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, 2019

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, 2019. 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, 2019

	NOTES	**Six months ended June 30, 2019** ***RMB'000*** **(unaudited)**	Six months ended June 30, 2018 *RMB'000* (unaudited)
Revenue	*3, 4*	**1,963,606**	1,046,036
Cost of sales		**(1,311,206)**	(769,607)
Gross profit		**652,400**	276,429
Other income		**7,816**	12,912
Selling and distribution costs		**(110,962)**	(71,830)
Administrative expenses		**(124,110)**	(106,257)
Other gains and losses	*5*	**(40,563)**	12,894
Finance costs		**(11,213)**	(8,058)
Profit before tax	*6*	**373,368**	116,090
Income tax expenses	*7*	**(130,370)**	(26,449)
Profit for the period		**242,998**	89,641

	NOTES	Six months ended June 30, 2019 RMB'000 (unaudited)	Six months ended June 30, 2018 RMB'000 (unaudited)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		**440**	(3,840)
Income tax relating to fair value change of financial assets at fair value through other comprehensive income		**(110)**	960
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation		**301**	37
Total comprehensive income for the period		**243,629**	86,798
Profit for the period attributable to:			
– Owners of the Company		**227,785**	103,886
– Non-controlling interests		**15,213**	(14,245)
		242,998	89,641
Total comprehensive income for the period attributable to:			
– Owners of the Company		**228,539**	101,010
– Non-controlling interests		**15,090**	(14,212)
		243,629	86,798
Earnings per share	*9*		
– Basic		**RMB15.3 cents**	RMB7.0 cents
– Diluted		**RMB15.2 cents**	RMB6.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2019

	NOTES	**June 30, 2019** *RMB'000* **(unaudited)**	December 31, 2018 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,556,907**	1,429,707
Prepaid lease payments – non-current portion		**–**	132,896
Intangible assets		**1,128**	830
Right-of-use assets		**180,547**	–
Deferred tax assets		**51,138**	50,529
Prepayment for acquisition of property, plant and equipment		**71,909**	95,980
Deposits paid for other non-current assets		**12,812**	–
Financial assets at fair value through other comprehensive income		**18,643**	18,203
Prepayment for acquisition of freehold and leasehold land		**353,944**	351,579
		2,247,028	2,079,724
CURRENT ASSETS			
Inventories		**73,350**	85,756
Properties under development		**1,921,527**	2,881,767
Properties held for sale		**989,688**	765,579
Amounts due from non-controlling interests of subsidiaries		**52,650**	52,650
Trade, bills and other receivables	*10*	**1,097,780**	1,177,848
Prepaid lease payments – current portion		**–**	3,554
Tax recoverable		**27,137**	28,050
Prepaid land appreciation tax		**19,471**	50,429
Pledged bank deposits		**108,404**	83,652
Restricted bank deposit for property development business		**210,706**	485,856
Bank balances and cash		**282,256**	457,708
		4,782,969	6,072,849

	NOTES	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	*11*	**1,046,286**	1,113,512
Lease liabilities – current portion		**5,912**	–
Contract liabilities		**1,486,776**	2,846,605
Bank and other borrowings – due within one year		**419,393**	354,997
Tax payable		**222,917**	223,206
Amounts due to non-controlling interests of subsidiaries		**123,259**	123,228
		3,304,543	4,661,548
NET CURRENT ASSETS		**1,478,426**	1,411,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,725,454**	3,491,025
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**23,320**	27,067
Lease liabilities – non current portion		**16,112**	–
Bank and other borrowings – due after one year		**523,435**	545,000
		562,867	572,067
NET ASSETS		**3,162,587**	2,918,958
CAPITAL AND RESERVES			
Share capital		**1,712**	1,712
Reserves		**3,076,119**	2,847,580
Equity attributable to owners of the Company		**3,077,831**	2,849,292
Non-controlling interests		**84,756**	69,666
TOTAL EQUITY		**3,162,587**	2,918,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

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 and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2018 annual report.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 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, 2019. This is the first set of the Group's financial statements in which IFRS 16 has 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 2018 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, 2019, and will be adopted in the 2019 annual financial statements.

