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, 2017

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 year ended December 31, 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Continuing operations			
Revenue	*3*	**1,605,880**	2,129,645
Cost of sales		**(1,273,520)**	(1,761,768)
Gross profit		**332,360**	367,877
Other income	*4*	**17,833**	21,183
Selling and distribution costs		**(317,679)**	(156,047)
Administrative expenses		**(203,835)**	(182,131)
Other gains and losses	*5*	**789**	(17,644)
Finance costs	*6*	**(17,013)**	(26,699)
(Loss) profit before tax	*7*	**(187,545)**	6,539
Income tax expenses	*8*	**(31,832)**	(75,470)
Loss for the year from continuing operations		**(219,377)**	(68,931)
Discontinued operation:			
Income from discontinued operation		**–**	8,170
Loss for the year		**(219,377)**	(60,761)

	NOTES	2017 RMB'000	2016 RMB'000
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**(22,003)**	(45,924)
Income tax on fair value change of available-for-sale investments		**5,501**	11,481
Exchange difference arising on translation		**99**	(178)
Reclassification from revaluation reserve to profit or loss on disposal of available-for-sale investments		**–**	(78,192)
Reclassification from revaluation reserve to profit or loss on income tax relating to disposal of available-for-sale investments		**–**	19,548
		(16,403)	(93,265)
Total comprehensive loss for the year		**(235,780)**	(154,026)
Loss for the year attributable to:			
– Owners of the Company			
– Loss from continuing operations		**(203,351)**	(48,066)
– Income from discontinued operation		**–**	8,170
		(203,351)	(39,896)
– Non-controlling interests			
– loss from continuing operations		**(16,026)**	(20,865)
		(219,377)	(60,761)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(219,754)**	(133,161)
– Non-controlling interests		**(16,026)**	(20,865)
		(235,780)	(154,026)
Basic and diluted (loss) earnings per share	*10*		
– Continuing operations		**(RMB13.46 cents)**	(RMB3.18 cents)
– Discontinued operation		**N/A**	RMB0.54 cents
– Continuing and discontinued operations		**(RMB13.46 cents)**	(RMB2.64 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**916,156**	807,310
Prepaid lease payments – non-current portion		**34,980**	38,944
Intangible assets		**234**	337
Deferred tax assets		**68,122**	58,802
Prepayment for acquisition of leasehold land		**89,085**	–
Deposits paid for acquisition of property, plant and equipment		**–**	56,679
		1,108,577	962,072
CURRENT ASSETS			
Available-for-sale investments		**48,503**	70,506
Inventories		**81,038**	64,864
Properties under development for sale		**3,554,601**	2,615,891
Properties held for sale		**1,075,101**	1,182,308
Amounts due from non-controlling interests of subsidiaries		**20,000**	23,000
Trade and other receivables	*11*	**1,325,486**	1,019,685
Prepaid lease payments – current portion		**1,012**	1,074
Tax recoverable		**5,186**	9
Prepaid land appreciation tax		**75,086**	13,491
Pledged bank deposits		**161,000**	5,506
Restricted bank deposits for property development business		**834,511**	3,723
Bank balances and cash		**439,931**	339,731
		7,621,455	5,339,788
CURRENT LIABILITIES			
Trade, bills and other payables	*12*	**1,293,048**	1,223,531
Deposits received in respect of pre-sale of properties		**3,741,311**	848,421
Bank and other borrowings – due within one year		**407,974**	462,002
Tax payable		**149,072**	149,709
Amounts due to non-controlling interests of subsidiaries		**117,288**	128,905
		5,708,693	2,812,568
NET CURRENT ASSETS		**1,912,762**	2,527,220
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,021,339**	3,489,292

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**37,868**	44,276
Bank and other borrowings – due after one year		**85,000**	318,945
		122,868	363,221
NET ASSETS		**2,898,471**	3,126,071
CAPITAL AND RESERVES			
Share capital		**1,735**	1,735
Reserves		**2,812,684**	3,032,438
Equity attributable to owners of the Company		**2,814,419**	3,034,173
Non-controlling interests		**84,052**	91,898
TOTAL EQUITY		**2,898,471**	3,126,071

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 and trading of upholstered furniture, (ii) properties development; and (iii) tourism resort-related operations.

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are effective from the Group's financial period beginning on January 1, 2017.

