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, 2016

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, 2016 together with comparative figures for the same period of 2015. Certain amounts in prior year have been reclassified in order to be consistent with the presentation of the current year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
			(restated)
Continuing operations			
Turnover	*3*	**2,129,645**	1,429,941
Cost of sales		**(1,761,768)**	(1,113,693)
Gross profit		**367,877**	316,248
Other income	*4*	**21,183**	4,553
Selling and distribution costs		**(156,047)**	(128,022)
Administrative expenses		**(182,131)**	(214,780)
Other gains and losses	*5*	**(17,644)**	296,358
Share of loss of an associate		**–**	(87)
Finance costs	*6*	**(26,699)**	(65,706)
Profit before tax	*7*	**6,539**	208,564
Income tax expenses	*8*	**(75,470)**	(60,956)
(Loss) profit for the year from continuing operations		**(68,931)**	147,608

	NOTES	2016 RMB'000	2015 RMB'000 (restated)
Discontinued operation:			
Income from discontinued operation	9	**8,170**	17,762
(Loss) profit for the year		**(60,761)**	165,370
Other comprehensive (loss) income			
Items that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on available-for-sale investments		**(45,924)**	105,464
Income tax on fair value change of available-for-sale investments		**11,481**	(26,366)
Exchange difference arising on translation		**(178)**	54
Reclassification from translation reserve to profit or loss on disposal of foreign operation		**–**	728
Reclassification from revaluation reserve to profit or loss on disposal of available-for-sale investments		**(78,192)**	(326,835)
Reclassification from revaluation reserve to profit or loss on income tax relating to disposal of available-for-sale investments		**19,548**	81,708
		(93,265)	(165,247)
Total comprehensive (loss) income for the year		**(154,026)**	123
(Loss) profit for the year attributable to:			
– Owners of the Company			
– (Loss) profit from continuing operations		**(48,066)**	172,696
– Income from discontinued operation		**8,170**	17,762
		(39,896)	190,458
– Non-controlling interests – loss from continuing operations		**(20,865)**	(25,088)
		(60,761)	165,370
Total comprehensive (loss) income for the year attributable to:			
– Owners of the Company		**(133,161)**	25,211
– Non-controlling interests		**(20,865)**	(25,088)
		(154,026)	123
Basic and diluted (losses) earnings per share	11		
– Continuing operations		**(RMB3.18 cents)**	RMB13.06 cents
– Discontinued operation		**RMB0.54 cents**	RMB1.35 cents
– Continuing and discontinued operations		**(RMB2.64 cents)**	RMB14.41 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**807,310**	961,216
Prepaid lease payments – non-current portion		**38,944**	71,667
Intangible assets		**337**	563
Deferred tax assets		**58,802**	73,930
Deposits paid for acquisition of land use rights		**–**	48,420
Deposits paid for acquisition of property, plant and equipment		**56,679**	–
		962,072	1,155,796
CURRENT ASSETS			
Available-for-sale investments		**70,506**	177,262
Inventories		**64,864**	534,052
Properties under development		**2,615,891**	3,189,256
Properties held for sale		**1,182,308**	1,289,901
Amounts due from non-controlling interests of subsidiaries		**23,000**	10,000
Trade, bills and other receivables	*12*	**1,019,685**	1,517,615
Prepaid lease payments – current portion		**1,074**	2,309
Tax recoverable		**9**	6,987
Prepaid land appreciation tax		**13,491**	18,623
Pledged bank deposits		**5,506**	104,308
Restricted bank deposits for property development business		**3,723**	1,867
Bank balances and cash		**339,731**	215,629
		5,339,788	7,067,809
CURRENT LIABILITIES			
Trade, bills and other payables	*13*	**1,223,531**	1,359,849
Deposits received in respect of pre-sale of properties		**848,421**	1,111,880
Bank and other borrowings – due within one year		**462,002**	1,583,869
Exchangeable bonds		**–**	137,439
Tax payable		**149,709**	111,323
Amounts due to non-controlling interests of subsidiaries		**128,905**	149,405
		2,812,568	4,453,765
NET CURRENT ASSETS		**2,527,220**	2,614,044
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,489,292**	3,769,840

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**44,276**	172,852
Bank and other borrowings – due after one year		**318,945**	316,891
		363,221	489,743
NET ASSETS		**3,126,071**	3,280,097
CAPITAL AND RESERVES			
Share capital		**1,735**	1,735
Reserves		**3,032,438**	3,165,599
Equity attributable to owners of the Company		**3,034,173**	3,167,334
Non-controlling interests		**91,898**	112,763
TOTAL EQUITY		**3,126,071**	3,280,097

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; (ii) properties development; and (iii) tourism resort-related operations. During the year, the Group disposed of its business in manufacturing of furniture leather and automotive leather.

2. APPLICATION OF NEW/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") for the first time in the current year, which are effective from the Group's financial period beginning on January 1, 2016.

