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, 2018

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, 2018. 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, 2018

	NOTES	**Six months ended June 30, 2018** *RMB'000* **(unaudited)**	Six months ended June 30, 2017 *RMB'000* (unaudited)
Revenue	*3, 4*	**1,046,036**	774,708
Cost of sales		**(769,607)**	(601,823)
Gross profit		**276,429**	172,885
Other income		**12,912**	8,756
Selling and distribution costs		**(71,830)**	(154,121)
Administrative expenses		**(106,257)**	(89,732)
Other gains and losses	*5*	**12,894**	13,115
Finance costs		**(8,058)**	(8,529)
Profit/(loss) before tax	*6*	**116,090**	(57,626)
Income tax expenses	*7*	**(26,449)**	(21,139)
Profit/(loss) for the period		**89,641**	(78,765)

	NOTES	Six months ended June 30, 2018 RMB'000 (unaudited)	Six months ended June 30, 2017 RMB'000 (unaudited)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**–**	(12,002)
Fair value loss on financial assets through other comprehensive income		**(3,840)**	–
Income tax relating to fair value change of available-for-sale investments		**–**	3,001
Income tax relating to fair value change of financial assets through other comprehensive income		**960**	–
Exchange difference arising on translation		**37**	(35)
Total comprehensive income/(loss) for the period		**86,798**	(87,801)
Profit/(loss) for the period attributable to:			
– Owners of the Company		**103,886**	(76,342)
– Non-controlling interests		**(14,245)**	(2,423)
		89,641	(78,765)
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**101,010**	(85,378)
– Non-controlling interests		**(14,212)**	(2,423)
		86,798	(87,801)
Earnings/(loss) per share	*9*		
– Basic		**RMB7.0 cents**	RMB(5.1) cents
– Diluted		**RMB6.9 cents**	RMB(5.1) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2018

	NOTES	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,353,590**	916,156
Prepaid lease payments – non-current portion		**134,310**	34,980
Intangible assets		**870**	234
Deferred tax assets		**64,702**	68,122
Prepayment for acquisition of freehold land		**74,900**	–
Prepayment for property, plant and equipment		**3,096**	–
Financial assets at fair value through other comprehensive income		**19,443**	–
Prepayment for acquisition of leasehold land		**–**	89,085
		1,650,911	1,108,577
CURRENT ASSETS			
Available-for-sale investments		**–**	48,503
Inventories		**81,458**	81,038
Properties under development		**3,610,068**	3,554,601
Properties held for sale		**980,042**	1,075,101
Amounts due from non-controlling interests of subsidiaries		**40,250**	20,000
Trade, bills and other receivables	*10*	**1,878,585**	1,325,486
Prepaid lease payments – current portion		**3,554**	1,012
Tax recoverable		**19,976**	5,186
Prepaid land appreciation tax		**80,971**	75,086
Pledged bank deposits		**207,816**	161,000
Restricted bank deposit for property development business		**876,079**	834,511
Bank balances and cash		**855,037**	439,931
		8,633,836	7,621,455

	NOTES	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	11	**1,367,748**	1,293,048
Contract liabilities	4	**4,661,119**	–
Deposits received in respect of pre-sale of properties		**–**	3,741,311
Bank and other borrowings – due within one year		**379,358**	407,974
Tax payable		**143,046**	149,072
Amounts due to non-controlling interests of subsidiaries		**120,779**	117,288
		6,672,050	5,708,693
NET CURRENT ASSETS		**1,961,786**	1,912,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,612,697**	3,021,339
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**35,577**	37,868
Bank and other borrowings – due after one year		**613,000**	85,000
		648,577	122,868
NET ASSETS		**2,964,120**	2,898,471
CAPITAL AND RESERVES			
Share capital		**1,712**	1,735
Reserves		**2,891,791**	2,812,684
Equity attributable to owners of the Company		**2,893,503**	2,814,419
Non-controlling interests		**70,617**	84,052
TOTAL EQUITY		**2,964,120**	2,898,471

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

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.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after January 1, 2018. This is the first set of the Group's financial statements in which IFRS 9 and IFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

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

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

2. SIGNIFICANT ACCOUNTING POLICIES

Kasen International Holdings Limited has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) January 1, 2018, and will be adopted in the 2018 annual financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

The impact of the adoption of IFRS 9 Financial Instruments (see note 2A below) and IFRS 15 Revenue from Contracts with Customers (see note 2B below) have been summarised in below. The other new or amended IFRSs that are effective from January 1, 2018 did not have any material impact on the Group's accounting policies.