(a) Adoption of new/revised IFRSs – effective from January 1, 2017

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

Except for the impact from amendments to IAS 7, the adoption of these amendments has no material impact on the consolidated financial statements.

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

(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.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
IFRSs (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycles[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 *Effective for annual periods beginning on or after January 1, 2018*

2 *Effective for annual periods beginning on or after January 1, 2019*

3 *The amendments were originally intended to be effective for periods beginning on or after January 1, 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

4 *Effective for annual periods beginning on or after January 1, 2021*

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 9, IFRS 15 and IFRS 16 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 of the Company, who are the chief operating decision maker (the "CODM") for the purpose of resource allocation and performance assessment, are as follows:

Continuing operations:

– Manufacturing and trading of upholstered furniture ("Manufacturing");

– Properties development; and

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

Discontinued operation:

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

During year ended December 31, 2016, the Manufacturing – Leather segment was disposed of and was presented as discontinued operation.

During year ended December 31, 2017, due to decrease in significance for operation of furniture retailing to the Group, the retailing of furniture segment has been aggregated with the Others segment. Corresponding information for 2016 has been re-presented.

Segment revenues and results

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

Revenue

For the year ended December 31, 2017

	Manufacturing	Properties development	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	**696,314**	**756,188**	**153,378**	**–**	**1,605,880**
Inter-segment sales	**–**	**–**	**20,098**	**(20,098)**	**–**
Total	**696,314**	**756,188**	**173,476**	**(20,098)**	**1,605,880**

For the year ended December 31, 2016 (re-presented)

	Manufacturing	Properties development	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	603,335	1,383,428	142,882	–	2,129,645
Inter-segment sales	7,984*	–	5,765	(13,749)	–
Total	611,319	1,383,428	148,647	(13,749)	2,129,645

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

Results

	2017	2016
	RMB'000	*RMB'000*
		(re-presented)
Segment profit (loss) from continuing operations		
– Manufacturing *(note)*	**31,476**	116,382
– Properties development	**(216,966)**	(119,355)
– Others	**(35,431)**	(46,989)
	(220,921)	(49,962)
Unallocated corporate expenses	**(2,658)**	(8,765)
Unallocated other gains and losses	**4,202**	(10,204)
Loss for the year from continuing operations	**(219,377)**	(68,931)

Note: Included in the result of Manufacturing segment in 2016 was a gain on disposal of available-for-sale investments amounting to RMB74,808,000 (note 5). The available-for-sale investments were invested and managed under the Manufacturing segment.

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.

Geographical information

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

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

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

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
United States	**574,651**	434,468
PRC, including Hong Kong	**976,676**	1,599,818
Europe	**51,789**	90,746
Others	**2,764**	4,613
	1,605,880	2,129,645

Information about major customer

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

	Revenue Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Customer A[1]	**239,411**	224,283

[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:

	2017	2016
	RMB'000	*RMB'000*
Sale of goods		
Upholstered furniture	**696,314**	603,361
Residential properties	**756,188**	1,383,428
	1,452,502	1,986,789
Provision of services		
Others *(note)*	**153,378**	142,856
	1,605,880	2,129,645

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

4. OTHER INCOME

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

	2017	2016
	RMB'000	*RMB'000*
Government grants *(note)*	**8,304**	8,808
Interest income	**6,934**	6,482
Dividends income from available-for-sale investments	**200**	404
Rental income	**2,271**	3,184
Sub-contracting fee income	**124**	2,305
	17,833	21,183

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:

	2017	2016
	RMB'000	*RMB'000*
Impairment loss recognised in respect of properties under development and held for sale *(note a)*	**(10,793)**	(62,324)
(Loss)/gain on disposal of property, plant and equipment	**(3,582)**	862
Gain on disposal of leasehold land	**7,977**	–
Net foreign exchange (loss) gain	**(10,993)**	8,137
Net provision for impairment loss recognised in respect of trade and other receivables *(note b)*	**(7,041)**	(65,938)
Donation	**(395)**	(922)
Penalty	**(663)**	(2,429)
Gain on disposal of available-for-sale investment	**–**	74,808
Gain on disposal of subsidiaries	**16,414**	20,100
Net gain/(loss) from sale of scrap materials	**1,731**	(837)
Fair value change of exchangeable bonds	**–**	2,448
Release of financial guarantees	**10,735**	3,670
Others	**(2,601)**	4,781
	789	(17,644)

Note a: Impairment loss represents the estimated written down of properties under development and held for sale to net realisable value at the end of the reporting period with reference to prevailing market conditions, anticipated variable selling expenses and cost of completion.