(a) Adoption of new/revised IFRSs – effective from January 1, 2016

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New and revised IFRSs issued but not yet effective

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

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9 (2014)	Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]

1 Effective for annual periods beginning on or after January 1, 2017
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for annual periods beginning on or after January 1, 2019
4 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the above new and revised IFRSs will have no material impact on the consolidated financial statement except for the application of IFRS 15 and IFRS 16 which may have impacts on the disclosure set out in these consolidated financial statements attached to the annual report.

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:

Continuing operations:

– Manufacturing of upholstered furniture ("Manufacturing");

– Properties development;

– Retailing of furniture ("Retail"); and

– Others, comprising mainly provision of property management service and tourism resort-related services ("Others")

Discontinued operation:

– Manufacturing of furniture leather and automotive leather ("Manufacturing – Leather")

During the year, the Manufacturing – Leather segment was disposed of and was presented as discontinued operation which details were set out in note 9.

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, 2016

	Continuing operations					
	Manufacturing *RMB'000*	**Properties development** *RMB'000*	**Retail** *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
TURNOVER						
External sales	**603,335**	**1,383,428**	**26**	**142,856**	**–**	**2,129,645**
Inter-segment sales	**7,984***	**–**	**–**	**5,765**	**(13,749)**	**–**
Total	**611,319**	**1,383,428**	**26**	**148,621**	**(13,749)**	**2,129,645**

* Included sales of RMB7,984,000 to Manufacturing – Leather segment.

For the year ended December 31, 2015 (restated)

	Continuing operations					
	Manufacturing *RMB'000*	Properties development *RMB'000*	Retail *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
TURNOVER						
External sales	525,909	711,991	19,583	172,458	–	1,429,941
Inter-segment sales	153,779*	–	–	777	(154,556)	–
Total	679,688	711,991	19,583	173,235	(154,556)	1,429,941

* Included sales of RMB152,686,000 to Manufacturing – Leather segment.

Results

	2016 *RMB'000*	2015 *RMB'000* (restated)
Segment results from continuing operations		
– Manufacturing *(note)*	**116,382**	204,821
– Properties development	**(119,355)**	(32,001)
– Retail	**(315)**	154
– Others	**(46,674)**	(12,754)
	(49,962)	160,220
Unallocated corporate expenses	**(8,765)**	(14,641)
Unallocated other gains and losses	**(10,204)**	2,029
(Loss) profit for the year from continuing operations	**(68,931)**	147,608

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

Inter-segment sales are charged at prevailing market rates.

Note: Included in the result of Manufacturing segment was a gain on disposal of available-for-sale investments amounting to RMB74,808,000 (2015: RMB288,544,000). The available-for-sale investments were invested and managed under the Manufacturing segment.

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 continuing operations' revenue from external customers by geographical location is detailed below:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
		(restated)
United States	**434,468**	468,867
PRC, including Hong Kong	**1,599,818**	803,316
Europe	**90,746**	105,414
Japan	**870**	87
Others	**3,743**	52,257
	2,129,645	1,429,941

Information about major customer

The following table summarises revenue for customer which accounted for 10% or more of net sales:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Customer A[1]	**224,283**	169,018

[1] Revenue from Manufacturing segment

(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 from continuing operations for the year:

	2016	2015
	RMB'000	*RMB'000*
		(restated)
Sale of goods		
Upholstered furniture	**603,361**	545,492
Residential properties	**1,383,428**	711,991
	1,986,789	1,257,483
Provision of services		
Others *(note)*	**142,856**	172,458
	2,129,645	1,429,941

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

4. OTHER INCOME

An analysis of other income from continuing operations is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(restated)
Government grants *(note)*	**8,808**	28
Interest income	**6,482**	965
Dividend income from available-for-sale investments	**404**	1,920
Rental income	**3,184**	1,640
Sub-contracting fee income	**2,305**	–
	21,183	4,553

Note: Government grants represent various incentives received from government for business development. There were no other specific conditions attached to the incentives.

5. OTHER GAINS AND LOSSES

An analysis of other gains and losses from continuing operations is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(restated)
Impairment loss recognised in respect of properties under development and held for sales *(note a)*	**(62,324)**	(15,911)
Gain/(loss) on disposal of property, plant and equipment	**862**	(380)
Net foreign exchange gain	**8,137**	14,695
Net (provision)/reversal of impairment loss recognised in respect of trade, bills and other receivables *(note b)*	**(65,938)**	1,613
Donation	**(922)**	(78)
Penalty	**(2,429)**	(1,135)
Gain on disposal of available-for-sale investment	**74,808**	288,544
Gain on disposal of subsidiaries	**20,100**	17,415
Net losses from sale of scrap materials	**(837)**	(3,847)
Loss on disposal of an associate	**–**	(123)
Fair value change of exchangeable bonds	**2,448**	(2,346)
Release of financial guarantees	**3,670**	–
Others	**4,781**	(2,089)
	(17,644)	296,358

Note a: Impairment loss represents the estimated written down of properties under development to net realizable value at the end of the reporting period with reference to prevailing market conditions and anticipated cost of completion.

