KASEN INTERNATIONAL HOLDINGS LIMITED
卡森國際控股有限公司
(An exempted company incorporated in the Cayman Islands with limited liability)
(Stock Code: 496)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board (the "**Board**") of directors (the "**Directors**") of Kasen International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2017. These interim results have been reviewed by the audit committee of the Company ("**Audit Committee**"), comprising all the independent non-executive Directors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

	NOTES	**Six months ended June 30, 2017** *RMB'000* **(unaudited)**	Six months ended June 30, 2016 *RMB'000* (unaudited)
Continuing operations			
Revenue	*3*	**774,708**	1,103,797
Cost of sales		**(601,823)**	(947,645)
Gross profit		**172,885**	156,152
Other income		**8,756**	3,877
Selling and distribution costs		**(154,121)**	(59,225)
Administrative expenses		**(89,732)**	(88,703)
Other gains and losses	*4*	**13,115**	8,990
Finance costs		**(8,529)**	(6,888)
(Loss)/profit before tax	*5*	**(57,626)**	14,203
Income tax expenses	*6*	**(21,139)**	(38,068)
Loss for the period from continuing operations		**(78,765)**	(23,865)

	NOTES	Six months ended June 30, 2017 RMB'000 (unaudited)	Six months ended June 30, 2016 RMB'000 (unaudited)
Discontinued operation			
Profit for the period from discontinued operation		**–**	5,543
Gain on disposal of subsidiaries		**–**	28,560
Income from discontinued operation		**–**	34,103
(Loss)/profit for the period		**(78,765)**	10,238
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**(12,002)**	(64,596)
Income tax relating to fair value change of available-for-sale investments		**3,001**	16,149
Exchange difference arising on translation		**(35)**	(414)
Total comprehensive loss for the period		**(87,801)**	(38,623)
(Loss)/profit for the period attributable to:			
Owners of the Company			
– Loss from continuing operations		**(76,342)**	(14,499)
– Income from discontinued operation		**–**	34,103
		(76,342)	19,604
Non-controlling interests – loss from continuing operations		**(2,423)**	(9,366)
		(78,765)	10,238
Total comprehensive loss for the period attributable to:			
– Owners of the Company		**(85,378)**	(29,257)
– Non-controlling interests		**(2,423)**	(9,366)
		(87,801)	(38,623)
Basic and diluted (loss)/earnings per share	*8*		
– Continuing operations		**RMB(5.1) cents**	RMB(1.0) cents
– Discontinued operation		**–**	RMB2.3 cents
		RMB(5.1) cents	RMB1.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2017

	NOTES	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**854,942**	807,310
Prepaid lease payments – non-current portion		**38,408**	38,944
Intangible assets		**283**	337
Deferred tax assets		**62,026**	58,802
Deposits paid for acquisition of property, plant and equipment		**56,679**	56,679
		1,012,338	962,072
CURRENT ASSETS			
Available-for-sale investments		**58,505**	70,506
Inventories		**81,152**	64,864
Properties under development		**2,937,998**	2,615,891
Properties held for sale		**1,182,708**	1,182,308
Amounts due from non-controlling interests of subsidiaries		**28,110**	23,000
Trade, bills and other receivables	*9*	**1,194,846**	1,019,685
Prepaid lease payments – current portion		**1,074**	1,074
Tax recoverable		**3,242**	9
Prepaid land appreciation tax		**40,878**	13,491
Pledged bank deposits		**7,757**	5,506
Restricted bank deposit for property development business		**426,641**	3,723
Bank balances and cash		**794,140**	339,731
		6,757,051	5,339,788
CURRENT LIABILITIES			
Trade, bills and other payables	*10*	**1,203,383**	1,223,531
Deposits received in respect of pre-sale of properties		**2,582,941**	848,421
Bank and other borrowings – due within one year		**481,328**	462,002
Tax payable		**146,114**	149,709
Amounts due to non-controlling interests of subsidiaries		**118,575**	128,905
		4,532,341	2,812,568
NET CURRENT ASSETS		**2,224,710**	2,527,220
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,237,048**	3,489,292