Note b: During the year ended December 31, 2017, there was no refund of RMB5,900,000 deposit paid for acquisition of land in PRC from the counterparty since the judgement announced by the local court in 2017. Management has provided an impairment loss of RMB5,900,000, based on its best estimates of outcomes, in profit or loss for the year.

During the year ended December 31, 2016, 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 provided impairment losses of RMB39,500,000 and RMB22,808,000 respectively, based on its best estimates of outcomes, in profit or loss.

6. FINANCE COSTS

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

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**20,980**	19,600
Exchangeable bonds	**–**	10,227
Total borrowing costs	**20,980**	29,827
Less: Amounts capitalised in respect of properties under development for sale	**(3,967)**	(3,128)
	17,013	26,699

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

7. (LOSS)/PROFIT BEFORE TAX

	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit before tax from continuing operations has been arrived at after charging:		
Amortisation of intangible assets	**103**	190
Depreciation of property, plant and equipment	**56,320**	58,853
Total depreciation and amortisation	**56,423**	59,043
Release of prepaid lease payments	**1,073**	1,222
Auditor's remuneration	**2,050**	2,200
Cost of inventories under Manufacturing segment recognised as expenses (including net allowance of inventories of RMB47,000 (2016: reversal of allowance for inventories of RMB3,560,000))	**559,029**	444,817
Cost of properties under properties development segment recognised as cost of sale	**633,533**	1,267,404
Operating lease rentals in respect of land and buildings	**15,530**	14,263
Employee cost (including directors' emoluments)		
– Wages, salaries and other benefits	**156,559**	153,984
– Contributions to defined contribution retirement plans	**16,284**	12,154
	172,843	166,138

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:

	2017	2016
	RMB'000	*RMB'000*
Income tax		
– for the current year	**20,061**	115,519
– (over)/under provision in respect of prior years	**(2,298)**	6,783
	17,763	122,302
LAT		
– for the current year	**24,296**	40,645
Deferred tax	**(10,227)**	(87,477)
	31,832	75,470

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%.

Hong Kong profits tax calculated at 16.5% on the estimated assessable profit for the year.

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

9. DIVIDENDS

No dividend has been proposed during 2016 and 2017 nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations:

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

Loss for the year

	2017	2016
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share, being loss attributable to owners of the Company	**(203,351)**	(39,896)

Number of shares

	2017	2016
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,511,019,881**	1,511,019,881

For the year ended December 31, 2017 and 2016, 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 continuing operations:

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

	2017	2016
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	**(203,351)**	(39,896)
Less: Profit for the year from discontinued operation	**–**	(8,170)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(203,351)**	(48,066)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operation:

For the year ended December 31, 2016, basic and diluted earnings per share for the discontinued operation is RMB0.54 cents per share, based on the profit for the year from the discontinued operation of RMB8.2 million and the denominators of 1,511,019,881 ordinary shares.

11. TRADE RECEIVABLES

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

	2017	2016
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**117,208**	76,566
61 – 90 days	**13,691**	9,993
91 – 180 days	**15,732**	16,179
181 – 365 days	**8,435**	8,863
Over 1 year	**3,159**	3,102
	158,225	114,703

12. TRADE AND BILLS PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 60 days	**737,567**	646,350
61 – 90 days	**29,550**	18,456
91 – 180 days	**40,998**	91,726
181 – 365 days	**32,022**	50,306
1 – 2 years	**33,313**	48,706
Over 2 years	**40,650**	28,564
	914,100	884,108

13. 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 and certain connected parties, namely Haining Kasen Leather, Haining Schinder and Dafeng Huasheng (collectively named as the "CCT Group"). The aggregate carrying amounts of the pledged assets of the Group at the end of the reporting period are as follows:

	2017	2016
	RMB'000	*RMB'000*
Buildings	**225,735**	114,402
Prepaid lease payments	**–**	19,097
Pledged bank deposits	**161,000**	5,506
Available-for-sale investments	**23,283**	45,279
Properties under development and held for sale	**1,114,103**	1,783,307
	1,524,121	1,967,591

14. CAPITAL AND OTHER COMMITMENTS

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

	2017	2016
	RMB'000	*RMB'000*
Commitments for acquisition/addition of:		
– Property, plant and equipment	**40,447**	51,766
– Properties under development for sale	**1,021,667**	1,286,533
	1,062,114	1,338,299

15. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB2,038,471,000 at December 31, 2017 (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 report dates as it is not probable that an outflow in settlement will be required.