Note b: During the year, the Group entered into two legal proceedings for deposits paid for development of land in the PRC and one legal proceeding for acquisition of land for development in Malaysia. Management has provided impairment losses of RMB39,500,000 and RMB22,808,000 respectively based on its best estimates of outcomes.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016 *RMB'000*	2015 *RMB'000* (restated)
Interest on:		
Bank and other borrowings	**19,600**	60,452
Exchangeable bonds	**10,227**	10,132
	29,827	70,584
Total borrowing costs	**29,827**	70,584
Less: Amounts capitalised in respect of properties under development	**(3,128)**	(4,878)
	26,699	65,706

The capitalised 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

	2016 *RMB'000*	2015 *RMB'000* (restated)
Profit before tax from continuing operations has been arrived at after charging:		
Amortisation of intangible assets	**190**	221
Depreciation of property, plant and equipment	**58,853**	54,482
Total depreciation and amortisation	**59,043**	54,703
Release of prepaid lease payments	**1,222**	1,271
Auditor's remuneration	**2,200**	2,700
Cost of inventories recognised as expenses (including reversal for net allowance of inventories of RMB3,560,000 (2015: allowance for inventories of RMB2,079,000))	**444,817**	541,333
Cost of properties recognised as cost of sale	**1,267,404**	625,518
Operating lease rentals in respect of land and buildings	**14,263**	19,672
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	**153,984**	193,650
– Contributions on defined contribution retirement plans	**12,154**	13,140
– Equity settled share-based payment expenses	**–**	10,990
	166,138	217,780

8. INCOME TAX EXPENSES

The amount of income tax expenses relating to continuing operations in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	RMB'000	*RMB'000*
		(restated)
Income tax		
– for the current year	**115,519**	64,136
– under provision in respect of prior years	**6,783**	11,140
	122,302	75,276
PRC withholding income tax	**–**	8,548
PRC Land Appreciation Tax ("LAT")		
– for the current year	**40,645**	20,967
– over provision in respect of prior years	**–**	(52,153)
	40,645	(31,186)
Deferred tax	**(87,477)**	8,318
	75,470	60,956

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 rate 36.8% prevailing in Japan.

9. DISCONTINUED OPERATION

On February 1, 2016, the Group entered into a conditional sales and purchase agreement to sell its entire Manufacturing – Leather division (the "Disposal"), which was resolved in the Company's Extraordinary General Meeting held on May 18, 2016. Details of the Disposal are disclosed in the announcement and circular of the Company dated February 1, 2016 and April 29, 2016, respectively. The Disposal were completed during the year.

Income from discontinued operation for the period/year is analysed as follows:

	1/1/2016 to the dates of disposal *RMB'000*	1/1/2015 to 31/12/2015 *RMB'000*
Profit for the period/year	**13,642**	17,762
Loss arising from the disposal	**(5,472)**	–
	8,170	17,762

The results of the discontinued operation for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1/1/2016 to the dates of disposal *RMB'000*	1/1/2015 to 31/12/2015 *RMB'000*
Revenue*	**1,175,460**	1,831,188
Expenses	**(1,157,533)**	(1,807,364)
Profit before income tax	**17,927**	23,824
Income tax expenses	**(4,285)**	(6,062)
Profit for the period/year from the discontinued operation	**13,642**	17,762

Since Manufacturing – Leather division represents a separate major line of business, for the purpose of presenting the above discontinued operation, the comparative consolidated statement of comprehensive income has been represented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

* After elimination of sales to Manufacturing segment amounting to RMB49,548,000 and RMB99,528,000 in 2016 and 2015 respectively.

10. DIVIDENDS

No dividend has been proposed during 2016 nor has any dividend been proposed since the end of the reporting period.

11. EARNINGS PER SHARE

For continuing and discontinued operations:

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

(Loss) profit for the year

	2016	2015
	RMB'000	*RMB'000*
(Loss) profit for the purposes of basic and diluted (losses) earnings per share, being profit attributable to owners of the Company	**(39,896)**	190,458

Number of shares

	2016	2015
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,511,019,881**	1,322,068,471

For the year ended December 31, 2016, diluted losses per share was the same as basic losses per share as the effect of the Company's outstanding share options were anti-dilutive.

For the year ended December 31, 2015, the computation of diluted earnings per share does not assume the exercise of all share options of the Company because the exercise prices of those options were higher than the average market price of shares during the year.

For continuing operations:

The calculation of the basic and diluted (losses) earnings per share from continuing operations attributable to the owners of the Company are based on the following data:

	2016	2015
	RMB'000	*RMB'000*
		(restated)
(Loss) profit for the year attributable to owners of the Company	**(39,896)**	190,458
Less: Profit for the year from discontinued operation	**(8,170)**	(17,762)
(Loss) profit for the purposes of basic and diluted earnings per share from continuing operations	**(48,066)**	172,696

For discontinued operation:

Basic and diluted earnings per share for the discontinued operations is RMB0.54 cents per share (2015: RMB1.35 cents earnings per share) based on the profit for the year from the discontinued operations of RMB8.2 million (2015: RMB17.8 million) and the denominators of 1,511,020,000 (2015: 1,332,068,000) ordinary shares.