A. IFRS 9 Financial Instruments ("IFRS 9")

i. Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from January 1, 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

The following table summarised the impact of transition to IFRS 9 on the opening balances of reserves as at January 1, 2018 (increase/(decrease)):

	RMB'000
Available-for-sales investments revaluation reserve	
Reserves balances at December 31, 2017 (audited)	14,340
Reclassify investments from available-for-sale at fair value to FVTOCI	(14,340)
Restated reserves balance as at January 1, 2018 (unaudited)	–
FVTOCI reserve	
Reserves balances at December 31, 2017 (audited)	–
Reclassify investments from available-for-sale at fair value to FVTOCI	14,340
Restated reserves balance as at January 1, 2018 (unaudited)	14,340

IFRS 9 basically retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieve by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVTOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of January 1, 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to financial assets at FVTOCI. Under IFRS 9, the Group has designated the equity investments at the date of initial application as measured at FVTOCI. The Group intends to hold this listed equity investment for long term strategic purposes. As a result, financial assets with a fair value of RMB23,283,000 were reclassified from available-for-sale financial assets at fair value to FVTOCI and fair value loss of RMB14,340,000 were reclassified from the available-for-sale investments revaluation reserve to the FVTOCI reserve on January 1, 2018.

(b) As of January 1, 2018, unlisted equity investments, of which RMB25,220,000 were reclassified from available-for-sale financial assets at cost less impairment under IAS 39 to financial assets at FVTOCI. The unlisted equity instrument has no quoted price in an active market. The Group intends to hold this unlisted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVTOCI. The fair value gain/losses relating to the equity instrument previously carried at cost less impairment was not material and no adjustment was made to retained earnings as at January 1, 2018.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at January 1, 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount as at January 1, 2018 under IAS 39**	**Carrying amount as at January 1, 2018 under IFRS 9**
			RMB'000	*RMB'000*
Listed equity investments	Available-for-sale (at fair value)	FVTOCI	23,283	23,283
Unlisted equity investments	Available-for-sale (at cost)	FVTOCI	25,220	25,220
Amount due from non-controlling interests of subsidiaries	Loans and receivables	Amortised cost	20,000	20,000
Trade, bills and other receivables	Loans and receivables	Amortised cost	1,325,486	1,325,486
Pledged bank deposits	Loans and receivables	Amortised cost	161,000	161,000
Restricted bank deposits for property development business	Loans and receivables	Amortised cost	834,511	834,511
Bank balances and cash	Loans and receivables	Amortised cost	439,931	439,931

ii. Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for trade receivables as at January 1, 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, no additional impairment for other receivables as at January 1, 2018 is recognised as no additional impairment measured under the ECLs model.

Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at December 31, 2017, but are recognised in the statement of financial position on January 1, 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, January 1, 2018). As a result, the financial information presented for 2017 has not been restated.

Impact on the condensed consolidated interim statement of financial position by the application of IFRS 15 as of January 1, 2018 (increase/(decrease)):

	As at January 1, 2018 *RMB'000*
Liabilities	
Deposits received in respect of pre-sale of properties	(3,741,311)
Trade, bills and other payables	(9,605)
Contract liabilities	3,750,916
Total current liabilities	–
Total liabilities	–

The following tables summarised the impact of adopting IFRS 15 on the Group's condensed consolidated interim statement of financial position as at June 30, 2018. There was no material impact on the Group's condensed consolidated interim statement of profit or loss and OCI for the six months ended June 30, 2018 and its condensed consolidated interim statement of cash flow for the six months' period ended June 30, 2018:

Impact on the condensed consolidated interim statement of financial position as of June 30, 2018 (increase/(decrease)):