(b) Financial guarantee issued

Due to the disposal of the Group's entire Manufacturing – Leather division (the "Disposal") (details are set out on page 18) during year ended December 31, 2016, the Group recognized financial guarantees issued to banks until December 31, 2018 in respect of banking facilities granted to CCT Group ("Financial Guarantee A") and Haining Home Direct Furniture Company Limited, a subsidiary prior to the Disposal ("Financial Guarantee B") (Financial Guarantee A and Financial Guarantee B together the "Financial Guarantees"). Details of the Financial Guarantees are disclosed in the announcement and circular of the Company dated September 12, 2016 and October 4, 2016.

As at December 31, 2017 and 2016, the directors do not consider it probable that a claim will be made against the Group under the Financial Guarantees, and therefore the Financial Guarantees are measured at its fair values initially recognized less cumulative amortization.

The maximum liabilities of the Group as at December 31, 2017 in respect of the Financial Guarantee A and Financial Guarantee B is RMB675,600,000 (2016: RMB675,600,000) and RMB392,200,000 (2016: RMB392,200,000) respectively.

16. EVENTS AFTER THE REPORTING PERIOD

On January 2, 2018, the Group entered into a joint venture agreement with Mr. Fan Dehua ("Mr. Fan"), and Madam Oknha Lim Chhiv Ho ("Ms. Lim") (Mr. Fan and Ms. Lim together as "JV Partners"), pursuant to which the Group and the JV Partners agreed to cooperate in the development and operation of a water park through formation of a joint venture company and acquisition of land in Cambodia from Phnom Penh Silver Sand Co., Ltd (the "Vendor"), a company wholly owned by Ms. Lim. The sale and purchase agreement for the acquisition of land was entered into between the joint venture company and the Vendor on January 12, 2018. Details of the formation of joint venture company and acquisition of land in Cambodia are disclosed in the announcements of the Company dated January 2, 2018, January 3, 2018 and January 12, 2018 respectively.

Pursuant to the general mandate granted by the Shareholders, the Board resolved on February 9, 2018 to repurchase up to 10% of the total number of issued shares of the Company as at the date of May 31, 2017. From February 9, 2018 to February 27, 2018, the Company had repurchased 33,933,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$48,967,170 (not including all necessary charges). All of such shares have been subsequently cancelled.

Except for the above, no other material event after the reporting period is required to be accounted for or disclosed.

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, 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 of seven subsidiaries (collectively the "Disposed Group") engaging in automotive leather and furniture leather manufacturing businesses (the "Disposal"), which are presented as "discontinued operation" for the presentation of financial information of 2016 in this announcement. In November 2016, the transfer of control of the Disposed 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 the circular of the Company dated April 29, 2016.

For the year ended December 31, 2017, the Company together with its subsidiaries (the "Group") recorded a consolidated turnover of RMB1,605.9 million (2016: RMB2,129.6 million) from its continuing operations, i.e. operations of the Group other than the Disposed Group, representing a decrease of approximately 24.6% when compared with the year of 2016.

The Group's gross profit from its continuing operations for the year ended December 31, 2017 was RMB332.4 million (2016: RMB367.9 million) with an average gross profit margin of 20.7% (2016: 17.3%), which resulted in a decrease of approximately RMB35.5 million, representing a decrease of approximately 9.7% when compared with the year of 2016.

The net loss attributable to owners of the Company from continuing operations was approximately RMB203.4 million in the year ended December 31, 2017 (2016: a net loss of RMB48.1 million). The increase in the net loss by approximately RMB155.3 million was mainly attributable to the sharp increase in the selling and distribution costs incurred during the year under review in relation to the substantially large number of pre-sale properties for the property development segment of the Group, which are expected to be delivered in 2018 and 2019. Further detailed discussions on the financial results were set out in the remaining parts of this section. Following the Disposal in 2016, there was no profit (year ended December 31, 2016: RMB13.7 million) and no loss on disposal of subsidiaries (year ended December 31, 2016: RMB5.5 million) from discontinued operation recognised during the year under review. Taking into account of the aforesaid, no income attributable to owners of the Company from the discontinued operation was recognised for the year ended December 31, 2017 (year ended December 31, 2016: RMB8.2 million). As a result, the overall net loss attributable to owners of the Company for the year ended December 31, 2017 was approximately RMB203.4 million (year ended December 31, 2016: overall net loss of RMB39.9 million), representing an increase of losses by approximately RMB163.5 million when compared with the year of 2016.

