KASEN INTERNATIONAL HOLDINGS LIMITED
卡森國際控股有限公司

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

(Stock Code: 496)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

The board (the "Board") of directors (the "Directors") of Kasen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2013 together with comparative figures for the same period of 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2013

	NOTES	**2013** *RMB'000*	2012 *RMB'000*
Turnover	*3*	**3,439,200**	3,094,552
Cost of sales		**(2,761,776)**	(2,457,175)
Gross profit		**677,424**	637,377
Other income	*4*	**50,784**	55,327
Selling and distribution costs		**(151,803)**	(126,941)
Administrative expenses		**(180,315)**	(142,254)
Other gains and losses	*5*	**(12,002)**	27,039
Share of losses of associates		**(4,253)**	(11,947)
Finance costs	*6*	**(40,653)**	(38,241)
Profit before tax	*7*	**339,182**	400,360
Income tax expenses	*8*	**(169,967)**	(192,806)
Profit for the year		**169,215**	207,554

	NOTES	2013 RMB'000	2012 RMB'000
Other comprehensive income (expenses)			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on available-for-sale investments		**364,216**	123,570
Income tax on fair value change of available-for-sale investments		**(91,054)**	(30,892)
Exchange difference arising on translation		**(231)**	–
		272,931	92,678
Total comprehensive income for the year		**442,146**	300,232
Profit (loss) for the year attributable to:			
Owners of the Company		**173,422**	203,399
Non-controlling interests		**(4,207)**	4,155
		169,215	207,554
Total comprehensive income (expense) attributable to:			
Owners of the Company		**446,353**	296,077
Non-controlling interests		**(4,207)**	4,155
		442,146	300,232
Earnings per share	*10*		
Basic		**RMB14.92 cents**	RMB17.50 cents
Diluted		**RMB14.90 cents**	RMB17.49 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2013

	NOTES	**2013**	2012
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**752,721**	512,794
Prepaid lease payments – non-current portion		**67,362**	70,052
Intangible assets		**1,162**	605
Interests in associates		**–**	4,253
Available-for-sale investments		**859,213**	494,366
Deferred tax assets		**91,602**	48,910
Deposit paid for acquisition of a subsidiary	*13*	**–**	212,581
Advances for acquisition of land for development	*13*	**–**	279,430
Deposits paid for acquisition of land use rights		**20,000**	20,000
Other long term assets		**620**	–
		1,792,680	1,642,991
CURRENT ASSETS			
Inventories		**459,541**	426,905
Properties under development		**3,355,805**	3,862,066
Properties held for sale		**1,140,048**	519,735
Trade, bills and other receivables	*11*	**1,528,423**	847,166
Prepaid lease payments – current portion		**2,129**	1,568
Tax recoverable		**13,987**	44,032
Prepaid land appreciation tax		**52,491**	48,505
Pledged bank deposits		**199,028**	240,815
Restricted bank deposits for property development business		**29,615**	6,257
Bank balances and cash		**560,147**	560,928
		7,341,214	6,557,977
CURRENT LIABILITIES			
Trade, bills and other payables	*12*	**1,896,980**	1,794,886
Deposits received in respect of pre-sale of properties		**1,023,479**	1,542,080
Bank and other borrowings – due within one year		**1,480,098**	1,280,978
Tax payable		**253,849**	172,347
Amount due to non-controlling interests of subsidiaries		**114,374**	103,001
Other long-term liabilities – current portion		**145,345**	–
		4,914,125	4,893,292
NET CURRENT ASSETS		**2,427,089**	1,664,685
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,219,769**	3,307,676

	NOTES	2013	2012
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**326,289**	247,527
Bank and other borrowings – due after one year		**458,116**	5,568
Other long-term liabilities		**17,160**	142,842
		801,565	395,937
NET ASSETS		**3,418,204**	2,911,739
CAPITAL AND RESERVES			
Share capital		**1,400**	1,400
Reserves		**3,260,017**	2,813,664
Equity attributable to owners of the Company		**3,261,417**	2,815,064
Non-controlling interests		**156,787**	96,675
TOTAL EQUITY		**3,418,204**	2,911,739

Notes:

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since October 20, 2005. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information attached to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing of upholstered furniture, furniture leather and automotive leather; (ii) properties development; and (iii) retail of furniture.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described in the notes to the consolidated financial statements attached to the annual report, the application of the new and revised IFRS in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after January 1, 2014.
[2] Effective for annual periods beginning on or after July 1, 2014.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized.
[4] Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.
[5] Effective for first annual IFRS financial statements beginning on or after January 1, 2016.

3. SEGMENT INFORMATION AND REVENUE

(a) 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 assessment, are as follows:

– Manufacturing of upholstered furniture, furniture leather and automotive leather ("Manufacturing");

– Properties development;

– Retailing of furniture ("Retail"); and

– Others, comprising mainly provision of property management service, hot spring resort operation and provision of travel-related services ("Others").

