE OF INTERESTS (cont'd)

SHARE OPTIONS SCHEMES (cont'd)

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

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

As at June 30, 2021, 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, 2021, being share options granted pursuant to the 2005 Share Option Scheme on May 26, 2015, were as follows:

Name of Director	Exercise price HK\$	Number of share options				Outstanding as at June 30, 2021	Percentage of total issued share capital	Exercisable period	Notes
		Granted from January 1, 2021 to June 30, 2021	Exercised from January 1, 2021 to June 30, 2021	Forfeited from January 1, 2021 to June 30, 2021	Outstanding as at January 1, 2021				
		Outstanding as at January 1, 2021	Outstanding as at June 30, 2021	Outstanding as at June 30, 2021	Outstanding as at June 30, 2021				
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, 2021, none of these share options were exercised, forfeited, lapsed nor cancelled.

DISCLOSURE OF INTERESTS (cont'd)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the schemes disclosed in the paragraph headed "Share Options Schemes" above, at no time during the six months ended June 30, 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at June 30, 2021, 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, 2021.

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, 2021, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors’ securities transactions. Specific enquiries had been made with all Directors, who had confirmed that, throughout the six months ended June 30, 2021, 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, 2021. 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, 2021, including the review of the unaudited interim results of the Group for the six months ended June 30, 2021.

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, 2021 (six months ended June 30, 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Company has no material events required to be disclosed after the six months ended June 30, 2021 as at the date of this interim report.

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

During the six months ended June 30, 2021, 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, 2021.

DIRECTORS

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

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

August 31, 2021

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have reviewed the interim condensed consolidated financial statements of Kasen International Holdings Limited and its subsidiaries set out on pages 16 to 42, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate Number P05309

Hong Kong, August 31, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	NOTES	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Revenue	4,5	702,551	489,637
Cost of sales		(453,553)	(312,945)
Gross profit		248,998	176,692
Other income		2,536	10,520
Selling and distribution costs		(41,668)	(36,799)
Administrative expenses		(100,855)	(98,182)
Impairment loss on trade and other receivables, amounts due from non-controlling interests of subsidiaries and an associate, net of reversal		(16,874)	(13,129)
Other gains and losses	6	25,036	14,764
Finance costs		(27,976)	(27,640)
Profit before tax	7	89,197	26,226
Income tax expenses	8	(35,561)	(19,606)
Profit for the period		53,636	6,620
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income		(80)	(680)
Income tax relating to fair value change of financial asset at fair value through other comprehensive income		20	170
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		(354)	3,612
Total comprehensive income for the period		53,222	9,722

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	NOTES	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		46,795	14,096
– Non-controlling interests		6,841	(7,476)
		<u>53,636</u>	<u>6,620</u>
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		46,246	17,198
– Non-controlling interests		6,976	(7,476)
		<u>53,222</u>	<u>9,722</u>
Earnings per share			
– Basic	10	<u>RMB3.1 cents</u>	RMB1.0 cent
– Diluted		<u>RMB3.1 cents</u>	RMB1.0 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,361,386	1,510,319
Right-of-use assets		179,196	189,421
Interests in associates		66,361	300
Intangible assets		825	847
Deferred tax assets		58,165	60,938
Prepayment for acquisition of plant and equipment		–	13,775
Financial asset at fair value through other comprehensive income	12	16,282	16,362
Financial asset at fair value through profit or loss	13	25,296	19,572
Prepayment for acquisition of freehold land		116,282	117,448
		1,823,793	1,928,982
CURRENT ASSETS			
Inventories		110,791	96,148
Properties under development for sale		1,715,780	1,517,694
Properties held for sale		941,380	1,000,611
Amounts due from non-controlling interests of subsidiaries		34,857	35,283
Trade and other receivables	14	1,081,522	1,180,572
Prepaid income tax		45,478	49,844
Prepaid land appreciation tax		9,960	15,666
Pledged bank deposits		93,989	104,356
Restricted bank deposit for property development business		7,539	54,673
Bank balances and cash		282,513	297,684
		4,323,809	4,352,531