Review by Business Segments of Continuing Operations

The Group's reportable business segments of continuing operations principally consist of manufacturing and trading of upholstered furniture, property development and others (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, 2017 together with the comparative figures for the year ended December 31, 2016:

	2017		2016		**Y-O-Y Change**
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing	**696.3**	**43.3**	603.3	28.3	15.4
Property Development	**756.2**	**47.1**	1,383.4	65.0	-45.3
Others	**153.4**	**9.6**	142.9	6.7	7.3
Total	**1,605.9**	**100.0**	2,129.6	100.0	-24.6

Manufacturing Business

The Group's manufacturing business was upholstered furniture segment. Sales of upholstered furniture included finished sofa and sofa cut-and-sew, most of which were exported to the U.S. market. By continuously consolidating the cooperation with customers and strengthening product quality control, the Group is devoted to develop new products that cater for customers' needs better. The turnover from upholstered furniture segment amounted to RMB696.3 million in 2017, representing an increase of approximately 15.4% as compared to RMB603.3 million in 2016. Due to the rapid increase in cost of materials (wood, sponge and carton, etc.) for upholstered furniture manufacturing in the PRC and RMB strengthened against USD, as well as the absence of a gain on disposal of available-for-sale investments amounting to approximately RMB74.8 million, the profit generated from such business segment decreased to RMB31.5 million, representing a decrease of approximately 72.9% as compared to the profit of RMB116.4 million in 2016.

Property Development Business

As at December 31, 2017, the Group had in total six property development projects under different stages of development in Mainland China. The Group had no new property development project commenced in 2017. The turnover from the property development segment was RMB756.2 million in 2017, representing a decrease of approximately 45.3% as compared to RMB1,383.4 million in 2016. The decrease in turnover was mainly due to a significant decline of properties delivered in 2017. An operating loss generated from this segment in 2017 was RMB217.0 million, as compared to an operating loss of RMB119.4 million in 2016. The increase in the operating loss was mainly due to the increase in selling and distribution costs incurred in the substantially large number of pre-sale properties by around RMB180.8 million during the year, offset by the decrease in the impairment loss recognised for properties under development and held for sale and deposits paid for certain development projects in total of approximately RMB107.9 million (refer to Note 5 to this preliminary announcement) in the segment as compared with 2016.

On the other hand, due to significant locality advantage of the properties developed by and more flexible and effective marketing tactics adopted by the Group, the pre-sale of various property development projects have been performing well. In 2017, the contracted sales in gross floor area was approximately 509,000 square meters with a contracted pre-sales for all projects amounted to RMB4,485.8 million.

The Group's Property Project Portfolio as at December 31, 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	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 Properties Under Development as at December 31, 2017

No.	Project Name	Total GFA *(sq.m.)*	GFA under development *(sq.m.)*	Total Saleable GFA *(sq.m.)*	GFA sold as at December 31, 2017 *(sq.m.)*	GFA delivered as at December 31, 2017 *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
1	Asia Bay	718,665	342,435	590,165	156,654	141,109	14,565
2	Qianjiang Continent	775,292	775,292	669,717	660,752	649,408	5,889
3	Kasen Star City	958,422	958,422	711,893	686,632	228,435	6,668
4	Changbai Paradise	122,412	122,412	122,010	30,972	22,851	–
5	Qianjiang Oasis	347,483	347,483	293,635	167,361	81,086	4,261
Total		2,922,274	2,546,044	2,387,420	1,702,371	1,122,889	

Operating Expense, Taxation and Loss Attributable to Owners

The Group's selling and distribution costs from its continuing operations during the year under review increased to approximately RMB317.7 million, as compared to approximately RMB156.0 million in 2016, mainly attributable to the sharp increase of approximately RMB161.7 million in the selling and distribution costs incurred by all segments during the year ended December 31, 2017. The sharp increase was mainly due to the substantially large number of pre-sale properties for the property development segment of the Group, which are expected to be delivered in 2018 and 2019. As a result, the Group's selling and distribution costs to turnover in 2017 increased to approximately 19.8% as compared to approximately 7.3% in 2016.