Segment revenues and results

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

Revenue

For the year ended December 31, 2013

	Manufacturing *RMB'000*	Properties development *RMB'000*	Retail *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
TURNOVER							
External sales	**1,851,864**	**1,468,074**	**16,041**	**103,221**	**3,439,200**	**–**	**3,439,200**
Inter-segment sales	**2,820**	**–**	**–**	**15,696**	**18,516**	**(18,516)**	**–**
Total	**1,854,684**	**1,468,074**	**16,041**	**118,917**	**3,457,716**	**(18,516)**	**3,439,200**

For the year ended December 31, 2012

	Manufacturing *RMB'000*	Properties development *RMB'000*	Retail *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
TURNOVER							
External sales	1,715,874	1,268,049	20,851	89,778	3,094,552	–	3,094,552
Inter-segment sales	4,438	–	–	5,667	10,105	(10,105)	–
Total	1,720,312	1,268,049	20,851	95,445	3,104,657	(10,105)	3,094,552

Results

	2013	2012
	RMB'000	*RMB'000*
Segment results		
– Manufacturing	**(4,142)**	45,456
– Properties development	**222,403**	193,757
– Retail	**(9,725)**	(6,387)
– Others	**(38,366)**	(34,749)
	170,170	198,077
Unallocated corporate expenses	**(4,080)**	(8,065)
Unallocated other gains and losses	**(1,724)**	(329)
Gain on loss of control of a subsidiary	**–**	17,871
Gain on bargain purchase of a subsidiary	**4,849**	–
Profit for the year	**169,215**	207,554

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) mainly represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain (loss). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Geographical information

The Group's operations are substantively located in the People's Republic of China ("PRC").

The Group's revenue analysis are basically based on the locations of external customers except for revenue from sales of properties and provision of property management services, which are based on location of properties.

The Group's revenue from external customers by geographical location of the assets is detailed below:

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
United States	**234,574**	295,267
PRC, including Hong Kong	**3,062,840**	2,683,429
Europe	**92,068**	69,165
Japan	**37,308**	–
Others	**12,410**	46,691
	3,439,200	3,094,552

Information about major customers

The following table summarizes net revenue for customers which accounted for 10% or more of net sales:

	Year ended December 31,	
	2013	2012
	RMB'000	*RMB'000*
Customer A[1]	**492,443**	384,666
Customer B[1]	**486,813**	514,286

[1] Revenue from Manufacturing

(b) Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year.

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

	2013	2012
	RMB'000	*RMB'000*
Sale of goods		
Manufacturing		
Upholstered furniture	**459,128**	495,595
Furniture leather	**255,359**	200,030
Automotive leather	**1,137,377**	1,020,249
Residential properties	**1,468,074**	1,268,049
Retail of upholstered furniture	**16,041**	20,851
	3,335,979	3,004,774
Provision of services		
Others *(note)*	**103,221**	89,778
Total	**3,439,200**	3,094,552

Note: Amounts mainly included income from provision of property management services, hot spring resort operation and provision of travel-related services.

4. OTHER INCOME

Details of other income are as follows:

	2013	2012
	RMB'000	*RMB'000*
Government grants *(note)*	**11,939**	7,759
Income from sales of scrap materials	**4,645**	3,133
Interest income	**19,007**	18,836
Dividend income from available-for-sale investments	**5,985**	5,163
Rental income	**4,401**	3,848
Imputed interest of receivable from disposal of assets	**–**	2,470
Others	**4,807**	14,118
	50,784	55,327

Note: Government grants represent various incentives received from government for business development.

5. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Reversal of impairment loss recognized in respect of trade and other receivables	**5,756**	11,260
Loss on fair value change on derivative financial instruments	**–**	(338)
Gain (loss) on disposal of property, plant and equipment	**400**	(8)
Net foreign exchange loss	**(2,962)**	(246)
Impairment loss recognized in respect of trade and other receivables	**(6,392)**	(6,518)
Reversal of impairment recognized in respect of property, plant and equipment	**–**	13,084
Donation	**(1,482)**	(709)
Penalty (i)	**(9,571)**	(529)
Gain on bargain purchase of a subsidiary *(note 13)*	**4,849**	–
Gain on loss of control of a subsidiary	**–**	17,871
Gain on disposal of an associate	**10**	–
Loss on sale of assets held for sale *(ii)*	**(44)**	–
Other	**(2,566)**	(6,828)
	(12,002)	27,039

Note:

(i) In May 2013, the Group terminated the rental contract in advance for the retail store in Shanghai and paid RMB7.8 million penalty. Other penalties are the tax penalty for late payment.

(ii) After acquisition of MELX Co., Ltd. ("MELX") in January 2013 (see note 13 for details), the directors of the Company resolved to dispose of the land and building located in Japan, which is not indispensable in future business development. The land and buildings were classified as assets held for sale at an amount of RMB1,927,000 at inception.

In October 2013, the land and building was sold for a total consideration of RMB1,883,000 and the Company recorded a loss of RMB44,000.