	As at June 30, 2018 ***RMB'000***
Liabilities	
Deposits received in respect of pre-sale of properties	**(4,651,888)**
Trade, bills and other payables	**(9,231)**
Contract liabilities	**4,661,119**
Total current liabilities	**–**
Total liabilities	**–**

The Directors consider that the application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts from (i) manufacture and trading of upholstered furniture; (ii) properties development; and (iii) other services mainly hotel management, travel & tourism management, catering & entertainment and property management.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

i. Manufacture and trade of upholstered furniture

The Group sells of upholstered furniture. Sales are recognised when customers obtain control of the upholstered furniture when the goods are delivered to and have been accepted and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only has one performance obligation in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are usually payable within 60 days.

The initial application of IFRS 15 recognised the opening balance of contract liabilities of RMB5,351,436 which was previously included trade, bills and other payables at January 1, 2018. The adoption of IFRS 15 has had no significant impact on the opening retained profits as at January 1, 2018.

ii. Properties development

In prior reporting periods, the Group accounted for property development activities when the respective properties have been completed and delivered to buyers.

Under IFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For the six months ended June 30, 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the Group has concluded that the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Costs incurred to obtain a contract

The Group has charged the sales commission associated with obtaining contract to profit or loss when the revenue from the property sale is recognised and are included as selling and distribution expenses at that time. The adoption of IFRS 15 has had no significant impact on the opening retained profits as at January 1, 2018.

Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. Receipts in advance of RMB3,741,311,000 that were previously classified under deposits received in respect of pre-sale of properties has been reclassified to contract liabilities as at January 1, 2018. The adoption of IFRS 15 had had no significant impact on the opening retained profits as at January 1, 2018.

iii. Other services

Other services included hotel management, travel & tourism management, catering & entertainment and property management. The Group accounted for the other services over time as those services are provided to the customers. Invoices for these services are issued on a monthly basis and are usually payable within 30 days.

The initial application of IFRS 15 recognised the opening balance of contract liabilities of RMB4,254,000 which was previously included trade, bills and other payables at January 1, 2018. The adoption of IFRS 15 has had no significant impact on the opening retained profits as at January 1, 2018.

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 and trading of upholstered furniture ("Manufacturing");
- Properties developments; and
- Others, comprising mainly retailing of furniture, operation of resort, provision of property management service and tourism resort-related services ("Others")

During the 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. Correspondence information for 2017 has been re-presented.

Segment revenues and results

The following is an analysis of the Group's revenue that is disaggregated by primary geographical market, major products and service line and timing of revenue recognition and results from continuing operations by reportable segment.

Revenue
Six months ended June 30, 2018 (unaudited)

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	347,593	621,729	76,714	–	1,046,036
Inter-segment revenue	–	3,773	1,055	(4,828)	–
Reportable segment revenue	347,593	625,502	77,769	(4,828)	1,046,036
Primary geographical markets					
United States	293,942	–	–	–	293,942
PRC	21,563	625,502	77,769	(4,828)	720,006
Europe	30,545	–	–	–	30,545
Others	1,543	–	–	–	1,543
Total	347,593	625,502	77,769	(4,828)	1,046,036
Major products					
Sales of upholstered furniture	347,593	–	–	–	347,593
Sales of properties	–	625,502	–	–	625,502
Hotel management	–	–	39,848	–	39,848
Travel & tourism management	–	–	8,430	–	8,430
Catering & entertainment	–	–	16,666	(185)	16,481
Property management	–	–	12,825	(4,643)	8,182
	347,593	625,502	77,769	(4,828)	1,046,036
Timing of revenue recognition					
At a point in time	347,593	625,502	–	–	973,095
Transferred over time	–	–	77,769	(4,828)	72,941
	347,593	625,502	77,769	(4,828)	1,046,036

Six months ended June 30, 2017 (unaudited)