The administrative costs from its continuing operations in 2017 was approximately RMB203.8 million, representing an increase of approximately RMB21.7 million as compared to approximately RMB182.1 million in 2016. The increase was mainly due to an increase in the administrative expenses incurred by the property development segment of the Group.

The Group's finance cost from its continuing operations in 2017 was approximately RMB17.0 million, representing a decrease of approximately RMB9.7 million, as compared to approximately RMB26.7 million in 2016. The finance cost for the year under review was mainly incurred in relation to the Group's bank borrowings. The decrease in the finance costs was mainly due to the absence of the exchangeable bond interests of approximately RMB10.2 million arising in year 2016 in relation to the exchangeable bonds which were issued in December 2014 by Zhejiang Kasen Industrial Group Co., Limited ("Zhejiang Kasen"), a wholly-owned subsidiary of the Company incorporated in the PRC, and then repurchased and cancelled in November 2016.

The Group's other gains and losses from its continuing operations in 2017 recorded at a net gain of approximately RMB0.8 million, representing a decrease in net loss of approximately RMB18.4 million, as compared to a net loss of approximately RMB17.6 million in 2016. For details, please refer to Note 5 to this preliminary announcement.

The Group's income tax from its continuing operations in 2017 was approximately RMB31.8 million, representing a decrease of approximately RMB43.7 million, as compared to approximately RMB75.5 million in 2016. The decrease was mainly attributable to (1) a decrease in PRC income tax of approximately RMB18.2 million mainly due to a decrease in taxable profits generated at the subsidiary level; (2) the net decrease of approximately RMB9.1 million in the over/under provision in taxation charge for prior years; and (3) a decrease in PRC land appreciation tax of approximately RMB16.3 million from the property development projects.

For reasons mentioned above, the net loss attributable to owners of the Company from continuing operations for the year 2017 increased by approximately RMB155.3 million to RMB203.4 million (2016: loss of RMB48.1 million).

As the Disposal was completed in 2016, there were no income generated from the discontinued operation for the year ended December 31, 2017 (2016: RMB8.2 million).

Based on the aforesaid factors, the overall net loss attributable to owners of the Company for the year ended December 31, 2017 was approximately RMB203.4 million (2016: overall net loss of RMB39.9 million), representing an increase of losses by approximately RMB163.5 million when compared with the year of 2016.

CAPITAL EXPENDITURE

Capital expenditure (excluding assets acquired through acquisition of subsidiaries during the year) in 2017 increased to approximately RMB90.7 million from approximately RMB82.0 million in 2016 (from both continuing operations and discontinued operation). The capital expenditure mainly comprised the amount of approximately RMB90.7 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, 2017, the Group's bank and other borrowings amounted to approximately RMB493.0 million, representing a decrease of approximately 36.9% from approximately RMB780.9 million as at December 31, 2016. Furthermore, in November 2016, a wholly-owned subsidiary of the Company, Zhejiang Kasen, repurchased and then cancelled exchangeable bonds in the PRC which were issued on December 29, 2014 with an 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 2017, the inventory turnover period from continuing operations maintained at 50 days (2016: 51 days).

In 2017, 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 increased to 83 days in 2017 (2016: 65 days).

The accounts and bills payable turnover days of the Group's manufacturing segments from continuing operations increased to 94 days in 2017 (2016: 76 days).

As at December 31, 2017, the Group's current ratio was 1.34 (December 31, 2016: 1.90). The Group's cash and cash equivalent balance was approximately RMB439.9 million as at December 31, 2017 (December 31, 2016: approximately RMB339.7 million). This represents a gearing ratio of 15.7% as at December 31, 2017 (December 31, 2016: 22.1%) and a net debt-to-equity ratio of 0.1% as at December 31, 2017 (December 31, 2016: 10.9%). 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 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 year under review.

MATERIAL ACQUISITION AND DISPOSAL

On March 17, 2017, Haining Hengsen Furniture Co., Ltd.（海寧恒森傢俱有限公司）, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Haining Kasen Home Furniture Materials Technology Co., Ltd.（海寧卡森家居材料科技有限公司）, a connected party of the Company, to dispose a parcel of land with a total floor area of 10,094.9 square meters situated at No. 5, Jianshe Road, Xieqiao Town, Haining Province, PRC（海寧市斜橋鎮建設路5號）and together with the immovable properties thereon with a total site area of 6,314.26 square meters (the "Land Disposal"), at an aggregate consideration of approximately RMB8,710,000. For further details, please refer to the announcement of the Company dated March 17, 2017.