6. FINANCE COSTS

	2013 *RMB'000*	2012 *RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**94,899**	83,691
Corporate bonds wholly repayable within five years	**14,653**	8,149
Other borrowings not wholly repayable within five years	**6,840**	195
Total borrowing costs	**116,392**	92,035
Less: Amounts capitalized in respect of properties under development	**(75,739)**	(53,794)
	40,653	38,241

The capitalized borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically used in the properties during the year.

7. PROFIT BEFORE TAX

	2013 *RMB'000*	2012 *RMB'000*
Profit before tax has been arrived at after charging:		
Amortization of intangible assets	**436**	372
Depreciation of property, plant and equipment	**56,290**	41,186
Total depreciation and amortization	**56,726**	41,558
Release of prepaid lease payments	**2,129**	805
Auditor's remuneration	**3,100**	4,534
Cost of inventories recognized as expenses (including allowance of inventories of RMB7,303,000 (2012: RMB3,675,000))	**1,697,933**	1,537,759
Cost of properties recognized as cost of sale	**994,224**	837,271
Operating lease rentals in respect of land and buildings	**25,190**	31,905
Total employee benefit expenses (including directors' emoluments)	**208,860**	150,587

8. INCOME TAX EXPENSES

	2013 *RMB'000*	2012 *RMB'000*
Current year		
– PRC enterprise income tax	**131,468**	118,391
– Japan	**91**	–
	131,559	118,391
Underprovision of income tax in previous years		
– PRC enterprise income tax	**3,876**	187
PRC Land appreciation tax ("LAT")	**89,516**	86,291
Deferred tax	**(54,984)**	(12,063)
	169,967	192,806

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in Japan is calculated at the tax rates 36.8% prevailing in Japan.

Haining Schinder Tanning Co., Ltd, one subsidiary of the Group obtained a High and New Technology Enterprise status for the periods from January 1, 2010 to December 31, 2012 and for the periods from January 1, 2013 to December 31, 2013, respectively entitled to a preferential tax rate of 15% for the years ended December 31, 2013 and 2012.

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from January 27, 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

9. DIVIDENDS

No dividend was paid, declared or proposed during 2013 and 2012.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2013 of HK1.00 cent (equivalent to approximately RMB0.79 cent) (2012: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

Profit for the year

	2013	2012
	RMB'000	*RMB'000*
Profit for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**173,422**	203,399

Number of shares

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,162,322,985**	1,162,322,985
Effect of dilutive potential ordinary shares – share options	**1,544,806**	317,752
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,163,867,791**	1,162,640,737

The computation of diluted earnings per share does not assume the exercise of certain of the Company's options because the exercise prices of those options were higher than the average market price of shares in 2013.

11. TRADE AND BILLS RECEIVABLES

The Group grants a credit period ranging from 30 days to 120 days to their manufacturing trade customers. The aging analysis of trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**341,865**	279,818
61 – 90 days	**72,433**	127,456
91 – 180 days	**15,141**	22,330
181 – 365 days	**3,881**	9,213
Over 1 year	**3,235**	2,546
	436,555	441,363

12. TRADE AND BILLS PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
Within 60 days	**1,287,422**	1,103,530
61 – 90 days	**131,351**	36,088
91 – 180 days	**38,332**	254,133
181 – 365 days	**39,184**	82,453
1 – 2 years	**43,345**	38,454
Over 2 years	**26,093**	14,433
	1,565,727	1,529,091

13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES

a) On January 28, 2013, the Group acquired 100% interest in Melx Co., Ltd. ("MELX"), a company in the process of civil rehabilitation in Japan, through Cardina International Company Limited ("Cardina"), an indirect wholly owned subsidiary of the Group. MELX is a company established in Japan and it is principally engaged in the sale and manufacturing of leather products including shoe leather, furniture leather, car seat leather and other leather products.

MELX is a company whose shares were listed on the Tokyo Stock Exchange until June 2011. Subsequent to the delisting on June 11, 2012, MELX applied to the Tokyo District Court for the commencement of its civil rehabilitation pursuant to the Civil Rehabilitation Law of Japan. A rehabilitation plan was subsequently submitted to the Tokyo District Court on October 16, 2012 and the rehabilitation plan was approved by the Tokyo District Court on December 12, 2012. The rehabilitation plan became effective on January 9, 2013. As part of the rehabilitation plan of MELX, MELX will not be required to repay 90% of its debts and liabilities (including trade creditors and borrowings), being in the sum of approximately JPY1,820,117,891 (equivalent to RMB125,216,000), upon completion of its rehabilitation plan.

MELX has agreed to issue to Cardina and Cardina has agreed to subscribe from MELX, the issue shares, representing a 100% interest in MELX, pursuant to the terms of the rehabilitation plan as part of its civil rehabilitation at a cash consideration of JPY100,000,000 (equivalent to RMB6,880,000). Pursuant to the rehabilitation plan of MELX, MELX shall repurchase all of its existing shares in issue prior to the issue of the issue shares to Cardina in accordance with the terms of the subscription agreement. Upon completion of the acquisition, MELX is wholly owned by Cardina and the financial results of MELX is consolidated into the financial statements of the Group and MELX is accounted for as an indirect wholly owned subsidiary of the Company.