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	314,412	384,955	75,341	–	774,708
Inter-segment revenue	–	–	3,039	(3,039)	–
Reportable segment revenue	314,412	384,955	78,380	(3,039)	774,708
Primary geographical markets					
United States	265,916	–	–	–	265,916
PRC	26,208	384,955	78,380	(3,039)	486,504
Europe	21,460	–	–	–	21,460
Others	828	–	–	–	828
Total	314,412	384,955	78,380	(3,039)	774,708
Major products					
Sales of upholstered furniture	314,412	–	–	–	314,412
Sales of properties	–	384,955	–	–	384,955
Hotel management	–	–	36,838	–	36,838
Travel & tourism management	–	–	8,102	–	8,102
Catering & entertainment	–	–	19,906	–	19,906
Property management	–	–	13,534	(3,039)	10,495
	314,412	384,955	78,380	(3,039)	774,708
Timing of revenue recognition					
At a point in time	314,412	384,955	–	–	699,367
Transferred over time	–	–	78,380	(3,039)	75,341
	314,412	384,955	78,380	(3,039)	774,708

Results

	Six months ended June 30, 2018 *RMB'000* (unaudited)	Six months ended June 30, 2017 *RMB'000* (unaudited)
Segment profit		
– Manufacturing	**16,308**	2,487
– Properties development	**88,868**	(64,710)
– Others	**(29,474)**	(20,480)
	75,702	(82,703)
Unallocated corporate expenses	**(1,949)**	(2,896)
Unallocated other gains and losses	**15,888**	6,834
Profit/(loss) for the period	**89,641**	(78,765)

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 chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. REVENUE

All the Group's revenue is derived from contracts with customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	June 30, 2018 *RMB'000* (unaudited)	December 31, 2017 *RMB'000* (audited)
Receivables	**176,770**	158,225
Contract liabilities	**4,661,119**	–

The contract liabilities mainly relate to the deposits paid by customers from pre-sales of properties and advance consideration received from customers amounting of RMB4,651,888,000 and RMB9,231,000.

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2018 *RMB'000* **(unaudited)**	Six months ended June 30, 2017 *RMB'000* (unaudited)
Net foreign exchange gain/(loss)	**7,842**	(6,042)
Net of impairment loss recognised in respect of trade and other receivables	**(873)**	(1,784)
Gain on disposal of subsidiaries	**793**	17,147
Loss on disposal of property, plant and equipment	**(23)**	(1,180)
Release of financial guarantees	**5,367**	5,367
Others	**(212)**	(393)
	12,894	13,115

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended June 30, 2018 *RMB'000* **(unaudited)**	Six months ended June 30, 2017 *RMB'000* (unaudited)
Amortisation of intangible assets (included in administrative expenses)	**45**	54
Depreciation of property, plant and equipment	**32,277**	26,936
Total depreciation and amortisation	**32,322**	26,990
Release of prepaid lease payments	**1,296**	536
Costs of inventories recognised as expenses (including reversal of net allowance of inventories of RMB393,000 (June 30, 2017: provision allowance for RMB1,630,000))	**276,912**	257,451
Interest on bank and other borrowings	**10,109**	10,393
Less: amount capitalised in respect of property under development	**(2,051)**	(1,864)
	8,058	8,529
Government grants	**(6,655)**	(2,010)
Interest income	**(2,555)**	(1,165)

7. INCOME TAX EXPENSES

	Six months ended June 30, 2018 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2017 *RMB'000* (unaudited)
Land appreciation tax ("LAT") – Current period	**13,659**	8,625
People's Republic of China ("PRC") enterprise income tax		
– Current period	**8,988**	18,677
– Underprovision/(overprovision) of income tax in previous periods	**1,713**	(1,834)
	10,701	16,843
Deferred tax expenses/(credit)	**2,089**	(4,329)
	26,449	21,139

8. 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.

9. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss) for the period

	Six months ended June 30, 2018 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2017 *RMB'000* (unaudited)
Profit/(loss) for the period for the purposes of basic and diluted earnings/(loss) per share, being profit/(loss) attributable to owners of the Company	**103,886**	(76,342)

Number of shares

	Six months ended June 30, 2018 (unaudited)	Six months ended June 30, 2017 (unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**1,495,006,975**	1,511,019,881
Effect of dilutive potential ordinary shares: – share options	**6,150,032**	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**1,501,157,007**	1,511,019,881

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

10. 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, 2018 ***RMB'000*** **(unaudited)**	December 31, 2017 *RMB'000* (audited)
Aged:		
Within 60 days	**136,101**	117,208
61 – 90 days	**8,581**	13,691
91 – 180 days	**11,960**	15,732
181 – 365 days	**18,262**	8,435
Over 1 year	**1,866**	3,159
	176,770	158,225

11. 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, 2018 *RMB'000* **(unaudited)**	December 31, 2017 *RMB'000* (audited)
Within 60 days	**925,580**	737,567
61 – 90 days	**44,181**	29,550
91 – 180 days	**19,249**	40,998
181 – 365 days	**20,367**	32,022
1 – 2 years	**11,595**	33,313
Over 2 years	**47,388**	40,650
	1,068,360	914,100

12. DISPOSAL OF SUBSIDIARY

On May 31, 2018, the Group disposed of its 51% equity interest in 長白山保護開發區人和酒店管理有限公司 for a consideration of RMB1,687,000. A gain on disposal of subsidiary of RMB793,000 was recognised in the profit or loss for the year ended June 30, 2018 with net inflow of RMB895,000 cash and cash equivalents was result from the disposal. Assets and liabilities disposed of as at the date of disposal are as follows:

	RMB'000
Property, plant and equipment	179
Inventories	453
Trade and other receivables	2,467
Bank balances and cash	792
Trade and other payables	(2,139)
Net assets	1,752
Less: asset attributable to non-controlling interest	(858)
Net assets disposed of	894
Total consideration satisfied by cash	1,687
Gain on disposal of a subsidiary	793
An analysis of the net cash flow of cash and cash equivalents in respect of the Disposal is as follows:	
Cash consideration received	1,687
Bank balances and cash disposed of	(792)
	895

13. CAPITAL COMMITMENTS

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

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	**36,771**	40,447
– Properties under development	**645,373**	1,021,667
	682,144	1,062,114

14. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB2,624,730,000 at June 30, 2018 (December 31, 2017: RMB2,038,471,000) 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 discontinued operation in 2016, the Group recognized (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.

As at June 30, 2018, 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 recognised less cumulative amortisation. The carrying amount of these financial guarantees recognized at June 30, 2018 is RMB5,368,000 (December 31, 2017: RMB10,735,000).

The maximum liabilities of the Group as at June 30, 2018 in respect of the guarantees (i) and guarantees (ii) is RMB392,200,000 (December 31, 2017: RMB392,200,000) and RMB675,600,000 (December 31, 2017: RMB675,600,000) respectively.

15. EVENT AFTER THE REPORTING PERIOD

On July 5, 2018, the Group entered into the agency agreement with Madam Oknha Lim Chhiv Ho ("Ms. Lim") pursuant to entrust Ms. Lim to procure the acquisition of land in Cambodia for and on its behalf at a consideration of US$3,000,000.

On July 10, 2018, the Group entered into a joint venture agreement with Mr. Fan Dehua ("Mr. Fan") and Attwood Investment Group Co., Ltd. to establish a joint venture company ("JV Company A") for the development of the Power Project in Cambodia. Also, the Group entered into another joint venture agreement with Mr. Fan to establish a joint venture company ("JV Company B") for the development of the Paper-making Project in Cambodia.

On July 19, 2018, the Group and Ms. Lim entered into sale and purchase agreement for the acquisition of land in Cambodia at a consideration of US$24,000,000.

On August 9, 2018, the Board declared of a special dividend of HK$0.30 (equivalent to approximately RMB0.26) per ordinary share.

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

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2018, the Group recorded a consolidated turnover of approximately RMB1,046.0 million (six months ended June 30, 2017: RMB774.7 million), representing an increase of approximately 35.0% when compared with the corresponding period in 2017.

The Group's gross profit for the six months ended June 30, 2018 was RMB276.4 million (six months ended June 30, 2017: RMB172.9 million) with an average gross profit margin of approximately 26.4% (six months ended June 30, 2017: 22.3%), representing an increase of approximately 59.9% when compared with the corresponding period in 2017.