The amount of diluted earnings per share was the same as the basic loss per share for the year ended December 31, 2015 as there were no dilutive potential ordinary shares in existence during that year.

12. 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:

	2016	2015
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**76,566**	420,344
61 – 90 days	**9,993**	66,485
91 – 180 days	**16,179**	22,593
181 – 365 days	**8,863**	32,874
Over 1 year	**3,102**	3,700
	114,703	545,996

13. 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:

	2016 RMB'000	2015 RMB'000
Within 60 days	**646,350**	785,054
61 – 90 days	**18,456**	35,855
91 – 180 days	**91,726**	124,209
181 – 365 days	**50,306**	41,442
1 – 2 years	**48,706**	54,473
Over 2 years	**28,564**	17,026
	884,108	1,058,059

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 are as follows:

	2016 RMB'000	2015 RMB'000
Buildings	**114,402**	218,059
Prepaid lease payments	**19,097**	43,707
Pledged bank deposits	**5,506**	104,631
Available-for-sale investments	**45,279**	61,360
Properties under development and held for sale	**1,783,307**	2,192,702
	1,967,591	2,620,459

15. CAPITAL AND OTHER COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Commitments for acquisition/addition of:		
– Property, plant and equipment	**51,766**	43,171
– Properties under development	**1,286,533**	1,018,390
– Land use right	**–**	32,405
	1,338,299	1,093,966

16. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB782,069,000 at December 31, 2016 (2015: RMB335,469,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

(b) Financial Guarantee issued

Due to the Disposal, the Group recognized (a) financial guarantees to banks in respect of banking facilities granted to a former subsidiary; (b) financial guarantees to banks in respect of banking facilities granted to related parties. The carrying amount of these financial guarantees recognized at the balance sheet date.

As at December 31, 2016, the directors do not consider it probable that a claim will be made against the Group under these guarantees. The maximum liabilities of the Group as at December 31, 2016 in respect of the guarantees (a) and guarantees (b) is RMB392,200,000 and RMB675,600,000 respectively.

17. EVENTS AFTER THE REPORTING PERIOD

On December 21, 2016, the Group entered into a sales and purchase agreement in which the Group conditionally agreed to acquire 51% equity interest in Hunan Province Zhongnan Stamp Trading Center Company Limited ("Acquisition") at a consideration of RMB612,000,000. Details are disclosed in the Company's circular dated March 14, 2017. The resolution for the Acquisition was passed in shareholders' extraordinary general meeting held on March 29, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

On February 1, 2016, Kasen International Holdings Limited (the "Company"), Cardina International Company Limited, a wholly-owned subsidiary of the Company, 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited), a wholly-owned subsidiary of the Company and Mr. Zhu Zhangjin entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Ms. Zhu Jiayun and Ms. Zhu Lingren (daughters of Mr. Zhu Zhangjin) to dispose seven subsidiaries (collectively the "Disposal Group") engaging in automotive leather and furniture leather manufacturing businesses (the "Disposal"), which are presented as "discontinued operation" in this announcement, details of which are set out in Note 9 to the Consolidated Financial Statements. During the year under review, the transfer of control of seven subsidiaries which are principally engaged in the production of automotive leather and furniture leather of the Disposal Group was completed and therefore its results were de-consolidated from the Group's financial statements since the respective dates of transfer of control. For further details relating to the Disposal, please refer to the announcements dated February 1, 2016 and November 25, 2016, respectively and circular of the Company dated April 29, 2016.

For the year ended December 31, 2016, the Company together with its subsidiaries (the "Group") recorded a consolidated turnover of RMB2,129.6 million from its continuing operations, i.e. operations of the Group other than the Disposal Group, (2015: RMB1,429.9 million), representing an increase of approximately 48.9% when compared with the year of 2015. On the other hand, the revenue generated from the discontinued operation amounted to RMB1,175.5 million for the year ended December 31, 2016 (2015: RMB1,831.2 million), representing a decrease of 35.8%.

The Group's gross profit from its continuing operations for the year ended December 31, 2016 was RMB367.9 million (2015: RMB316.2 million) with an average gross profit margin of 17.3% (2015: 22.1%), resulted to an increase of approximately RMB51.7 million, representing an increase of approximately 16.4% when compared with the year of 2015.