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

The impact of the adoption of IFRS 16 Leases has been summarised in below. The other new or amended IFRSs that are effective from January 1, 2019 did not have any material impact on the Group's accounting policies.

Adoption of new IFRS 16 – Leases

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following tables summarised the impact of transition to IFRS 16 on statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows (increase/(decrease)):

	January 1, 2019 *RMB'000* (unaudited)
Right-of-use assets – increase by	161,722
Prepaid lease payments (current portion) – decrease by	(132,896)
Prepaid lease payments (non-current portion) – decrease by	(3,554)
Lease liabilities (current portion) – increase by	5,714
Lease liabilities (non– current portion) – increase by	19,558

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at January 1, 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitments disclosed as at December 31, 2018 (audited)	29,058
Less: short term leases for which lease terms end within December 31, 2019	(329)
	28,729
Discounted using the lessee's incremental borrowing rate of at the date of initial application	25,272
Add: Reclassification of prepaid lease payments	136,450
Right-of-use assets recognised as at January 1, 2019	161,722

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at January 1, 2019 was 4.35%.

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (January 1, 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The Group has elected to recognise all the right-of-use assets at January 1, 2019 for leases previously classified operating leases under IAS 17 at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at January 1, 2019. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at January 1, 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and HK(IFRIC)-Int4.

(v) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			Lease liabilities
	Buildings	**Prepaid lease payment**	**Sub-total**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	25,272	136,450	161,722	25,272
Additions	–	23,820	23,820	–
Depreciation and amortisation charge	(3,091)	(1,904)	(4,995)	–
Interest expense	–	–	–	453
Payments	–	–	–	(3,701)
As at June 30, 2019	22,181	158,366	180,547	22,024

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

Segment revenues and results

The following is an analysis of the Group's revenue 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, 2019 (unaudited)

	Manufacturing *RMB'000*	Properties development *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	359,752	1,544,940	58,914	–	1,963,606
Inter-segment revenue	–	–	1,517	(1,517)	–
Reportable segment revenue	359,752	1,544,940	60,431	(1,517)	1,963,606
Primary geographical markets					
United States	300,328	–	–	–	300,328
PRC	23,160	1,544,940	60,431	(1,517)	1,627,014
Europe	34,352	–	–	–	34,352
Others	1,912	–	–	–	1,912
Total	359,752	1,544,940	60,431	(1,517)	1,963,606
Major products					
Sale of upholstered furniture	359,752	–	–	–	359,752
Sale of properties	–	1,544,940	–	–	1,544,940
Hotel management	–	–	30,726	–	30,726
Travel & tourism management	–	–	18,586	–	18,586
Catering & entertainment	–	–	2,581	–	2,581
Property management	–	–	8,538	(1,517)	7,021
	359,752	1,544,940	60,431	(1,517)	1,963,606
Timing of revenue recognition					
At a point in time	359,752	1,544,940	–	–	1,904,692
Transferred over time	–	–	60,431	(1,517)	58,914
	359,752	1,544,940	60,431	(1,517)	1,963,606

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					
Sale of upholstered furniture	347,593	–	–	–	347,593
Sale 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

Results

	Six months ended June 30, 2019 *RMB'000* (unaudited)	Six months ended June 30, 2018 *RMB'000* (unaudited)
Segment profit		
– Manufacturing	**28,215**	16,308
– Properties development	**270,777**	88,868
– Others	**(38,020)**	(29,474)
	260,972	75,702
Unallocated corporate expenses	**(11,756)**	(1,949)
Unallocated other gains and losses	**(6,218)**	15,888
Profit for the period	**242,998**	89,641

Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries and exchange gain. 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