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT JUNE 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	15	756,759	812,979
Lease liabilities – current portion		16,503	16,511
Contract liabilities		698,792	807,851
Bank and other borrowings – due within one year	16	346,920	315,200
Tax payable		140,640	154,495
Amounts due to non-controlling interests of subsidiaries		104,911	105,122
		2,064,525	2,212,158
NET CURRENT ASSETS			
		2,259,284	2,140,373
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,083,077	4,069,355
NON-CURRENT LIABILITIES			
Deferred tax liabilities		21,397	21,482
Lease liabilities – non current portion		35,562	42,844
Bank and other borrowings – due after one year	16	533,235	565,368
		590,194	629,694
NET ASSETS			
		3,492,883	3,439,661
CAPITAL AND RESERVES			
Share capital	17	1,712	1,712
Reserves		3,445,569	3,399,323
Equity attributable to owners of the Company		3,447,281	3,401,035
Non-controlling interests		45,602	38,626
TOTAL EQUITY			
		3,492,883	3,439,661

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	103,565	96,308
INVESTING ACTIVITIES		
Decrease/(increase) of pledged bank deposits	10,367	(44,872)
Capital injection for formation of an associate	(10,908)	–
Increase in amount due from an associate	(59,092)	–
Payment for purchases of property, plant and equipment	(27,718)	(41,644)
Payment for purchase of leasehold land	–	(5,768)
Payment of subscription of unlisted investment fund	–	(23,337)
Interest received	702	598
Proceeds from disposal of property, plant and equipment	325	6,500
Net cash outflow from disposal of a subsidiary	(1,227)	–
NET CASH USED IN INVESTING ACTIVITIES	(87,551)	(108,523)
FINANCING ACTIVITIES		
Interest elements of lease liabilities paid	(1,385)	(410)
Capital elements of lease liabilities paid	(7,157)	(3,707)
Repayments of bank and other borrowings	(276,281)	(166,520)
Bank and other borrowings raised	275,945	185,051
Interest paid	(26,591)	(29,580)
NET CASH USED IN FINANCING ACTIVITIES	(35,469)	(15,166)
DECREASE IN CASH AND CASH EQUIVALENTS	(19,455)	(27,381)
Effect of changes in exchange rates	4,284	(5,817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	297,684	211,903
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	282,513	178,705

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Kasen International Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual report.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 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, 2021. Details of any changes in accounting policies are set out in note 2.

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

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). BDO Limited’s independent review report to the Board of Directors is included on page 15 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.

Amendment to IFRS 16
Amendments to IAS 39, IFRS 4,
IFRS 7, IFRS 9 and IFRS 16

Covid-19-Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

3. SIGNIFICANT EVENTS

The outbreak of the Coronavirus Disease 2019 (“COVID-19”) since January 2020 and prevalence of quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. As a result, certain development plans of the Group has also been affected during the first half of 2021. As at June 30, 2021, all of the Group’s manufacturing and other facilities are operating despite the global economy remain amid the COVID-19 pandemic.

The Directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates and the developments the Group plans.

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 owned by the Group, provision of travel and tourism-related services, and provision of property management 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 by reportable segment.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Revenue

Six months ended June 30, 2021 (unaudited)

	Manufacturing RMB'000	Properties development RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	361,857	284,667	56,027	-	702,551
Inter-segment revenue	-	-	827	(827)	-
Reportable segment revenue	361,857	284,667	56,854	(827)	702,551
Primary geographical markets					
United States	299,697	-	-	-	299,697
PRC, including HK	42,305	284,667	56,854	(827)	382,999
Europe	19,665	-	-	-	19,665
Others	190	-	-	-	190
Total	361,857	284,667	56,854	(827)	702,551
Major products and services					
Sale of upholstered furniture	361,857	-	-	-	361,857
Sale of properties	-	284,667	-	-	284,667
Travel & tourism services	-	-	21,258	-	21,258
Catering & entertainment	-	-	13,294	-	13,294
Property management services	-	-	22,302	(827)	21,475
	361,857	284,667	56,854	(827)	702,551
Timing of revenue recognition					
At a point in time	361,857	284,667	-	-	646,524
Transferred over time	-	-	56,854	(827)	56,027
	361,857	284,667	56,854	(827)	702,551

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Revenue (cont'd)

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 and services					
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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2020 <i>RMB'000</i> (unaudited)
Segment profit/(loss)		
– Manufacturing	25,862	21,065
– Properties development	24,072	18,515
– Others (note)	3,172	(33,709)
	53,106	5,871
Unallocated corporate expenses	(16,808)	(13,793)
Unallocated other gains and losses	17,338	14,542
	53,636	6,620

Note: Amount in 2021 includes a gain on disposal of a subsidiary of RMB24,422,000 as detailed in note 20.