It is expected that the Group will continue expanding its leather manufacturing business. The directors also believe that the acquisition will further strengthen the Group's position as a leading automotive leather supplier in the PRC since the Group will be able to make use of the existing production facilities of MELX to increase its production capacity of automotive leather products. It will also create a new platform and business opportunities for the Group's existing operations, expand the Group's research and development capabilities and large-scale production capabilities, and enhance its international presence.

Impact of acquisition on the results of the Group

The fair value of identifiable net assets acquired through the MELX acquisition is RMB11,729,000. Therefore, the Group has recognised a gain on bargain purchase arising on the MELX acquisition of RMB4,849,000 for the year ended December 31, 2013.

Included in the profit for the year ended December 31, 2013, is a loss of RMB20,542,000 attributable to MELX. Revenue for the current year includes RMB62,904,000 attributable to MELX.

Had the acquisition of MELX been effected at the beginning of 2013, the total amount of the revenue and profit of the Group for the 12 months ended December 31, 2013 would not have been materially different from the amounts as reported as the acquisition date is close to the beginning of the year.

b) In late 2009, the Group entered into an agreement with Zhejiang Zhongyu Development Co., Ltd. (浙江中宇經貿發展有限公司) ("Zhongyu"), an independent third party and two other independent parties ("Selling Shareholders"). In accordance with the agreement, the Group will acquire 51% equity interest in Hainan Hejia Property Development Co., Ltd. (海南合甲置業有限公司) ("Hainan Hejia"), for a total consideration of RMB140,801,000, while Zhongyu will acquire the remaining 49% equity interest in Hainan Hejia from the Selling Shareholders, respectively. In February 2010, the Group entered into an agreement with Zhongyu to acquire additional 26% equity interest in Hainan Hejia for a total consideration of RMB71,780,000. The Group had paid the amounts in full in 2010. The principal activity of Hainan Hejia is property development in Hainan Province of the PRC. At that time, Hainan Hejia has signed an agreement for acquisition of a piece of land in Hainan Province of the PRC (the "Land") and no other material assets and liabilities was owned by Hainan Hejia.

According to the agreements for acquisition of equity interests in Hainan Hejia, the total consideration paid is refundable together with damages by the Selling Shareholders if Hainan Hejia failed to obtain the land use right of the Land and the equity purchase agreement will be terminated automatically.

During the year ended December 31, 2013, the substantial procedures to obtain the title of the land has been completed and the management considered the Group is now in a position to exercise control over Hainan Hejia and has the ability to use its power to affect its returns, therefore, the Company commenced to consolidate Hainan Hejia in 2013.

14. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets have been pledged to secure the borrowings and the general banking facilities of the Group. The aggregate carrying amounts of the pledged assets of the Group at the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Buildings	**117,010**	124,568
Prepaid lease payments	**24,800**	25,108
Pledged bank deposits	**199,028**	240,815
Properties under development and held for sale	**2,347,584**	533,175
	2,688,422	923,666

15. CAPITAL AND OTHER COMMITMENTS

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

	2013	2012
	RMB'000	*RMB'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of		
– Acquisition of property, plant and equipment	**120,720**	12,635
– Properties under development	**1,167,650**	1,012,040
Expenditure authorized but not contracted in respect of		
– Acquisition of land use right	**56,236**	–
	1,344,606	1,024,675

16. CONTINGENT LIABILITIES

The Group provided guarantees of RMB328,718,000 (2012: RMB295,248,000) at December 31, 2013 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2013, the Group recorded a consolidated turnover of RMB3,439.2 million, representing an increase of 11.1% as compared to RMB3,094.6 million for the year ended December 31, 2012.

The Group's gross profit for the year 2013 was RMB677.4 million, representing an increase of 6.3% as compared to RMB637.4 million in the year 2012 and the Group's gross profit margin in 2013 remained at 19.7%, compared to 20.6% in the year 2012.

During the year under review, the net profit attributable to owners of the Company was RMB173.4 million, representing a decrease of 14.7% as compared to RMB203.4 million in the year 2012.

Review by Business Segments

The Group's reportable business segments principally consist of manufacturing, property development, retail business and others (comprising mainly provisions of property management service business, hot spring resort operation and provision of travel-related services).

The table below shows the total turnover of the Group by business segments for the year ended December 31, 2013 together with the comparative figures for the corresponding period of year 2012:

	2013		2012		Y-O-Y Change
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing	**1,851.9**	**53.8%**	1,715.9	55.4%	7.9%
Automotive Leather	***1,137.4***	***33.1%***	*1,020.3*	*33.0%*	*11.5%*
Upholstered Furniture	***459.1***	***13.3%***	*495.6*	*16.0%*	*-7.4%*
Furniture Leather	***255.4***	***7.4%***	*200.0*	*6.4%*	*27.7%*
Property Development	**1,468.1**	**42.7%**	1,268.0	41.0%	15.8%
Retail business	**16.0**	**0.5%**	20.9	0.7%	-23.4%
Others	**103.2**	**3.0%**	89.8	2.9%	15.0%
Total	**3,439.2**	**100.0%**	3,094.6	100.0%	11.1%

Manufacturing Business

During the year under review, the Group's manufacturing business, comprising of manufacturing of upholstered furniture, furniture leather and automotive leather, recorded a total turnover of RMB1,851.9 million, representing an increase of 7.9% as compared to RMB1,715.9 million in 2012.