	NOTES	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**40,170**	44,276
Bank and other borrowings – due after one year		**160,236**	318,945
		200,406	363,221
NET ASSETS		**3,036,642**	3,126,071
CAPITAL AND RESERVES			
Share capital		**1,735**	1,735
Reserves		**2,947,060**	3,032,438
Equity attributable to owners of the Company		**2,948,795**	3,034,173
Non-controlling interests		**87,847**	91,898
TOTAL EQUITY		**3,036,642**	3,126,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except for the application of new or revised accounting standards as described below, the accounting policies and methods of computation used in the reporting of the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, interpretation and amendments to International Financial Reporting Standards ("IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses

The application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

- Manufacturing 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")

Segment revenues and results

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

Revenue

Six months ended June 30, 2017 (unaudited)

	Manufacturing	**Properties development**	**Retail**	**Others**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External sales	**314,412**	**384,955**	**203**	**75,138**	**–**	**774,708**
Inter-segment sales	**–**	**–**	**–**	**3,039**	**(3,039)**	**–**
Total	**314,412**	**384,955**	**203**	**78,177**	**(3,039)**	**774,708**

Six months ended June 30, 2016 (unaudited)

	Manufacturing	Properties development	Retail	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	295,222	740,479	27	68,069	–	1,103,797
Inter-segment sales	–	–	–	1,547	(1,547)	–
Total	295,222	740,479	27	69,616	(1,547)	1,103,797

Results

	Six months ended June 30, 2017	Six months ended June 30, 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
– Manufacturing	**2,487**	19,417
– Properties development	**(64,710)**	(19,170)
– Retail	**636**	(177)
– Others	**(21,116)**	(20,682)
	(82,703)	(20,612)
Unallocated corporate expenses	**(2,896)**	(6,628)
Unallocated other gains and losses	**6,834**	3,375
Loss for the period from continuing operations	**(78,765)**	(23,865)

Segment profit/(loss) 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.

4. OTHER GAINS AND LOSSES

	Six months ended June 30, 2017 *RMB'000* **(unaudited)**	Six months ended June 30, 2016 *RMB'000* (unaudited)
Net foreign exchange (loss)/gain	**(6,042)**	4,839
Net impairment loss recognised in respect of trade and other receivables	**(1,784)**	(2,329)
Gain on disposal of subsidiaries	**17,147**	–
Gain on change in fair value of exchangeable bonds	**–**	1,093
Reversal of impairment loss recognised in respect of property under development	**–**	6,232
Loss on disposal of property, plant and equipment	**(1,180)**	–
Release of financial guarantees	**5,367**	–
Others	**(393)**	(845)
	13,115	8,990

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended June 30, 2017 *RMB'000* **(unaudited)**	Six months ended June 30, 2016 *RMB'000* (unaudited)
Amortisation of intangible assets (included in administrative expenses)	**54**	142
Depreciation of property, plant and equipment	**26,936**	28,139
Total depreciation and amortisation	**26,990**	28,281
Release of prepaid lease payments	**536**	1,413
Costs of inventories recognised as expenses (including provision of net allowance of inventories of RMB1,630,000 (June 30, 2016: reversal for RMB2,480,000))	**257,451**	225,263
Interest on bank and other borrowings	**10,393**	8,161
Interest on other long term liability	**–**	330
Less: amount capitalised in respect of properties under development	**(1,864)**	(1,603)
	8,529	6,888
Government grants	**(2,010)**	(1,360)
Interest income	**(1,165)**	(184)

6. INCOME TAX EXPENSES

	Six months ended June 30, 2017 *RMB'000* **(unaudited)**	Six months ended June 30, 2016 *RMB'000* (unaudited)
Land appreciation tax – Current period	**8,625**	15,891
People's Republic of China ("PRC") enterprise income tax		
– Current period	**18,677**	21,759
– Over provision of income tax in previous periods	**(1,834)**	–
	16,843	21,759
Deferred tax (credit)/expenses	**(4,329)**	418
	21,139	38,068