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

Inter-segment sales are charged at prevailing market rates.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

4. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

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

Segment assets

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Manufacturing	1,311,631	1,310,934
Properties development	4,283,644	4,249,727
Others	511,663	684,533
Total segment assets	6,106,938	6,245,194
Unallocated	40,664	36,319
Consolidated assets	6,147,602	6,281,513

Segment liabilities

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Manufacturing	542,984	594,142
Properties development	1,924,528	1,973,813
Others	180,178	252,546
Total segment liabilities	2,647,690	2,820,501
Unallocated	7,029	21,351
Consolidated liabilities	2,654,719	2,841,852

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

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

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

5. REVENUE

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

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Sale of goods		
Upholstered furniture	361,857	297,260
Residential properties	284,667	158,931
	646,524	456,191
Provision of services		
Others (note)	56,027	33,446
	702,551	489,637

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Net foreign exchange (loss)/gain	(6,519)	1,472
Impairment loss on property, plant and equipment	–	(3,000)
Loss on deconsolidation of a subsidiary	–	(18,501)
Gain on disposal of a subsidiary (note 20)	24,422	–
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	5,918	(1,663)
Loss on disposal of property, plant and equipment	(140)	(5,950)
Release of financial guarantees	3,308	3,308
Others	(1,953)	(402)
	25,036	14,764

Note: In 2020, 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.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

7. PROFIT BEFORE TAX

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

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Amortisation of intangible assets	94	320
Depreciation of property, plant and equipment	35,069	38,332
Total depreciation and amortisation	35,163	38,652
Depreciation and amortisation of right-of-use assets	10,255	4,764
Costs of inventories under Manufacturing segment recognised as cost of sales (including net reversal of allowance of inventories of RMB170,000 (June 30, 2020: net reversal provision allowance for RMB844,000))	265,088	205,743
Interest on lease liabilities	1,385	410
Interest on bank and other borrowings	26,591	29,580
Less: amount capitalised in respect of property under development	-	(2,350)
	26,591	27,230
Government grants	(1,148)	(8,820)
Interest income	(702)	(598)

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

8. INCOME TAX EXPENSES

	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Land appreciation tax	<u>11,829</u>	10,185
People's Republic of China enterprise income tax		
– Current period	20,045	17,482
– Underprovision of income tax in previous periods	<u>979</u>	7,100
	21,024	24,582
Deferred tax	<u>2,708</u>	(15,161)
	<u>35,561</u>	19,606

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 RMB46,795,000 (six months ended June 30, 2020: RMB14,096,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2020: 1,493,636,881 shares) in issue during the period.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

10. EARNINGS PER SHARE (cont'd)

Diluted earnings per share

For the six months ended June 30, 2021, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares in the current period.

For the six months ended June 30, 2020, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB14,096,000 and the weighted average of 1,495,601,373 ordinary shares in issue during the period, calculated as follows:

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

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment at a consideration of approximately RMB64,255,000 (six months ended June 30, 2020: RMB43,644,000).

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

12. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Financial asset at fair value through other comprehensive income		
– Listed equity investment (Note)	16,282	16,362

Note:

The listed equity investments represent 4,000,554 shares (0.31% equity interest) (December 31, 2020: 4,000,554 shares (0.31% equity interest)) in Haining China Leather Market Co., Ltd ("HCLM"). The principal activity of HCLM is the operation of department stores in the PRC. The shares of HCLM are listed in the Shenzhen Stock Exchange. The fair value as at June 30, 2021 and December 31, 2020 were based on quoted market price at 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Financial asset at fair value through profit or loss		
– Unlisted investment fund (Note)	25,296	19,572

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 not exceeding 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, 2021, the Group's capital contribution to the Greentech Fund was US\$3,300,000 (December 31, 2020: US\$3,300,000).

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

14. TRADE AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	112,287	113,409
Less: allowance for doubtful debts	(17,843)	(19,463)
	94,444	93,946
Deposits paid for acquisition of land for development for sale	603,988	603,988
Less: allowance for loss	(627)	(627)
	603,361	603,361
Amount due from vendor in Malaysia for deposits paid for acquisition of land for development for sale	-	32,129
Less: allowance for loss	-	(32,129)
	-	-
Advance payment for purchase of inventories	14,403	14,164
Deposit and prepayments	69,789	90,923
Less: allowance for loss	(3,415)	(4,490)
	66,374	86,433
Prepaid other taxes	149,777	152,481
Other receivables	213,966	275,560
Less: allowance for loss	(60,803)	(45,373)
	153,163	230,187
	1,081,522	1,180,572

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

14. TRADE 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 receivables presented based on the invoice date at the end of the reporting period is as follows:

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Aged:		
Within 60 days	85,503	89,707
61 – 90 days	7,059	1,304
91 – 180 days	895	3,146
181 – 365 days	1,899	2,149
Over 1 year	16,931	17,103
	112,287	113,409

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, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Within 60 days	302,590	406,365
61 – 90 days	45,526	13,599
91 – 180 days	14,492	4,123
181 – 365 days	45,057	23,975
1 – 2 years	26,935	88,173
Over 2 years	63,324	38,172
	497,924	574,407

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained additional bank and other borrowings of approximately RMB275,945,000 (six months ended June 30, 2020: RMB185,051,000) and repaid bank and other borrowings RMB276,281,000 (six months ended June 30, 2020: approximately RMB166,520,000).

The bank borrowings included unsecured bank borrowings of RMB127,900,000 (December 31, 2020: RMB122,900,000), 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, 2020, December 31, 2020 and June 30, 2021	266,666,666,666	40,000

Issued and fully paid

	June 30, 2021			December 31, 2020		
	Number of shares	US\$	RMB'000	Number of shares	US\$	RMB'000
At the beginning and closing of the period/year ended	1,493,636,881	224,046	1,712	1,493,636,881	224,046	1,712

18. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	2,270,583	2,333,895
– Properties under development	138,586	115,671
	2,409,169	2,449,566

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

19. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB699,833,000 at June 30, 2021 (December 31, 2020: RMB809,196,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released not over a year upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

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, 2021 and December 31, 2020, 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 recognised less cumulative amortisation.

The maximum liabilities of the Group as at June 30, 2021 in respect of the financial guarantees issued to CCT Group and an independent third party is RMB394,800,000 (December 31, 2020: RMB394,800,000) and RMB374,100,000 (December 31, 2020: RMB374,100,000) respectively.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

20. DISPOSAL OF A SUBSIDIARY

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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).

Financial assets	Fair value as at June 30, 2021 RMB'000	Fair value as at December 31, 2020 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	16,282	16,362	Level 1	Quoted bid prices in an active market
Unlisted investment fund classified at fair value through profit or loss	25,296	19,572	Level 3	Adjusted net assets value approach: fair value of net assets as key input for the valuation

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.

Valuation techniques used and key inputs

The fair value of the financial assets at fair value through other comprehensive income as at June 30, 2021 and December 31, 2020 was determined by using quoted bid price in an active market.

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, 2021, it is estimated that with other variables held constant, an increase/decrease in 5% of underlying net assets' fair values would have increased/decreased (December 31, 2020: decreased/increased) the Company's gain by approximately RMB1,265,000 (December 31, 2020: loss by RMB979,000).

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

22. RELATED PARTY BALANCES AND TRANSACTIONS

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

Name of related parties	Notes	Amounts due from related parties		Amounts due to related parties	
		June 30, 2021 RMB'000 (Unaudited)	Dec 31, 2020 RMB'000 (Audited)	June 30, 2021 RMB'000 (Unaudited)	Dec 31, 2020 RMB'000 (Audited)
Trade in nature					
Starcorp Corporation Pty., Ltd.	(i)	1,166	1,178	-	-
Haining Yujie Material Recycling Co., Ltd. ("Yujie") 海寧宇潔物資回收有限公司	(i, ii)	1,342	1,779	-	-
		2,508	2,957	-	-
Non-trade in nature					
Mr. Zhu	(iii)	-	-	5,277	5,330
		-	-	5,277	5,330

Notes:

- (i) The amounts are trade in nature and unsecured, interest-free and settle according to agreed credit terms.
- (ii) Mr. Zhu, controlling shareholder and director of the Company, indirectly controls more than 30% of the voting power at Zhejiang Sunbridge Industrial Group Company Limited ("Sunbridge")'s general meeting. Mr. Zhu has significant influence and beneficial interests in Yujie, through Sunbridge during interim period of 2021 and 2020.
- (iii) Mr. Zhu is the controlling shareholder and director of the Company. The amount is unsecured, interest-free and repayable on demand. The balance is included in 'Trade, bills and other payables'.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

(b) Details of the related parties transactions

Name of the related parties	Nature of transactions	June 30, 2021 RMB'000 (Unaudited)	June 30, 2020 RMB'000 (Unaudited)
Yujie	Sales of scrap materials by the Group	489	525

(c) Key management personnel compensation

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

	June 30, 2021 RMB'000 (unaudited)	June 30, 2020 RMB'000 (unaudited)
Basic salaries and other benefits	2,996	3,944
Contribution to retirement benefits schemes	56	73
	3,052	4,017