The net loss attributable to owners of the Company from continuing operations was approximately RMB48.1 million in the year ended December 31, 2016 (2015: a net profit of RMB172.7 million). The decrease was mainly due to the decrease of approximately RMB213.7 million in the non-recurring gain on disposal of an available-for-sale investment held by the Group, representing the shares of Haining China Leather Market Co., Ltd. ("HCLM"), a domestic company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange. In 2015, the Group recognized such a non-recurring gain of approximately RMB288.5 million on the disposal of HCLM shares, while a relatively smaller gain of approximately RMB74.8 million was recognized for the disposal of HCLM shares in 2016, and such disposal will be further discussed in the paragraphs headed "Operating Expense, Taxation and Profit Attributable to Owners" and "Disposal of Equity Securities of HCLM" of this section of this announcement. Income attributable to owners of the Company from the discontinued operation for the year ended December 31, 2016 was approximately RMB8.2 million (2015: income of RMB17.8 million) comprised a loss on disposal of the Disposal Group amounted to approximately RMB5.5 million (2015: Nil) and the net profit arised from the discontinued operation of approximately RMB13.6 million (2015: a net profit of RMB17.8 million). As a result, the net loss attributable to owners of the Company (including continuing operations and the discontinued operation) for the year ended December 31, 2016 was approximately RMB39.9 million (2015: a net profit of RMB190.5 million), representing a decrease of approximately 120.9% when compared with the year of 2015.

Review by Business Segments of Continuing Operations

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

The table below shows the total turnover of the Group by business segments of continuing operations for the year ended December 31, 2016 together with the comparative figures for the corresponding period of year 2015:

	2016		2015		**Y-O-Y Change**
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing of upholstered furniture	**603.3**	**28.3**	525.9	36.8	14.7
Property Development	**1,383.4**	**65.0**	712.0	49.8	94.3
Retail business	**–**	**–**	19.6	1.4	-100.0
Others	**142.9**	**6.7**	172.4	12.0	-17.1
Total	**2,129.6**	**100.0**	1,429.9	100.0	48.9

Manufacturing Business

During the year under review, the Group's manufacturing business (which is a continuing operation) was upholstered furniture division. Sales of upholstered furniture included finished sofa and sofa cut-and-sew, most of which were for exporting. The U.S. market is the main export market of the Group for upholstered furniture. Benefited from stable relationship of cooperation with customers and rising demand from overseas market, the turnover from upholstered furniture segment amounted to RMB603.3 million in 2016, representing an increase of approximately 14.7% as compared to RMB525.9 million in 2015.

Property Development Business

As of December 31, 2016, the Group had in total of six property development projects under different stages of development in Mainland China. The Group had no new property development project in 2016. The turnover from the property development segment was RMB1,383.4 million in 2016, representing an increase of approximately 94.3% as compared to RMB712.0 million in 2015. The increase in turnover was mainly due to delivery of properties of the Group's property development projects located in Boao in Hainan Province, Haining in Zhejiang Province and Changbai Mountain in Jilin Province. An operating loss generated from this segment in 2016 was RMB119.4 million, as compared to an operating loss of RMB32.0 million in 2015.

Group Property Project Portfolio as at December 31, 2016

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	Hotel and tourism resort
3	Qianjiang Continent	Yancheng, Jiangsu	100%	335,822	Completed	Residential and commercial
4	Kasen Star City	Haining, Zhejiang	100%	469,867	Under development	Residential and commercial
5	Changbai Paradise	Changbai Mountain, Jilin	89%	206,270	Completed	Residential and hotel
6	Qianjiang Oasis	Yancheng, Jiangsu	55%	108,138	Under development	Residential
Total				3,134,249		

Analysis of Properties Under Development as at December 31, 2016

No.	Project Name	Total GFA (sq.m.)	GFA under development (sq.m.)	Total Saleable GFA (sq.m.)	GFA sold as at December 31, 2016 (sq.m.)	GFA delivered as at December 31, 2016 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	342,435	590,165	126,656	113,659	11,031
2	Qianjiang Continent	775,292	775,292	670,065	653,823	635,896	6,840
3	Kasen Star City	966,453	767,353	711,893	273,719	211,352	6,032
4	Changbai Paradise	129,567	129,567	102,241	27,604	22,851	3,031
5	Qianjiang Oasis	339,792	157,047	279,963	81,784	38,588	4,366
Total		2,929,769	2,171,694	2,354,327	1,163,586	1,022,346	

Review of Discontinued Operation

A brief discussion of the performance of the Group's two divisions of the discontinued operation is as follows:

Automotive Leather (Discontinued Operation)

The users of the automotive leather of the Group were all domestic automobile manufacturers. The automotive leather business recorded a decrease in revenue due to the decline in purchase orders of real leather from automobile manufacturers. During the year under review, the disposal of the subsidiaries which manufacture automotive leather was completed, and they were de-consolidated from the Group's consolidated financial statements.

Furniture Leather (Discontinued Operation)

The Group's furniture leather production was principally used to meet the internal leather requirement of its upholstered furniture segment. Meanwhile, the Group also sold its furniture leather to other furniture manufacturers. During the year under review, the disposal of the subsidiaries which manufacture furniture leather was completed, and they were de-consolidated from the Group's consolidated financial statements.