The net profit attributable to owners of the Company for the first half of 2018 was approximately RMB103.9 million (six months ended June 30, 2017: a net loss of RMB76.3 million). The turnaround from loss to profit was largely attributable to (1) the significant increase in the overall gross profit of approximately RMB103.5 million, which included the increase in gross profit of the property development segment of approximately RMB82.6 million resulted from the increase in the delivery of residential buildings for the Group's property development projects in the PRC; and (2) the sharp decrease of approximately RMB83.0 million in the selling costs incurred in relation to the sales and the pre-sale properties in the first half of 2018 as compared with the same period in 2017.

Review by Business Segments

The Group's reportable business segments principally consist of manufacturing and trading 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 segments for the six months ended June 30, 2018, together with the comparative figures for the corresponding period in 2017:

	Six Months Ended June 30,				
	2018		2017		**Change**
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing and trading of upholstered furniture	**347.6**	**33.2**	314.4	40.6	10.6
Property development	**621.7**	**59.5**	385.0	49.7	61.5
Others	**76.7**	**7.3**	75.3	9.7	1.9
Total	**1,046.0**	**100.0**	774.7	100.0	35.0

Manufacturing Business

During the period under review, the Group's manufacturing of upholstered furniture (including sofa and sofa cut-and-sew) realised a total turnover of approximately RMB347.6 million, representing an increase of approximately 10.6% as compared to the total turnover of approximately RMB314.4 million in the corresponding period of 2017. The major customers of the Group's manufacturing of upholstered furniture are large and medium-sized furniture importers from America and Europe. Given that the Group has been continuously consolidating its business relationships with key customers and actively exploring new customers and that its performance on the manufacturing of upholstered furniture over the years has been fully recognized by the customers, the results of the Group's manufacturing segment maintained a steady growth. The segment recorded a profit of approximately RMB16.3 million, representing an increase of approximately 552.0% as compared to the profit of approximately RMB2.5 million in the corresponding period of 2017.

Property Development Business

As at June 30, 2018, 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, 2018, the turnover recorded from the property development segment was approximately RMB621.7 million, representing an increase of approximately 61.5% as compared to approximately RMB385.0 million in the corresponding period of 2017. The increase in sales was mainly due to the significant increase of delivery of properties from the Group's existing development projects.

Group's Property Project Portfolio as at June 30, 2018

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, 2018 *(sq.m.)*	Accumulated GFA delivered as at June 30, 2018 *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
1	Asia Bay	718,665	342,435	590,165	173,797	152,073	9,462
2	Qianjiang Continent	775,292	775,292	669,717	664,484	653,716	9,274
3	Kasen Star City	958,422	958,422	711,893	697,516	296,815	7,036
4	Changbai Paradise	122,412	122,412	122,010	35,050	22,851	–
5	Qianjiang Oasis	347,483	347,483	293,635	188,861	81,571	4,536
Total		2,922,274	2,546,044	2,387,420	1,759,708	1,207,026	

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2018 decreased to approximately RMB71.8 million, representing a sharp decrease of approximately RMB82.3 million as compared to approximately RMB154.1 million in the first half of 2017, mainly due to the fact that significant high selling costs were recognised in the first half of 2017 in relation to the large number of pre-sale properties made for the property development segment of the Group in the first half of 2017. As a result, there was a sharp decrease of approximately RMB83.0 million in the selling costs incurred in relation to the sales and the pre-sale properties in the first half of 2018. The selling and distribution costs to turnover in the first half of 2018 decreased to 6.9% as compared to 19.9% for the corresponding period in 2017.

The administrative costs for the six months ended June 30, 2018 were approximately RMB106.3 million, representing an increase of approximately RMB16.6 million as compared to approximately RMB89.7 million during the corresponding period in 2017. The increase was mainly attributable to the increases in the staff costs and depreciation charge incurred of approximately RMB6.7 million and RMB4.6 million respectively, in the water parks in Sanya, Hainan Province and Yancheng, Jiangsu Province, as well as the property development segment of the Group.

The Group's finance cost in the first half of 2018 was approximately RMB8.1 million, maintained at a relatively stable level as compared to approximately RMB8.5 million for the same period of 2017. The finance cost was mainly the costs that the Group incurred in the Group's bank borrowings.