7. DIVIDENDS

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

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

(Loss)/profit for the period

	Six months ended June 30, 2017 *RMB'000* **(unaudited)**	Six months ended June 30, 2016 *RMB'000* (unaudited)
(Loss)/profit for the period for the purposes of basic and diluted (loss)/earnings per share, being (loss)/profit attributable to owners of the Company:		
– Continuing operations	**(76,342)**	(14,499)
– Discontinued operation	**–**	34,103
	(76,342)	19,604

Number of shares

	Six months ended June 30, 2017 (unaudited)	Six months ended June 30, 2016 (unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**1,511,019,881**	1,511,019,881

For the six months ended June 30, 2017, diluted loss per share was the same as basic loss per share as the effect of the Company's outstanding share options were anti-dilutive.

For the six months ended June 30, 2016, the computation of diluted (loss)/earnings per share does not assume the exercise of the Company's options, because the exercise prices of those options are higher than the average market price per share during the period.

9. TRADE AND BILLS RECEIVABLES

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

	June 30, 2017 *RMB'000* (unaudited)	December 31, 2016 *RMB'000* (audited)
Aged:		
Within 60 days	**80,378**	76,566
61 – 90 days	**5,646**	9,993
91 – 180 days	**12,053**	16,179
181 – 365 days	**5,794**	8,863
Over 1 year	**4,047**	3,102
	107,918	114,703

10. 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:

	June 30, 2017 *RMB'000* (unaudited)	December 31, 2016 *RMB'000* (audited)
Within 60 days	**740,890**	646,350
61 – 90 days	**23,192**	18,456
91 – 180 days	**26,468**	91,726
181 – 365 days	**25,266**	50,306
1 – 2 years	**36,755**	48,706
Over 2 years	**29,090**	28,564
	881,661	884,108

11. CAPITAL COMMITMENTS

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

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	**30,463**	51,766
– Properties under development	**1,351,843**	1,286,533
	1,382,306	1,338,299

12. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB1,694,328,000 at June 30, 2017 (December 31, 2016: RMB782,069,000) 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 reporting dates as it is not probable that an outflow in settlement will be required.

(b) Financial Guarantee issued

Due to the disposal of discontinued operation in 2016, the Group recognised (i) financial guarantees to banks in respect of banking facilities granted to a former subsidiary; (ii) financial guarantees to banks in respect of banking facilities granted to related parties. The carrying amount of these financial guarantees recognised at June 30, 2017 is RMB16,103,000 (December 31, 2016: RMB21,470,000).

As at June 30, 2017, the directors consider that it is not probable that a claim will be made against the Group under these guarantees. The maximum liabilities of the Group as at June 30, 2017 in respect of the guarantees (i) and guarantees (ii) is RMB392,200,000 (December 31, 2016: RMB392,200,000) and RMB675,600,000 (December 31, 2016: RMB675,600,000) respectively.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

On February 1, 2016, Kasen International Holdings Limited, Cardina International Company Limited, a wholly-owned subsidiary of the Company, 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. During the year 2016, the transfer of control of the Disposal Group which are principally engaged in the production of automotive leather and furniture leather was completed and thereafter its results were de-consolidated from the Group's financial statements. 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 six months ended June 30, 2017, the Group recorded a consolidated turnover of approximately RMB774.7 million (six months ended June 30, 2016: RMB1,103.8 million) from its continuing operations, i.e. operations of the Group other than the Disposal Group, representing a decrease of approximately 29.8% when compared with the corresponding period in 2016.

The Group's gross profit from its continuing operations for the six months ended June 30, 2017 was approximately RMB172.9 million (six months ended June 30, 2016: RMB156.2 million) with an average gross profit margin of approximately 22.3% (six months ended June 30, 2016: 14.2%), representing an increase of approximately 10.7% or RMB16.7 million when compared with the corresponding period in 2016.