Due to the above reasons, revenue in 2016 from the two divisions of the discontinued operation recorded a total revenue of approximately RMB1,175.5 million, representing a decrease of approximately 35.8% as compared to approximately RMB1,831.2 million in 2015.

Operating Expense, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs from its continuing operations during the year under review increased to approximately RMB156.0 million, as compared to approximately RMB128.0 million in 2015, mainly attributable to the increase in sale commission of approximately RMB29.7 million mainly from the property development business as the sales in this business operation increased. As a result, the Group's selling and distribution costs to turnover in 2016 maintained at approximately 7.3% as compared to approximately 9.0% in 2015.

The administrative costs from its continuing operations in 2016 was approximately RMB182.1 million, representing a decrease of approximately RMB32.7 million as compared to approximately RMB214.8 million in 2015. The decrease was mainly due to (1) the decrease of share-based payment expense of approximately RMB11.0 million due to the absence of the recognition of share-based payment expense arising in year 2015 in relation to share options granted by the Company on May 26, 2015, and (2) the decrease of approximately RMB11.8 million for technical consultation fees and the research and development fees for re-designing and redeveloping production processes in year 2016.

The Group's finance cost from its continuing operations in 2016 was approximately RMB26.7 million, representing a decrease of approximately RMB39.0 million, as compared to approximately RMB65.7 million in 2015, mainly due to the decrease in bank and other borrowing interests by approximately RMB40.9 million as other borrowings were decreased during 2016, offset by the decrease in capitalisation of interests charged in the bank loans used for financing the Group's property development projects amounting to approximately RMB1.8 million during 2016.

The Group's other gains and losses from its continuing operations in 2016 recorded at a net loss of approximately RMB17.6 million, representing a decrease in net gain of approximately RMB314.0 million, as compared to a net gain of approximately RMB296.4 million in 2015 and the decrease was mainly due to the reasons as mentioned below. Included in the Group's other gains and losses for the year 2016, a non-recurring gain of approximately RMB74.8 million (2015: RMB288.5 million) was recognised in relation to the disposal of an available-for-sale investment held by the Group, representing 7,555,000 HCLM shares (2015: 14,444,446 HCLM shares), equivalent to approximately 0.67% (2015: 1.29%) of the HCLM shares in issue. As a result of the decrease in the total number of HCLM shares being disposed by the Group, the disposal gain recognised for the year ended December 31, 2016 was decreased by approximately RMB213.7 million. HCLM operates department stores in the PRC and its shares are listed on the Shenzhen Stock Exchange. The Group disposed such 0.67% of the HCLM shares in issue in the open trading market as well as through the block trade platform of the Shenzhen Stock Exchange during the year under review. Immediately after the disposal of 7,555,000 HCLM shares in 2016, the Group held only 4,000,554 HCLM shares, representing approximately 0.36% of equity securities in HCLM based on public information available to the Company. The Group may dispose the remaining 0.36% of the HCLM shares in the open trading market as well as through the block trade platform of the Shenzhen Stock Exchange depending on the market situation. For details, please refer to the announcement of the Company dated November 11, 2016. Furthermore, impairment losses totalling of RMB62.3 million were made to certain assets of the Group, representing impairment losses recognized in the deposits paid for certain property development projects located in the PRC and in Malaysia, and also an increase in impairment loss was recognized for the Group's properties under development and held for sale of approximately RMB46.4 million. Please refer to note 5 to the consolidated financial statements for details.

The Group's income tax from its continuing operations in 2016 was approximately RMB75.5 million, representing an increase of approximately RMB14.5 million, as compared to approximately RMB61.0 million in 2015. The increase was mainly attributable to an increase in its current year provision of the PRC land appreciation tax (the "LAT") and the absence of reversal of over provision in respect of LAT charge in the prior years made in 2015 totalling approximately RMB71.8 million from the property development projects, which was offset by (1) a decrease in PRC income tax of approximately RMB43.9 million mainly due to a decrease in taxable profits generated at the subsidiary level and (2) the absence of PRC withholding income tax of approximately RMB8.6 million.

With the reasons mentioned above, loss attributable to owners of the Company from its continuing operations for the year 2016 decreased by approximately 127.8% to RMB48.1 million (2015: profit of RMB172.7 million).

Income attributable to owners of the Company from the discontinued operation in 2016 was approximately RMB8.2 million (2015: income of RMB17.8 million) comprised of a loss on disposal of the Disposal Group amounted to approximately RMB5.5 million (2015: Nil) and the net profit arised from the discontinued operation of approximately RMB13.6 million (2015: a net profit of RMB17.8 million). In the calculation of the gain on disposal of the Disposal Group, the Group also took into account of the recognition of fair value change of approximately RMB25.1 million in the guarantee provided by the Group for the performance and repayment obligations of bank facilities to certain subsidiaries disposed during the year 2016 which were pledged by the assets of the Group. For details, please refer to the announcement of the Company dated September 12, 2016.