The Group's income tax in the first half of 2018 was approximately RMB26.4 million, representing an increase of approximately RMB5.3 million as compared to approximately RMB21.1 million in the corresponding period in 2017. The increase was mainly resulted from an increase in PRC land appreciation tax of approximately RMB5.0 million from the property development projects.

The Group recorded a net gain of approximately RMB12.9 million in other gains and losses in the first half of 2018, while it recorded a net gain of approximately RMB13.1 million during the same period of 2017. For details of the other gains and losses, please refer to note 5 to the Condensed Consolidated Financial Statements.

Based on the aforesaid factors, there was a turnaround from loss to profit, such that the overall net profit attributable to owners of the Company for the first half of 2018 was approximately RMB103.9 million (six months ended June 30, 2017: net loss of RMB76.3 million).

Financial Resources and Liquidity

As at June 30, 2018, the Group had cash and cash equivalent available for utilisation totalling approximately RMB855.0 million (as at December 31, 2017: RMB439.9 million) and a total borrowings of approximately RMB992.4 million (as at December 31, 2017: RMB493.0 million). This represents a gearing ratio of 34.3% (as at December 31, 2017: 15.7%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2018, 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, 2018, the Group's inventory was approximately RMB81.5 million, representing a slight increase of approximately RMB0.5 million as compared to approximately RMB81.0 million as of December 31, 2017. During the six months ended June 30, 2018, the Group endeavored to control the inventory level and its inventory turnover period was 49 days as compared to 50 days as at December 31, 2017.

During the six months ended June 30, 2018, the Group continued to maintain a strict credit policy. The account and bills receivable turnover days of the Group's manufacturing segment was slightly increased to 86 days for the first half of 2018 (as at December 31, 2017: 83 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing segment increased to 106 days for the six months ended June 30, 2018 (as at December 31, 2017: 94 days).

Material Acquisition and Disposal

On January 2, 2018, Cardina International Company Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Mr. Fan Dehua ("**Mr. Fan**") and Madam Oknha Lim Chhiv Ho ("**Ms. Lim**"), both are connected persons of the Company at the subsidiary level under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), in relation to the formation of a joint venture, Fun Waterpark Co. Ltd. ("**Fun Waterpark**") for the purpose of the development and operation of the water park in Cambodia (the "**Water Park**"). For further details, please refer to the announcements of the Company dated January 2, 2018 and January 3, 2018.

On January 12, 2018, Fun Waterpark, an indirect non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Lim to acquire eight plots of adjoining lands located at Toulkey Village, Phnom Penh, Cambodia with a total site area of 154,886 square metres, at an aggregate consideration of approximately US$16.4 million, for the purpose of utilising it as potential site of the Water Park. For further details, please refer to the announcement of the Company dated January 12, 2018.

On April 24, 2018, Zhejiang Kasen Industrial Group Co. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to purchase the equipment which consists of two sets of 300 mega-watts coal-fired generators together with certain ancillary components, at an aggregate consideration of approximately RMB218,000,000, to be used for a thermal power plant to be developed in Cambodia. For further details, please refer to the announcement of the Company dated April 24, 2018.

On May 8, 2018, Fun Waterpark entered into an agency agreement with an independent third person and Ms. Lim to acquire around 20 plots of lands adjoining to the land acquired by the Group on January 12, 2018 located at Toulkey Village, Phnom Penh, Cambodia with a total site area of approximately 120,000 square metres, at an aggregate consideration of approximately US$13.08 million, to further complement the development of the Water Park. For further details, please refer to the announcement of the Company dated May 8, 2018.

On May 23, 2018, Fun Waterpark entered into an agency agreement with Ms. Lim to acquire one plot of land located at Kom Penh sub-district, Steung Hav district, Cambodia with a total site area of approximately 90,000 square meters, at an aggregate consideration of approximately US$3,780,000, to be used for construction of power plant or other approved industrial project in Cambodia. For further details, please refer to the announcement of the Company dated May 23, 2018.

Save as otherwise, the Group did not have any other material acquisitions or disposal during the six months ended June 30, 2018.