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

	Six months ended June 30, 2019 *RMB'000* (unaudited)	Six months ended June 30, 2018 *RMB'000* (unaudited)
Sale of goods		
Upholstered furniture	**359,752**	347,593
Residential properties	**1,544,940**	621,729
	1,904,692	969,322
Provision of services		
Others *(note)*	**58,914**	76,714
	1,963,606	1,046,036

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

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2019 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2018 *RMB'000* (unaudited)
Net foreign exchange gain	**200**	7,842
Net impairment loss recognised in respect of properties under development and held for sales	**(1,154)**	–
Net impairment loss on property, plant and equipment	**(5,405)**	–
Net of impairment loss recognised in respect of trade and other receivables	**(10,740)**	(873)
Gain on disposal of subsidiaries	**–**	793
Loss on disposal of property, plant and equipment	**(15)**	(23)
Provision of financial guarantees	**(19,851)**	–
Release of financial guarantees	**3,308**	5,367
Others	**(6,906)**	(212)
	(40,563)	12,894

6. PROFIT BEFORE TAX

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

	Six months ended June 30, 2019 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2018 *RMB'000* (unaudited)
Amortisation of intangible assets	**233**	45
Depreciation of property, plant and equipment	**38,664**	32,277
Total depreciation and amortisation	**38,897**	32,322
Release of prepaid lease payments	**–**	1,296
Depreciation and amortisation of right of use assets	**4,995**	–
Costs of inventories recognised as expenses (including net allowance of inventories of RMB137,000 (June 30, 2018: provision allowance for RMB393,000))	**261,799**	276,912
Interest on lease liabilities	**453**	–
Interest on bank and other borrowings	**23,447**	10,109
Less: amount capitalised in respect of property under development	**(12,687)**	(2,051)
	11,213	8,058
Government grants	**(5,046)**	(6,655)
Interest income	**(1,736)**	(2,555)

7. INCOME TAX EXPENSES

	Six months ended June 30, 2019 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2018 *RMB'000* (unaudited)
Land appreciation tax ("LAT") – Current period	**64,385**	13,659
People's Republic of China enterprise income tax		
– Current period	**69,471**	8,988
– Underprovision of income tax in previous periods	**980**	1,713
	70,451	10,701
Deferred tax (credit)/expenses	**(4,466)**	2,089
	130,370	26,449

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 PER SHARE

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

Earnings for the period

	Six months ended June 30, 2019 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2018 *RMB'000* (unaudited)
Profit for the period for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**227,785**	103,886

Number of shares

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB227,785,000 (six months ended June 30, 2018: RMB103,886,000) and the weighted average of 1,493,636,881 ordinary shares (six months ended June 30, 2018: 1,495,006,975 shares) in issue during the period, calculated as follows:

	Six months ended June 30, 2019 (unaudited)	Six months ended June 30, 2018 (unaudited)
Issued ordinary shares at January 1	**1,493,636,881**	1,511,019,881
Effect of shares repurchased	**–**	(17,247,713)
Effect of share option exercised	**–**	1,234,807
Weighted average number of ordinary shares at June 30	**1,493,636,881**	1,495,006,975

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB227,785,000 (six months ended June 30, 2018: RMB103,886,000) and the weighted average of 1,501,539,475 ordinary shares (six months ended June 30, 2018: 1,501,157,007 shares) in issue during the period, which assumed the conversion of all dilutive potential ordinary shares:

	Six months ended June 30, 2019 (unaudited)	Six months ended June 30, 2018 (unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,493,636,881**	1,495,006,975
Effect of dilutive potential ordinary shares: – share options	**7,902,594**	6,150,032
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,501,539,475**	1,501,157,007

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 presented based on the invoice date at the end of the reporting period is as follows:

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Aged:		
Within 60 days	**82,141**	66,355
61 – 90 days	**7,069**	4,540
91 – 180 days	**4,022**	6,530
181 – 365 days	**6,463**	18,118
Over 1 year	**42,345**	23,573
	142,040	119,116