Based on the aforesaid factors, the total net loss attributable to owners of the Company from both continuing operations and the discontinued operation in 2016 was approximately RMB39.9 million (2015: a net profit of RMB190.5 million), representing a decrease of approximately 120.9% when compared with the corresponding period in 2015.

CAPITAL EXPENDITURES

Capital expenditure from both continuing operations and discontinued operation (excluding assets acquired through acquisition of subsidiaries during the year) in 2016 decreased to approximately RMB82.0 million from approximately RMB127.6 million in 2015. The capital expenditure mainly comprised the amount of approximately RMB82.0 million spent on the purchase of property, plant and equipment for operational purpose during the year under review.

FINANCIAL RESOURCES AND LIQUIDITY

Bank and Other Borrowings

As at December 31, 2016, the Group's bank and other borrowings amounted to approximately RMB780.9 million, representing a decrease of approximately 58.9% from approximately RMB1,900.8 million as at December 31, 2015. Furthermore, in November 2016, a wholly-owned subsidiary of the Company, Zhejiang Kasen Industrial Group Co., Ltd., repurchased exchangeable bonds in the PRC which were issued on December 29, 2014 at the issue size of RMB216 million, with a term of two years. For details of the repurchase of the exchangeable bonds, please refer to the announcement of the Company dated November 7, 2016.

Turnover Period, Liquidity and Gearing

In 2016, the inventory turnover period from continuing operations maintained at 51 days (2015: 45 days).

In 2016, the Group continued to maintain a strict credit policy. The account and bills receivables turnover days of the Group's manufacturing segments from continuing operations maintained at 65 days in 2016 (2015: 78 days).

The accounts and bills payable turnover days of the Group's manufacturing segments from continuing operations maintained at 76 days in 2016 (2015: 73 days).

As at December 31, 2016, the Group's current ratio was 1.90 (December 31, 2015: 1.59). The Group's cash and cash equivalent balance was approximately RMB339.7 million as at December 31, 2016 (December 31, 2015: approximately RMB215.6 million). This represents a gearing ratio of 22.1% as at December 31, 2016 (December 31, 2015: 53.3%) and a net debt-to-equity ratio of 10.9% as at December 31, 2016 (December 31, 2015: 46.5%). 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 2016, 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

As set out in the aforesaid discussion, on February 1, 2016, the Group entered into the Sale and Purchase Agreement, pursuant to which the Group agreed to dispose the Disposal Group engaging in automotive leather and furniture leather manufacturing businesses. The Group entered into the Disposal with a view to streamline its business, improve its overall performance and prospects as well as to focus its resources in pursuing business opportunities on its other existing businesses. During the year under review, the Disposal had been completed, and the results of the related subsidiaries were de-consolidated from the Group's consolidated financial statements. For further details, please refer to the announcements and circular of the Company dated February 1, 2016, April 29, 2016 and November 25, 2016, respectively.

As at December 21, 2016, the Company entered into an agreement in relation to acquisition of 51% equity interest in 湖南省中南郵票交易中心有限公司 (Hunan Province Zhongnan Stamp Trading Center Company Limited). The acquisition constituted a major transaction under Chapter 14 of the Listing Rules, and the Company had convened an extraordinary general meeting for the shareholders on March 29, 2017 to consider and approve the acquisition agreement and the transactions contemplated thereunder. For further details, please refer to the announcements and circular of the Company dated June 7, 2016, December 21, 2016, March 14, 2017 and March 29, 2017 respectively.

Save as otherwise, the Group did not have any material acquisitions or disposals during the year ended December 31, 2016.

DISPOSAL OF EQUITY SECURITIES OF HCLM

As at January 1, 2016, the Group held an aggregate of 11,555,554 shares in HCLM (the "HCLM Shares"), a domestic company incorporated in the PRC and shares of which are listed on the Shenzhen Stock Exchange. During the year ended December 31, 2016, the Company had disposed an aggregate of 7,555,000 HCLM Shares through on-market transactions or through the block trade platform conducted on the Shenzhen Stock Exchange. The aggregate consideration, after deduction of necessary transaction costs, of the disposals of such HCLM Shares carried out during the year ended December 31, 2016 amounted to approximately RMB85.9 million. The original acquisition costs of the HCLM Shares paid by Zhejiang Kasen was RMB1.04 per HCLM Share. As a result, a gain before deduction of any tax on disposal in the amount of approximately RMB74.8 million was arisen upon completion of the disposal carried out during the year ended December 31, 2016. As at December 31, 2016, the Company had a remaining of 4,000,554 HCLM Shares.

HCLM is indirectly non-wholly owned by 海寧市國有資產監督管理委員會 (State-owned Assets Supervision and Administrative Commission of Haining Municipal Government). HCLM is principally engaged in the development and operation of large leather product retail malls and was listed on the Shenzhen Stock Exchange on January 26, 2010.