During the year under review, this segment recorded an operating loss of RMB4.1 million, as compared to an operating profit of RMB45.5 million in 2012. A brief discussion of the performance of the three operating divisions is as follows:

Automotive Leather

Due to the fast annual growth rate of China's automobile industry in the past few years and the strong cooperation relationships with the major automobile manufacturers, the Group successfully maintained a year-on-year growth of more than 10% in its automotive leather business. During the year under review, the turnover from automotive leather division still accounted for the biggest part in the revenue of the Group's manufacturing business. Revenue generated from this division was RMB1,137.4 million, representing an increase of 11.5% compared to RMB1,020.3 million in the year of 2012.

During the year under review, the Group acquired all the existing shares of Melx Co., Ltd ("Melx"), a company established in Japan in 1911, which is principally engaged in sale and manufacturing of automotive leather to Japanese automakers. With the acquisition, the Group added a leather production base established by Melx in Foshan, Guangdong Province, China to its existing production facilities. With this new addition, the Group owns three plants located in Jiangsu, Zhejiang and Guangdong which will help the Group to meet the growing demands from customers and implement its market expansion plan.

Upholstered Furniture

Sale of upholstered furniture included finished sofa and sofa cut-and-sew. Turnover generated from this division was RMB459.1 million in the year 2013 as compared to RMB495.6 million in 2012, representing a decrease of 7.4%. The performance of upholstered furniture is still in the downturn period due to the weak demand from the United States (the "U.S.") market, the biggest original equipment manufacturer ("OEM") export market for the Group.

In the domestic market, the Group established its branded division and introduced "Kasen Helpdeco" (卡森海派名家) brand to the domestic customers. The new brand will focus on internet sale and provide our customers with more options to choose high quality furniture with affordable price.

Furniture Leather

During the year under review, the Group successfully strengthened the cooperation relationship with domestic big customers and the orders for furniture leather kept increasing. The Group's sale of furniture leather recorded sale of RMB255.4 million in 2013, as compared to RMB200.0 million in 2012.

Property Development Business

As of December 31, 2013, the Group has seven projects at various stages of development spread around various places in the PRC. The turnover from the property development segment was RMB1,468.1 million in 2013 representing an increase of 15.8%, as compared to RMB1,268.0 million in 2012. The revenue from the property development section has accounted for 42.7% of the Group's total turnover of 2013. An operating profit generated from this segment in 2013 was RMB222.4 million, as compared to an operating profit of RMB193.8 million in 2012.

Group Property Project Portfolio as at December 31, 2013

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m.)	Status
1	Asia Bay	Boao, Hainan	92%	590,165	Under development
2	Sanya Project	Sanya, Hainan	77%	1,423,987	Pre-development
3	Qianjiang Continent	Yancheng, Jiangsu	100%	335,822	Under development
4	Kingdom Garden	Haining, Zhejiang	100%	444,326	Under development
5	Changbai Paradise	Changbai Mountain, Jilin	89%	291,662	Under development
6	Qianjiang Oasis	Yancheng, Jiangsu	60%	108,138	Under development
7	Jing Xiang Yuan	Haining, Zhejiang	100%	18,870	Under development
Total				3,212,970	

Analysis of Properties Under Development

No.	Project Name	Total GFA (sq.m.)	GFA under development (sq.m.)	Total Saleable GFA (sq.m.)	GFA sold as at December 31, 2013 (sq.m.)	GFA delivered as at December 31, 2013 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	245,917	590,165	67,602	58,237	19,622
2	Qianjiang Continent	775,292	775,292	672,213	634,259	555,644	5,556
3	Kingdom Garden	1,021,631	556,167	687,606	76,828	6,139	6,232
4	Changbai Paradise	179,077	179,077	110,330	18,198	–	–
5	Jing Xiang Yuan	39,004	39,004	28,951	25,210	–	–
6	Qianjiang Oasis	335,301	55,556	266,206	–	–	–
Total		3,068,970	1,851,013	2,355,471	822,097	620,020	

Projects Overview

Asia Bay in Boao of Hainan

Asia Bay is the flagship project of the Group in tourism property development field. Based on the design concept of "six islands and six buildings", Asia Bay mainly consists of six groups of island villas, six buildings of wave-shape apartments and seaview villas. Prime geographical location at seaside tourism district in Boao, enjoys magnificent sea views and other natural resources. A performance center is built to provide residents an array of services and programs. Asia Bay has won several outstanding awards including "2010 Top Five Properties of Living Environment in Hainan" (二零一零年海南五大最佳人居環境樓盤) and "2010 The Most Expected Property in Hainan" (二零一零年海南最值得期待樓盤).