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, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 60 days	**532,847**	678,405
61 – 90 days	**58,935**	36,944
91 – 180 days	**48,158**	37,019
181 – 365 days	**47,613**	34,412
1 – 2 years	**20,813**	11,309
Over 2 years	**46,659**	45,126
	755,025	843,215

12. CAPITAL COMMITMENTS

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

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Commitments for acquisition/addition of:		
– Property, plant and equipment	**1,145,769**	1,219,381
– Properties under development	**830,231**	1,111,698
	1,976,000	2,331,079

13. CONTINGENT LIABILITIES

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

The Group provided guarantees of RMB1,125,500,000 at June 30, 2019 (December 31, 2018: RMB1,247,399,000) 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, 2019, 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 recognised at June 30, 2019 is RMB16,543,000 (December 31, 2018: Nil).

The maximum liabilities of the Group as at June 30, 2019 in respect of the guarantees (i) and guarantees (ii) was RMB374,100,000 (December 31, 2018: RMB374,100,000) and RMB394,800,000 (December 31, 2018: RMB394,800,000) respectively.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2019, the Group recorded a consolidated turnover of approximately RMB1,963.6 million (six months ended June 30, 2018: RMB1,046.0 million), representing an increase of approximately 87.7% when compared with the corresponding period in 2018.

The Group's gross profit for the six months ended June 30, 2019 was RMB652.4 million (six months ended June 30, 2018: RMB276.4 million), with an average gross profit margin of approximately 33.2% (six months ended June 30, 2018: 26.4%), representing an increase of approximately 136.0% in gross profit when compared with the corresponding period in 2018.

The net profit attributable to owners of the Company for the first half of 2019 was approximately RMB227.8 million (six months ended June 30, 2018: RMB103.9 million), representing an increase of approximately 119.2%. The significant increase in the net profit was largely attributable to the significant increase in the overall gross profit. The overall gross profit was approximately RMB652.4 million for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB276.4 million), which included the increase in gross profit of the property development segment of approximately RMB363.5 million resulted from the increase in the delivery of residential buildings for the Group's property development projects in the People's Republic of China ("**PRC**" or "**China**") during the six months ended June 30, 2019 as compared with the corresponding period in 2018.

Review by Business Segments

The Group's reportable business segments principally consist of manufacturing and trading of upholstered furniture, property development and others (mainly comprising operation of tourism resort 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, 2019, together with the comparative figures for the corresponding period in 2018:

	Six Months Ended June 30,				
	2019		2018		**Change**
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing and trading of upholstered furniture	**359.8**	**18.3**	347.6	33.2	3.5
Property development	**1,544.9**	**78.7**	621.7	59.5	148.5
Others	**58.9**	**3.0**	76.7	7.3	-23.2
Total	**1,963.6**	**100.0**	1,046.0	100.0	87.7

Manufacturing and Trading of Upholstered Furniture Business

During the period under review, the Group's manufacturing and trading of upholstered furniture included finished sofa realised a total turnover of approximately RMB359.8 million, representing an increase of approximately 3.5% as compared to the total turnover of approximately RMB347.6 million in the corresponding period of 2018. The major customers of the Group's upholstered furniture are large and medium-sized furniture importers from the United States and Europe. Affected by the trade disputes between China and the United States, the United States imposed additional tariffs on furniture products exported from China to the United States. The Group actively strengthened communication with key customers to jointly deal with the adverse effects caused by increased tariffs. With the support of customers, the performance of the Group's manufacturing and trading of upholstered furniture business segment maintained a steady growth, as well as the impacts from the decline in raw material costs in the first half of 2019 and the depreciation of Renminbi currency as compared with the same period in last year, the Group recorded a profit of approximately RMB28.2 million for the six months ended June 30, 2019, representing an increase of approximately 73.0% as compared to the profit of approximately RMB16.3 million in the corresponding period of 2018.