The net loss attributable to owners of the Company from continuing operations was approximately RMB76.3 million in the first half of 2017 (six months ended June 30, 2016: a net loss of RMB14.5 million). The increase in such net loss was largely due to the sharp increase in the selling costs incurred during the first half of 2017 in relation to the substantially large number of pre-sale properties for the property development segment of the Group. Further detailed discussions on some other changes in the financial results were set out in the remaining parts of this section. Following the Disposal in 2016, there was no profit (six months ended June 30, 2016: RMB5.5 million) and gain on disposal of subsidiaries (six months ended June 30, 2016: RMB28.6 million) from discontinued operation recognised during the period under review. Taking into account of the aforesaid, no income attributable to owners of the Company from the discontinued operation was recognised for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB34.1 million). As a result, the overall net loss attributable to owners of the Company for the first half of 2017 was approximately RMB76.3 million (six months ended June 30, 2016: overall net profit of RMB19.6 million).

Review by Business Segments of Continuing Operations

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

The table below shows the total turnover by business segment of continuing operations for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016:

	Six Months Ended June 30,				
	2017		2016		Change
	RMB'Million	**%**	RMB'Million	%	%
Manufacturing of upholstered furniture	**314.4**	**40.6**	295.2	26.7	6.5
Property development	**385.0**	**49.7**	740.5	67.1	-48.0
Retail	**0.2**	**–**	–	–	–
Others	**75.1**	**9.7**	68.1	6.2	10.3
Total	**774.7**	**100.0**	1,103.8	100.0	-29.8

Manufacturing Business

During the period under review, the Group's manufacturing of upholstered furniture (continuing operation includes sofa and sofa cut-and-sew) realised a total turnover of approximately RMB314.4 million, representing an increase of approximately 6.5% as compared to the total turnover of approximately RMB295.2 million in the corresponding period of 2016. The Group's manufacturing of upholstered furniture is still export-oriented with main customers located in the U.S. market. Benefited from the Group's continuous efforts to develop the U.S. markets and enhance foreign customers' recognition on the products, the sales performance of the upholstered furniture division is stable. However, the increase in the cost of materials, and the effect of depreciation of USD against Renminbi on those USD denominated sales resulted in a profit drop in the segment. The segment recorded a profit of approximately RMB2.5 million, representing a decrease of approximately 87.1% as compared to the profit of approximately RMB19.4 million in the corresponding period of 2016.

Property Development Business

As at June 30, 2017, the Group had six projects at various stages of development in different geographical locations in the PRC. During the period under review, the Group had not commenced new property development project. During the six months ended June 30, 2017, the turnover recorded from the property development segment was approximately RMB385.0 million, representing a decrease of approximately 48.0% as compared to approximately RMB740.5 million in the corresponding period of 2016. The decrease in sales was mainly due to the decrease of delivery of properties from the Group's existing development projects.

On the other hand, the performance of pre-sale of the Group's property development projects is satisfactory. The contracted sales in gross floor area ("**GFA**") was 346,589 square meters with a sales amount of RMB2,750.3 million during the period under review.

Group's Property Project Portfolio as at June 30, 2017

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 (Including Kingdom Garden and Jing Xiang Yuan, etc.)	Haining, Zhejiang	100%	469,867	Under development	Residential and commercial
5	Changbai Paradise	Changbai Mountain, Jilin	89%	118,195	Completed	Residential and hotel
6	Qianjiang Oasis	Yancheng, Jiangsu	55%	108,138	Under development	Residential
Total				3,046,174		

Analysis of Property Development Projects

No.	Project Name	Total GFA (sq.m.)	GFA under development/ completed (sq.m.)	Total Saleable GFA (sq.m.)	Accumulated GFA sold as at June 30, 2017 (sq.m.)	Accumulated GFA delivered as at June 30, 2017 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	342,435	590,165	147,457	131,511	14,358
2	Qianjiang Continent	775,292	775,292	669,717	657,778	643,934	6,570
3	Kasen Star City	958,422	958,422	711,893	552,450	221,417	5,779
4	Changbai Paradise	129,567	129,567	102,241	28,137	22,851	–
5	Qianjiang Oasis	346,797	157,047	293,635	135,598	41,901	4,560
Total		2,928,743	2,362,763	2,367,651	1,521,420	1,061,614	

Operating Expenses, Taxation and Loss Attributable to Owners

The Group's selling and distribution costs from its continuing operations during the six months ended June 30, 2017 increased to approximately RMB154.1 million, as compared to approximately RMB59.2 million in the first half of 2016, mainly due to the sharp increase of approximately RMB91.8 million in the selling costs incurred during the first half of 2017 in relation to the substantially large number of pre-sale properties for the property development segment of the Group. The selling and distribution costs to turnover in the first half of 2017 increased to 19.9% as compared to 5.4% for the corresponding period in 2016.