During the year under review, the delivered gross floor area ("GFA") totaled 16,521 square meters ("sq.m.") and brought a recognized sale (before deducting the related tax charges) of RMB328.7 million to the Group.

The contracted sale in GFA was 11,425 sq.m. with the amount of RMB248.4 million during the year under review.

In the year of 2013, the Boao Asia Bay Resort Hotel (博鰲亞洲灣度假酒店) which is operated by the Group and the performance center attracted tourists to the site of Asia Bay. The Group believes that the combination of property sale and tourism services will be the unique advantage of the Group in the property market in Hainan.

Qianjiang Continent in Yancheng of Jiangsu

Qianjiang Continent is the Group's first residential property project, strategically located at the intersection of new town and old town of Yancheng, Jiangsu. It mainly consists of multi-storey and high-rise apartments well-equipped with mature amenities, strong transportation network, and a variety of commercial facilities to provide residents a high quality care home. Qianjiang Continent won the award of "National Demonstration Project" (國家康居示範工程).

During the year under review, the recognized GFA sold in this project was 172,120 sq.m. and the recognized sale (before deducting the related tax charges) amounted to RMB1,102.6 million as compared to RMB733.9 million in the year of 2012. A total of 1,097 units, including both commercial and residential units were delivered and the average selling price was RMB6,406 per sq.m..

The contracted sale in GFA totaled 73,235 sq.m. with the amount of RMB492.6 million during the year under review.

Kingdom Garden in Haining of Zhejiang

Kingdom Garden is primely located in Xieqiao County, Haining, south of Xiaxie Road and west of Dingtu Road, which is a major focal point for Haining city development. The project spans a total site area of approximately 444,326 sq.m. to be taken up by neoclassical style high-rise apartments and townhouses. Well-connected to public transport facilities, a wide variety of commercial goods and services ranging from neighborhood commercial facilities, community-shopping facilities, specialized commercial centers and medical facilities offer residents a caring place to live. A club house with size of approximately 3,000 sq.m. is built to provide an ideal environment to cater for the individual needs of our residents.

During the year under review, the recognized GFA sold in this project was 6,139 sq.m. and brought a recognized sale (before deducting the related tax charges) of RMB38.2 million to the Group.

During the year under review, townhouses and apartments in the southern area are in pre-sale and the contracted sale in GFA was 32,359 sq.m. with the amount of RMB197.8 million.

During the year of 2013, the construction of premises located in the northern area commenced and will be ready for pre-sale in the year of 2014.

Changbai Paradise in Changbai Mountain of Jilin

Changbai Paradise is located in the Changbai Mountain Protection and Development Zone with a total site area of about 291,662 sq.m., which is designed to be an icy town featured with Scandinavian style residence and commercial facilities, a five-star hot spring hotel, a shopping plaza, and a performance center.

During the year under review, the apartments are under construction; however, parts of the premises are in pre-sale. The contracted sale in GFA totaled 5,210 sq.m. with the amount of RMB16.2 million.

After several years of development and promotion, the Changbai Mountain was gradually accepted by domestic tourists as a suitable tour destination in summer and winter. The Group is confident about the performance of this project in the following years.

Other projects

The Group's property projects in Sanya of Hainan Province and Qianjiang Oasis in Yancheng of Jiangsu Province were under development during the year under review. No contribution was made from these projects with respect to turnover and profit of the Group in the year of 2013.

Operating Expense, Taxation and Profit Attributable to Owners

The selling and distribution costs during the year under review increased to approximately RMB151.8 million, as compared to approximately RMB126.9 million in 2012, mainly due to (1) the increase of net selling expenses (an increase in salary, marketing and related expenses, offset by a decrease in depreciation and lease rentals) of approximately RMB12.1 million incurred by the subsidiaries which operated hot spring resort, Asia Bay project and Sanya project, and (2) the increase in sales commission of approximately RMB15.0 million mainly from the automotive leather business as the sale in this business operation increased. As a result, the Group's selling and distribution costs to turnover in 2013 increased to 4.4% as compared to 4.1% in 2012.

The administrative costs in 2013 was approximately RMB180.3 million, representing an increase of approximately RMB38.1 million as compared to approximately RMB142.2 million in 2012. The increase was mainly due to (1) the increase of staff recruited in our expanding business in hot spring resort, travel-related services (such as hotels and restaurants) and a number of new subsidiaries set up within the year under review, which brought to an increase in staff salary and welfare expenses of approximately RMB9.9 million, and (2) the increase in depreciation charge of approximately RMB14.4 million arose from the hot spring resort, Sanya project and restaurant business. Apart from these main changes, all other administrative expenses were steadily increased at a slight extent.

The Group's finance cost in 2013 was approximately RMB40.6 million, representing a slight increase of approximately RMB2.4 million, as compared to approximately RMB38.2 million in 2012, mainly due to (1) the increase of loan interests from the corporate bond newly issued in last June 2012 by approximately RMB6.5 million in 2013, offset by (2) the decrease in bank borrowing interests by approximately RMB10.4 million because of the increase in capitalisation of interests charged in the bank loans used for financing the Group's property development projects during 2013.