Property Development Business

As at June 30, 2019, the Group had six projects at various stages of development in mainland China. During the period under review, the Group did not have new property development project. During the six months ended June 30, 2019, the turnover recorded from the property development segment was approximately RMB1,544.9 million, representing an increase of approximately 148.5% as compared to approximately RMB621.7 million in the corresponding period of 2018. The increase in sales revenue was mainly due to the increase of delivery of properties from the Group's existing development projects.

Group's Property Project Portfolio as at June 30, 2019

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	Residential, 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 the Group's Property Development Projects

No.	Project Name	Total gross floor area ("GFA") *(sq.m.)*	GFA under development/ completed *(sq.m.)*	Total Saleable GFA *(sq.m.)*	Accumulated GFA sold as at June 30, 2019 *(sq.m.)*	Accumulated GFA delivered as at June 30, 2019 *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
1	Asia Bay	718,665	342,435	590,165	175,839	154,928	21,828
2	Qianjiang Continent	775,292	775,292	669,717	660,161	657,753	–
3	Kasen Star City	956,576	956,576	708,502	698,754	661,142	9,685
4	Changbai Paradise	122,412	122,412	122,010	45,712	38,723	5,002
5	Qianjiang Oasis	337,125	337,125	283,053	233,839	167,643	6,665
Total		2,910,070	2,533,840	2,373,447	1,814,305	1,680,189	

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2019 increased to approximately RMB111.0 million, representing an increase of approximately RMB39.2 million as compared to approximately RMB71.8 million in the first half of 2018, mainly due to an increase of approximately RMB42.8 million in the selling costs incurred in relation to the sales of properties during the six months ended June 30, 2019. The selling and distribution costs to turnover in the first half of 2019 decreased to 5.7% as compared to 6.9% for the corresponding period in 2018.

The administrative costs for the six months ended June 30, 2019 were approximately RMB124.1 million, representing an increase of approximately RMB17.8 million as compared to approximately RMB106.3 million for the corresponding period in 2018. The increase was mainly attributable to an increase in the staff costs and depreciation charge incurred of approximately RMB14.6 million and RMB6.2 million respectively, by the Group's waterpark operation in the PRC and the property development segment of the Group.

The Group's finance cost in the first half of 2019 was approximately RMB11.2 million, representing an increase of approximately RMB3.1 million as compared to approximately RMB8.1 million for the corresponding period of 2018. 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 2019 was approximately RMB130.4 million, representing an increase of approximately RMB104.0 million as compared to approximately RMB26.4 million for the corresponding period in 2018. The increase was mainly resulted from (1) an increase in PRC income tax of approximately RMB60.5 million mainly due to an increase in taxable profits generated at the subsidiary level especially for property development segment with significantly increased operating profit; and (2) an increase in PRC land appreciation tax of approximately RMB50.7 million from the property development projects.

The Group recorded a net loss of approximately RMB40.6 million in other gains and losses in the first half of 2019, while it recorded a net gain of approximately RMB12.9 million during the corresponding period of 2018. For details of the other gains and losses, please refer to note 5 to the Condensed Consolidated Financial Statements.

Based on the aforesaid factors, the net profit attributable to owners of the Company for the first half of 2019 was approximately RMB227.8 million (six months ended June 30, 2018: RMB103.9 million), representing an increase of approximately 119.2%.

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2019, the Group had cash and cash equivalent available for utilisation totalling approximately RMB282.3 million (as at December 31, 2018: RMB457.7 million) and a total borrowings of approximately RMB942.8 million (as at December 31, 2018: RMB900.0 million). This represents a gearing ratio of 30.6% (as at December 31, 2018: 31.6%). The gearing ratio is based on bank borrowings to shareholders' equity. In the first half of 2019, 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, 2019, the Group's inventory was approximately RMB73.4 million, representing a decrease of approximately RMB12.4 million as compared to approximately RMB85.8 million as of December 31, 2018. During the six months ended June 30, 2019, the Group endeavored to control the inventory level and its inventory turnover period was 47 days as compared to 53 days as at December 31, 2018.