Pledge of Assets

During the six months ended June 30, 2018, 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 0.35%-1.30%.

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. During the period under review, there was a significant fluctuation in the exchange rate of Renminbi against USD. The Group did not implement any corresponding hedging measures, but will continue to monitor the situation and make necessary arrangement as and when appropriate.

Contingent Liabilities

As at June 30, 2018, the Group had certain contingent liabilities. For details, please refer to note 14 to the Condensed Consolidated Financial Statements.

Employees and emoluments policies

As at June 30, 2018, the Group employed a total of approximately 4,000 full time employees (as at June 30, 2017: approximately 3,400) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2018, the Group's total expenses on the remuneration of employees were approximately RMB106.7 million (six months ended June 30, 2017: RMB88.3 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 (the "Board") of directors (the "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. Further details in relation to the scheme will be set out in the interim report of the Company.

Environmental protection and social responsibility

The Group always pursues the harmonious growth among its business development, environmental protection and valuing our employees, with an aim to be a company with a high degree of social responsibility. During the production process, the Group places an emphasis on environmental protection, carbon emissions reduction, reasonable and efficient resources usage and promotion of green operations of the plants. The Group regards its employees as a valuable asset. By providing employees with an attractive and promising growth platform and various trainings and group activities, the Group encourages them to be dedicated and continuously improves their standard and enhances cohesion.

Adhering to integrity and pursuing excellence are the core values of the Group's development. The Group emphasizes the integrity in business, the accountability towards business partners and giving back to the community, and strictly operate in accordance with laws and regulations. The Group seeks to provide quality products and services to its business partners and customers, as well as to offer support to the communities where it operates and those in need, and participate in various social welfare undertakings.

Future Plans and Prospects

In the first half of 2018, the Group responded positively to the PRC government's policy of promoting "One Belt, One Road" investment and identified Cambodia as a key area for the Group's overseas business development. The business development strategy in Cambodia focuses on China-Cambodia international production capacity cooperation in Sihanoukville Port to promote the businesses such as power generation, paper-making and the cooperative development of the special economic zones. By leveraging on the promising development prospect of the Cambodian economy and the local advantages of the Group, the Group will actively push forward the investment in Cambodia, aiming to accomplish early completion, early operation and early income.

In the field of tourism resort services, focusing on the existing water parks and hotel operations, the Group will seize the opportunity of tourism consumption upgrade of domestic consumers to optimize its business performance on an ongoing basis, give full play to its core advantages, and shape the brand effect of Allblue. In the area of property development, it is expected that a large number of properties will be delivered in 2018. In addition to consolidating the sales results of its existing projects, the Group will take proactive measures to respond to policy changes in the principle of strong and steady development. In the field of upholstered furniture, due to trade disputes between China and the United States, the United States may further increase tariffs on furniture imported from China. If tariffs are raised, it will bring certain impacts to the Group's upholstered furniture business. In this regard, the Group will actively respond to the changing market environment with a cautious and flexible attitude in order to minimize adverse impacts.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as its corporate governance code of practices. For the six months ended June 30, 2018, 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, 2018, 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, 2018. 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, 2018, including the review of the unaudited interim results of the Group for the six months ended June 30, 2018.

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.

EVENTS AFTER THE REPORTING PERIOD

The Company had events after the reporting period. For details, please refer to Note 15 to the preliminary announcement.

INTERIM DIVIDEND

At a Board meeting held on August 9, 2018, the Board recommended the declaration and payment of a special dividend of HK$0.30 (equivalent to approximately RMB0.26) per ordinary share, which will be payable in two tranches of HK$0.17 and HK$0.13, respectively. Further details of the special dividend declaration have been set out in the Company's announcement dated August 9, 2018.

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

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

Pursuant to the general mandate granted by the shareholders of the Company, the Board of Directors resolved on February 9, 2018 to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 31, 2017. As at June 30, 2018, the Company had repurchased 33,933,000 ordinary shares in total on the Stock Exchange at an aggregate consideration of HK$48,967,170 and such shares were cancelled in March 2018. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the first six months ended June 30, 2018.

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, 2018.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2018 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 29, 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