The Group's other gains and losses in 2013 recorded at a net loss of approximately RMB12.0 million, representing a decrease of approximately RMB39.0 million, as compared to a net gain of approximately RMB27.0 million in 2012. For details, please refer to note 5 above.

The Group's income tax in 2013 was approximately RMB170.0 million, representing a decrease of approximately RMB22.8 million, as compared to approximately RMB192.8 million in 2012. The decrease resulted from (1) an increase in deferred taxation credit of approximately RMB43.0 million, offset by (2) an increase in PRC land appreciation tax of approximately RMB3.2 million from the property development projects together with (3) an increase in PRC income tax of approximately RMB16.9 million mainly due to an increase in taxable profits generated by the property development business at a subsidiary level.

With the reasons mentioned above, profit attributable to owners of the Company for the year 2013 decreased by approximately 14.7% to RMB173.4 million (2012: RMB203.4 million).

CAPITAL EXPENDITURES

Capital expenditure (excluding assets acquired through acquisition of subsidiaries during the year) in 2013 decreased to approximately RMB88.3 million from approximately RMB134.5 million in 2012. The capital expenditure mainly comprised the amount of approximately RMB87.8 million spent on the purchase of property, plant and equipment for operational purpose.

FINANCIAL RESOURCES AND LIQUIDITY

Bank and Other Borrowings

As at December 31, 2013, the Group's bank and other borrowings amounted to approximately RMB1,938.2 million, representing a 50.7% increase from approximately RMB1,286.5 million as at December 31, 2012. Besides, a wholly-owned subsidiary issued corporate bonds in the PRC on June 14, 2012 at the issue size of RMB150 million, with a term of three years. For details, please refer to the announcement of the Company dated June 14, 2012.

Turnover Period, Liquidity and Gearing

The Group's existing inventory primarily comprised leather crust used for production, accounted for approximately 37.2% of the total inventory of approximately RMB459.5 million in 2013 (2012: approximately RMB426.9 million). In 2013, the inventory turnover period decreased to 98 days (2012: 100 days).

In 2013, the Group continued to maintain a strict credit policy. The account receivables turnover days of the Group's manufacturing and retail segments reduced to 78 days in 2013 (2012: 88 days).

The accounts payable turnover days of the Group's manufacturing and retail segments decreased to 67 days in 2013 (2012: 71 days).

As at December 31, 2013, the Group's current ratio was 1.49 (December 31, 2012: 1.34). The Group's cash and cash equivalent balance was approximately RMB560.1 million as at December 31, 2013 (December 31, 2012: approximately RMB560.9 million). This represents a gearing ratio of 59.3% as at December 31, 2013 (December 31, 2012: 45.5%) and a net debt-to-equity ratio of 42.1% as at December 31, 2013 (December 31, 2012: 25.6%). The gearing ratio is based on bank borrowings to shareholders' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity. In 2013, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the year under review.

MATERIAL ACQUISITION AND DISPOSAL

On January 28, 2013, the Group acquired 100% interest in Melx for the consideration of JPY100,000,000, pursuant to the terms of the reconstruction plan as part of its civil rehabilitation in Japan. For further detail regarding the acquisition of Melx, please refer to note 13 above.

On November 12, 2009, the Group entered into an agreement with Zhejiang Zhongyu Development Co., Ltd. (浙江中宇經貿發展有限公司) ("Zhongyu"), an independent third party and two other independent parties to acquire 51% equity interest in Hainan Hejia Property Development Co., Ltd. (海南合甲置業有限公司) ("Hainan Hejia"). Given that the substantial procedures to obtain the title of the land acquired by Hainan Hejia were completed during the year ended December 31, 2013, the Company commenced to consolidate Hainan Hejia's accounts into the Group's financial statements for the year ended December 31, 2013. For further details, please refer to note 13 above and the announcement of the Company dated November 12, 2009.

Save as disclosed above, the Group did not have any material acquisitions or disposals during the year ended December 31, 2013.

CONTINGENT LIABILITIES

As at December 31, 2013, the Group had certain contingent liabilities. For details, please refer to note 16 above.

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

As at December 31, 2013, the Group had contracted, but not provided for, a total capital expenditure of RMB1,344.6 million (2012: RMB1,024.7 million), in which an amount of RMB1,167.7 million (2012: RMB1,012.0 million) was in respect of properties under development.

FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in export-related business, and transactions (including sale and procurements) were mainly denominated in US dollars, and most of the trade receivables was exposed to exchange rate fluctuation.