As at December 21, 2016, the Company entered into an agreement in relation to acquisition of 51% equity interest in Hunan Province Zhongnan Stamp Trading Center Company Limited（湖南省中南郵票交易中心有限公司）. 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, under which the acquisition agreement and the transactions contemplated thereunder were approved. However, the acquisition has not been materialized and was subsequently terminated. For further details, please refer to the announcements and circular of the Company dated June 7, 2016, December 21, 2016, March 14, 2017, March 29, 2017 and October 27, 2017 respectively.

Save as otherwise, the Group did not have any material acquisitions or disposals during the year ended December 31, 2017.

DISPOSAL OF EQUITY SECURITIES OF HCLM

As at January 1, 2017, the Group held an aggregate of 4,000,554 shares in HCLM (the "HCLM Shares"), a company incorporated in the PRC and shares of which are listed on the Shenzhen Stock Exchange. During the year ended December 31, 2017, the Company did not dispose of any HCLM Shares. The original acquisition costs of the HCLM Shares paid by Zhejiang Kasen was RMB1.04 per HCLM Share. As at December 31, 2017, the Company held 4,000,554 HCLM Shares.

HCLM is indirectly non-wholly owned by the State-owned Assets Supervision and Administrative Commission of Haining Municipal Government (海寧市國有資產監督管理委員會). 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, 2017, the Group had certain contingent liabilities. For details, please refer to Note 15 to this preliminary announcement.

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 13 to this preliminary announcement.

CAPITAL COMMITMENTS

As at December 31, 2017, the Group had contracted, but not provided for, a total capital expenditure of RMB1,062.1 million (2016: RMB1,338.3 million), in which an amount of RMB1,021.7 million (2016: RMB1,286.5 million) was in respect of properties under development.

FOREIGN EXCHANGE EXPOSURE

The upholstered furniture export-related business of the Group (including sales and procurements) were mainly denominated in U.S. 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 EMOLUMENT POLICIES

As at December 31, 2017, from continuing operations, the Group employed a total of approximately 3,400 full time employees (December 31, 2016: approximately 3,300), including management staff, technicians, salespersons and workers. In 2017, the Group's total expense on the remuneration of employees was approximately RMB172.8 million (2016: approximately RMB166.1 million), representing approximately 10.8% (2016: 7.8%) 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 (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, 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 share option schemes for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the schemes will be set out in the "Directors' Report" section of the annual report of the Company for the year ended December 31, 2017.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

Having "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 for the 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

Leveraging on the development and experience accumulated over the past few years, the tourism resorts operations of the Group are taking shape. The emphasis of the development strategy of the Group will be on promoting the chain brand of "Dream Water World" for its tourism resorts operations. Apart from the water park located in Boao, Hainan that was currently in operation, the Group's water parks located in Sanya, Hainan, Yancheng, Jiangsu and Phnom Penh, Cambodia are under construction. These water parks, along with the ancillary restaurants, hotels and property development projects, will form a collection of the Group's comprehensive tourism resorts with local features.

With respect to property development, the Group will also explore new projects when appropriate to ensure the sustainable development of property development business on the basis of accelerated selling progress for existing projects and delivery time of properties.

With the implementation of the "One Belt and One Road" initiative, the prospects for Chinese enterprises to conduct overseas investment are more optimistic. Through site visits, the Group believes that Cambodia is an investment destination with great potential for development. In addition to the development plan of a water park in Phnom Penh, Cambodia, the Group is also evaluating and looking for more investment opportunities in Cambodia to step into new business scope, with a view to expand its revenue sources and seek greater returns for the Shareholders.

EVENTS AFTER THE REPORTING PERIOD

The Company had events after the reporting period. For details, please refer to Note 16 to this preliminary announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended December 31, 2017 (2016: Nil).

There is no arrangement that a Shareholder 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 28, 2018 to May 31, 2018 (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 registrar 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 25, 2018.

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, 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the "CG Code Provisions") set out in the Corporate Governance Code contained 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, 2017, 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 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, 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 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, 2017, 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. As at December 31, 2017, 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, 2017.

The annual results of the Company for the year ended December 31, 2017 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, 2017 as set out in this 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 this preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended December 31, 2017.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended December 31, 2017 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, 2018. 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 Shareholders on or about April 20, 2018.

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

PRC, March 28, 2018

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