The administrative costs from its continuing operations for the six months ended June 30, 2017 were approximately RMB89.7 million, representing a slight increase of approximately RMB1.0 million as compared to approximately RMB88.7 million during the corresponding period in 2016. All administrative costs were maintained at a relatively stable level during the period under review.

The Group's finance cost from its continuing operations in the first half of 2017 was approximately RMB8.5 million, representing an increase of approximately RMB1.6 million as compared to approximately RMB6.9 million for the same period of 2016. The finance cost was mainly incurred in the Group's bank borrowings. During the period under review, the amount of interests charged in the bank borrowings used for financing the Group's property development projects which was capitalised decreased, leading the increase in the finance costs as compared to the same period in 2016.

The Group's income tax from its continuing operations in the first half of 2017 was approximately RMB21.1 million, mainly representing a decrease of approximately RMB17.0 million as compared to approximately RMB38.1 million in the corresponding period in 2016. The decrease was mainly resulted from a decrease in PRC income tax of approximately RMB3.1 million mainly due to a decrease in taxable profits generated at the subsidiary level, and also a decrease in PRC land appreciation tax of approximately RMB7.3 million from the property development projects.

The Group recorded a net gain of approximately RMB13.1 million in other gains and losses from its continuing operations in the first half of 2017, while it recorded a net gain of approximately RMB9.0 million during the same period of 2016. The increase of approximately RMB4.1 million was mainly due to a gain on disposal of a subsidiary which was engaged in property development business of approximately RMB17.1 million being recognized during the first half of 2017, which was offset by the increase in net foreign exchange loss of approximately RMB10.9 million. For details of the other gains and losses, please refer to note 4 to the Condensed Consolidated Financial Statements.

For reasons mentioned above, the net loss attributable to owners of the Company from continuing operations was approximately RMB76.3 million in the first half of 2017 (six months ended June 30, 2016: a net loss of RMB14.5 million).

As the Disposal was completed in 2016, there were no income generated from the discontinued operation for the first half of 2017 (six months ended June 30, 2016: RMB34.1 million).

Based on the aforesaid factors, there was a turnaround from profit to loss, such that the overall net loss attributable to owners of the Company for the first half of 2017 was approximately RMB76.3 million (six months ended June 30, 2016: net profit of RMB19.6 million).

Financial Resources And Liquidity

As at June 30, 2017, the Group had cash and cash equivalent available for utilisation totalling approximately RMB794.1 million (as at December 31, 2016: RMB339.7 million) and a total borrowings of approximately RMB641.6 million (as at December 31, 2016: RMB780.9 million). This represents a gearing ratio of 20.0% (as at December 31, 2016 : 22.1%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2017, the Group's credit facilities were renewed on an on-going basis, which provided sufficient cash to finance the Group's working capital requirement during the period under review.

As at June 30, 2017, the Group's inventory was approximately RMB81.2 million, representing an increase of approximately RMB16.3 million as compared to approximately RMB64.9 million as of December 31, 2016. During the six months ended June 30, 2017, the Group endeavored to control the inventory level and its inventory turnover period was 54 days as compared to 51 days as at December 31, 2016.

During the six months ended June 30, 2017, the Group continued to maintain a strict credit policy. The account and bills receivable turnover days of the Group's manufacturing and retail segments was decreased to 47 days for the first half of 2017 (as at December 31, 2016: 65 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and retail segments increased to 94 days for the six months ended June 30, 2017 (as at December 31, 2016: 76 days).