EMPLOYEES AND EMOLUMENTS POLICIES

As at December 31, 2013, the Group employed a total of approximately 4,600 full time employees (December 31, 2012: approximately 4,000), including management staff, technicians, salespersons and workers. In 2013, the Group's total expense on the remuneration of employees was approximately RMB208.9 million (2012: approximately RMB150.6 million), representing 6.1% (2012: 4.9%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly 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) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

FUTURE PLANS AND PROSPECTS

Manufacturing business

The automotive leather business will be the priority in the development of manufacturing business. The acquisition of Melx is only the first step to expand our customer base. Relying on our leading advantages in technology, human resources and production management, the Group will try to cooperate with local Chinese-brand automobile companies to diversify our product portfolio. The three leather production bases in the mainland of China will provide strong support to fulfill the demand from customers.

Due to the intense market competition, the Group will concentrate on reforming measures to improve the OEM business performance. The Group has reformed its sale teams and implemented new strategies to improve both sale and profit. We will introduce new products, improve the efficiency of existing production lines and consolidate the relationship with major customers.

The domestic furniture market in China is full of opportunities due to the favourable government policy of urbanization and the Group will launch a branding and promotion plan to improve our market presence. A new brand "Kasen Helpdeco" (卡森海派名家) has been introduced to domestic customers. The innovation in "on-line sale, off-line experience" strategy will help the Group to capture the strong demand from middle-class buyers and bring better results in the long run.

Residential and Tourism Property Development and Services

Looking ahead, the urbanization and increase of household income are the top goals of Chinese government in the five-year scheme. The Group believes that the property industry will continue to be a pillar industry in China and is optimistic about the performance of our existing projects. The Group will seize the opportunities to implement its long-term strategic vision and build our trusted brand. In the coming year of 2014, the Group will also seek chances to expand the investments to optimize the geographical diversification.

The Group continues to the strategy of establishing a comprehensive tourism facilities in famous tourist districts, not only in the mainland of China but also abroad. In the year of 2014, the resort hotel in Changbai Mountain and water park in Sanya will be put into operation. Along with our existing tourism resources, such as horse farm, hotspring and performance centers, the Group is confident in expanding our market presence and achieving remarkable results.

FINAL DIVIDENDS

The directors recommend the payment of a final dividend of approximately HK1.00 cent (equivalent to approximately RMB0.79 cent) per ordinary share for the year ended December 31, 2013, subject to approval by the Shareholders at the AGM to be held on May 30, 2014. The final dividend will be payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on March 27, 2014. Subject to the approval by the Shareholders, the proposed final dividend is expected to be paid on or about July 8, 2014 to the Shareholders whose names are on the registers of members of the Company on June 10, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the rights to attend and vote at the AGM, the register of members of the Company will be closed from May 28, 2014 to May 30, 2014 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on May 27, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The payment of the proposed final dividend is subject to the approval of the Shareholders at the AGM. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 9, 2014 to June 10, 2014 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on June 6, 2014.

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended December 31, 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions ("CG Code Provisions") set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended December 31, 2013, except for the deviation to CG Code Provision A.2.1 as stated below.

CODE PROVISION A.2.1

Under CG Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of chairman and chief executive officer. Mr. Zhu Zhangjin, Kasen is the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in the PRC and the in-depth knowledge and experience in the leather and upholstered furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended December 31, 2013, each of them has complied with the provisions with the required standards as set out in the Model Code.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Company in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit Committee comprises all the three independent non-executive Directors namely, Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang. The Audit Committee has reviewed with management and the external auditors on the accounting principles and practices adopted by the Group. The Audit Committee has held meetings with the Company's senior management to review, supervise and discuss the Company's financial reporting and internal control principles and to make recommendations to improve the Company's internal control, and to ensure that management has discharged its duty to have an effective internal control system during the year ended December 31, 2013.

The annual results of the Company for the year ended December 31, 2013 have been reviewed by the Audit Committee.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company to establish policies in respect of remuneration structure for all Directors and senior management of the Company, review and determine the remuneration of the directors and the senior management of the Company. The remuneration committee comprises two independent non-executive Directors namely, Mr. Zhou Lingqiang and Mr. Zhang Yuchuan and an executive Director namely, Mr. Zhou Xiaosong. Mr. Zhou Lingqiang is the chairman of the remuneration committee.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

NOMINATION COMMITTEE

The nomination committee (the "Nomination Committee") comprises of two independent non-executive Directors namely Mr. Sun Steve Xiaodi and Mr. Zhou Lingqiang and an executive Director namely, Mr. Zhang Mingfa, Michael. Mr. Sun Steve Xiaodi is the chairman of the Nomination Committee. The Nomination Committee is responsible for nominating Directors, reviewing the structure, size and the composition (including the skills, knowledge, diversity and experience) of the Board regularly and identifying and nominating qualified individuals to be appointed as new Directors.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee adopted the "Board Diversity Policy" in relation to the nomination and appointment of new directors. The Nomination Committee selects board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2013 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended December 31, 2013.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended December 31, 2013 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/kasen/index.htm in due course.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on May 30, 2014. Notice of the annual general meeting will be published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/kasen/index.htm and despatched to the Company's shareholders on or about April 7, 2014.

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

PRC, March 27, 2014

As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; the non-executive director of the Company is Mr. Qiu Jian Ping; and the independent non-executive directors of the Company are Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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