Save as otherwise, the Company had no other significant investments held during the year under review.

CONTINGENT LIABILITIES

As at December 31, 2016, the Group had certain contingent liabilities. For details, please refer to note 16 to the consolidated financial statements.

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

As at December 31, 2016, the Group had contracted, but not provided for, a total capital expenditure of RMB1,338.3 million (2015: RMB1,094.0 million), in which an amount of RMB1,286.5 million (2015: RMB1,018.4 million) was in respect of properties under development.

FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in export-related business. The transactions (including sales and procurements) carried out by the Group were mainly denominated in US dollars, and most of the trade receivables were exposed to exchange rate fluctuation. The Group currently does not engage in any hedging activities but will continue to monitor the situation and make necessary arrangement as and when appropriate.

EMPLOYEES AND EMOLUMENTS POLICIES

As at December 31, 2016, from continuing operations, the Group employed a total of approximately 3,300 full time employees (December 31, 2015: approximately 3,800), including management staff, technicians, salespersons and workers. In 2016, the Group's total expense on the remuneration of employees was approximately RMB166.1 million (2015: approximately RMB217.8 million), representing approximately 7.8% (2015: 15.2%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly on an annual basis. Apart from 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 authorised 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.

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 scheme will be set out in the "Directors' Report" section of the annual report of the Company for the year ended December 31, 2016.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

With "Harmonious Development Achieved Through Coordinating Our Employees and Corporation to Serve Social Benefits" as its core values, the Group emphasizes great importance to environmental protection and advocates the concept of green manufacturing in its manufacturing process. The Group is one of the first "Eco-Leather Enterprises" certified by the China Leather Industry Association. In the course of production, the Group opts for clean production, energy efficiency and emission reduction, and it has been granted national patents for recycling waste water from the leather-making process. In addition, the Group, for the sake of green development, has collaborated with tertiary academic institutions in China over R&D of key technologies and production processes concerning environmental protection in the field of leather-making and furniture manufacturing.

The Group concerns much to the growth of its employees and harmonious development of social relationships. For the sustainable development of its employees, the Group provides them with a decent working environment, cares about their occupational health and organises regular skill trainings. The Group actively participates in social welfare and charity undertakings by setting up the Kasen Needy Employee Assistance Foundation (卡森困難職工幫扶基金會) and Kasen Group Charity Foundation (卡森集團慈善基金) in an effort to repay and serve the society during the course of its development.

FUTURE PLANS AND PROSPECTS

In order to enhance overall performance of the Group and attraction to market investors so as to deliver more returns to the shareholders, the Group carried out a business reorganisation in 2016 and disposed various subsidiaries which engaged in leather manufacturing business, and concentrated its resources on the exploration of opportunities for tourism resorts, hotel operation and property development.

Against the challenges in maintaining sustainable development of the PRC economy, the development of the tourism and its related industries have been put to a level as high as the country's strategic development. Tourism industry has become a pillar industry, ranking in high priority of development, of all provinces of the PRC. It is expected that tourism resources of high quality will be highly valued due to its rarity. The Group has engaged in the tourism related business for many years. The Group has accumulated extensive experience through having layout its tourism resort projects, including development projects of hotels, restaurants and real estates, in Sanya and Boao of Hainan, Changbai Mountain of Jilin, Hangzhou of Zhejiang, Shandan of Gansu and etc., to establish its operation model of tourism resort complex. In 2017, the Group will speed up its development and improvement of existing tourism resort projects, in order to enhance its operating results.

As at December 21, 2016, the Group has entered into an agreement in relation to acquisition of 51% equity interest in Hunan Province Zhongnan Stamp Trading Center Company Limited. Once the acquisition is materialized, the business scope of the Group will be expanded into the field of cultural products trading, which is expected to increase the source of revenue and deliver more returns to the shareholders.

FINAL DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2016 (2015: Nil) and proposed that profit for the year be retained.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 25, 2017 to May 31, 2017 (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 24, 2017.

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, 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the "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 (the "Listing Rules") for the year ended December 31, 2016, 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, 2016, 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. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang. The Audit Committee has reviewed with management and the external auditors on the accounting principles and practices adopted by the Group. The Audit Committee has held meetings with the Company's senior management to review, supervise and discuss the Company's financial reporting, internal control principles and risk management effectiveness and to make recommendations to improve the Company's internal control, and to ensure that management has discharged its duty to have an effective internal control system during the year ended December 31, 2016.

The annual results of the Company for the year ended December 31, 2016 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.

SCOPE OF WORK OF MESSRS. BDO LIMITED

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, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended December 31, 2016.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended December 31, 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/kasen/index.htm in due course.

AGM

It is proposed that the AGM of the Company will be held on May 31, 2017. Notice of the AGM will be published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/kasen/index.htm and despatched to the Company's shareholders on or about April 25, 2017.

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

PRC, March 31, 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Sun Hongyang and Ms. Shen Jianhong and the independent non-executive Directors are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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