Material Acquisition And Disposal

During the period under review, in March 2017, the Group disposed of the land use right of a parcel of land in Haining of Zhejiang Province together with the immovable properties thereon with a total site area of 6,314.26 square meters to a connected party, namely Haining Kasen Home Furniture Materials Technology Co. Ltd. As at the date of this announcement, the disposal has not yet been completed.

Save as otherwise, the Group did not have any material acquisitions or disposal during the six months ended June 30, 2017.

Pledge Of Assets

During the six months ended June 30, 2017, the Group pledged deposits, property, plant and equipment to banks to secure the bills payable issued by the Group and the bank facilities granted to the Group. The deposits carry an average interest rate of 1.55%.

Foreign Exchange Exposure

The Group is principally engaged in manufacturing, property development and tourism resort-related business. Its manufacturing business is export-orientated, and transactions (including sales and procurements) are mainly denominated in US dollars, and the trade receivables may be exposed to exchange rate fluctuation. During the period under review, the Group did not take any hedging measures but will continue to monitor the situation and make necessary arrangement as and when appropriate.

Contingent Liabilities

As at June 30, 2017, the Group had certain contingent liabilities. For details, please refer to note 12 to the Condensed Consolidated Financial Statements.

Employees and emoluments policies

As at June 30, 2017, the Group employed a total of approximately 3,400 full time employees (as at June 30, 2016: approximately 4,800) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2017, the Group's total expenses on the remuneration of employees were approximately RMB88.3 million (six months ended June 30, 2016: RMB123.6 million). The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees) 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 of directors of the Company with reference to their respective qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for executives of similar position. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company (the "**Remuneration Committee**"), who are authorized by the shareholders of the Company (the "**Shareholders**") in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has also adopted share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers.

Future Plans And Prospects

The Group's property development business is subject to the macro-control policies promulgated by the local governments which the projects are located at. In light of these policies, the Group will take proactive measures, adjusting the relevant project planning and development progress, adopting a flexible marketing strategy and speeding up the sales of major property development projects. In order to promote the development of tourism resort-related business and improve the overall management efficiency, the Group has merged the tourism resorts management team with the property development management team to strengthen the operation and management of the tourism resorts in Hainan Boao, Hainan Sanya and Hangzhou.

The Group will focus on pursuing development opportunities on its existing businesses including tourism resorts, hotel operation and property development. As at June 30, 2017, the Group had six residential, commercial, hotel or tourism resort projects at various stages of development in different locations in the PRC. The Group had completed the development of two projects, while the development of the other four projects are ongoing. The performance of pre-sale of the Group's property development projects remains satisfactory.

The Group will strive to complete the 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). Upon completion of the acquisition, the business of the Group will be expanded into cultural products trading, and it is expected that the acquisition will diversify the Group's business and enhance the long-term growth potential of the Company and Shareholders' value.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance code of practices. For the six months ended June 30, 2017, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code except for the following deviation to code provisions A.2.1.

CODE PROVISION A.2.1

Under CG Code Provision A.2.1, the roles of chairman and chief executive 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. Mr. Zhu Zhangjin is the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group. The Company is still considering to appoint 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 Mainland China and the in-depth knowledge and experience in the leather and upholstery 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended June 30, 2017, each of them has complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprises all the three independent non-executive Directors namely, Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has reviewed with the management and the external auditors on the accounting principles and practices adopted by the Group during the six months ended June 30, 2017. The Audit Committee had held meetings with the Company's senior management to review, supervise and discuss the Company's financial reporting and internal control principles and risk management effectiveness and to make recommendations to improve the Company's internal control and risk management effectiveness, and to ensure that management has discharged its duty to have an effective internal control system during the six months ended June 30, 2017, including the review of the unaudited interim results of the Group for the six months ended June 30, 2017.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended June 30, 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its Directors, the Company has maintained a sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2017.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange and the website of the Company at www.irasia.com/listco/hk/kasen/index.htm in due course.

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

PRC, August 31, 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Ms. Zhou Xiaohong 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