During the six months ended June 30, 2019, the Group continued to maintain a strict credit policy. The account and bills receivable turnover days of the Group's manufacturing and trading of upholstered furniture segment slightly decreased to 39 days for the first half of 2019 (as at December 31, 2018: 43 days).

During the period under review, the accounts and bills payable turnover days of the Group's manufacturing and trading of upholstered furniture segment increased to 94 days for the six months ended June 30, 2019 (as at December 31, 2018: 73 days).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions or disposal of its subsidiaries, associates or joint ventures during the six months ended June 30, 2019.

PLEDGE OF ASSETS

During the six months ended June 30, 2019, the Group pledged deposits, property, plant and equipment to banks to secure the bank borrowings 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) are mainly denominated in U.S. dollars, and trade receivables may be exposed to exchange rate fluctuation. During the period under review, there was a significant fluctuation in the exchange rate of Renminbi against U.S. dollars. The Group did not implement any hedging measures, but will continue to monitor the situation and make necessary arrangement as and when appropriate.

CONTINGENT LIABILITIES

As at June 30, 2019, the Group had certain contingent liabilities. For details, please refer to note 13 to the Condensed Consolidated Financial Statements.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2019, the Group employed a total of approximately 4,000 full time employees (as at June 30, 2018: approximately 4,000) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2019, the Group's total expenses on the remuneration of employees were approximately RMB125.5 million (six months ended June 30, 2018: RMB106.7 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 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 a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the share option 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 its employees to be dedicated, continuously improves their standard and enhances cohesion among the employees.

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 applicable 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 to those in need, and participate in various social welfare undertakings.

FUTURE PLANS AND PROSPECTS

The Group has responded positively to the PRC government's policy on promoting investments in countries along the "One Belt, One Road" initiative. The Board has decided to develop the Group into an "Operator in the One Belt One Road Special Economic Zone", adopting as its future development strategy. The Group has constructed industrial zones, and carried out infrastructure construction which was represented by power plants and terminals, with a view to establishing a platform for international cooperation in production capacity. Currently, the Group is building a platform for international cooperation in production capacity and is proactively seeking investment opportunity in the countries along the "One Belt, One Road" initiative in the pursuit of new strong momentum for its business development and profit growth.

In the field of upholstered furniture, there are uncertainties as to whether the United States will continue to impose additional tariffs on furniture imported from China. In order to reduce risks, on the one hand, the Group has set up a upholstered furniture factory in Cambodia to meet the demand of exporting to the US market, on the other hand, the Group will continue to strengthen the operation and management of upholstered furniture factories in China and to make full use of its advantages in quality, price, delivery and service, and will communicate closely with its customers to share tariff costs.

In respect of real estate development business, the Group will adhere to the principle of steady development and will focus on the continuous development, sales and delivery of existing projects.

In the field of tourism resort services, the Group will continue to optimize its business performance and establish brand effect, focusing on its existing water parks and hotels.

As at the date of this announcement, the Group has not entered into any definitive agreement in relation to any material investment or addition of capital assets.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its corporate governance code of practices. For the six months ended June 30, 2019, 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 code provision A.2.1 of the CG Code, 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 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.

The Board will keep this matter under view. 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.

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, 2019, 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, 2019. The Audit Committee 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 discharged its duty to have an effective internal control system during the six months ended June 30, 2019, including the review of the unaudited interim results of the Group for the six months ended June 30, 2019.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, the majority of which are independent non-executive Directors and Mr. Zhou Lingqiang, an independent non-executive Director, 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 Mr. Du Haibo, an independent non-executive Director, 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, and identifying and nominating qualified individuals to be appointed as new Directors of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Company has no material events required to be disclosed after the reporting period as at the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil).

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the first six months ended June 30, 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2019.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2019 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 28, 2019

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