Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2009

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 (the "Group") for the six months ended June 30, 2009. These interim results have been reviewed by the Company's Audit Committee, comprising solely the independent non-executive Directors, one of whom chairs the committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	NOTES	**Six months ended June 30, 2009** ***RMB'000*** **(unaudited)**	Six months ended June 30, 2008 *RMB'000* (unaudited)
Turnover	3	**1,256,005**	1,081,148
Cost of sales		**(1,109,050)**	(948,265)
Gross profit		**146,955**	132,883
Other income		**16,310**	39,257
Distribution costs		**(73,976)**	(41,281)
Administrative expenses		**(53,158)**	(64,587)
Other expenses		**(51,217)**	(3,421)
Share of losses of associates		**(1,230)**	(1,393)
Gain on disposal of subsidiaries		**–**	2,399
Finance costs		**(40,903)**	(56,384)

	NOTES	**Six months ended June 30, 2009** *RMB'000* **(unaudited)**	Six months ended June 30, 2008 *RMB'000* (unaudited)
(Loss) profit before taxation		**(57,219)**	7,473
Taxation	4	**(29,311)**	(4,663)
(Loss) profit for the period	5	**(86,530)**	2,810
Other comprehensive income for the period			
Exchange differences arising on translation		**(9,699)**	–
Total comprehensive (loss) income for the period		**(96,229)**	2,810
(Loss) profit for the period attributable to:			
Owners of the Company		**(85,711)**	5,417
Minority interests		**(819)**	(2,607)
		(86,530)	2,810
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(95,410)**	5,417
Minority interests		**(819)**	(2,607)
		(96,229)	2,810
Basic and Diluted (loss) earnings per share	6	**RMB(7) cents**	RMB1 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2009

	NOTES	**June 30, 2009** *RMB'000* **(unaudited)**	December 31, 2008 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	**543,059**	572,078
Prepaid lease payments – non-current portion		**60,012**	61,031
Properties for development	8	**556,972**	948,919
Intangible assets		**3,925**	1,870
Interests in associates		**48,404**	49,634
Interest in a jointly controlled entity		**2,614**	2,614
Available-for-sale investments		**43,278**	43,278
Deferred tax assets		**–**	5,916
		1,258,264	1,685,340
CURRENT ASSETS			
Inventories		**616,076**	727,128
Properties under development and held for sale		**565,483**	747,936
Trade, bills and other receivables	9	**613,775**	463,382
Prepaid lease payments – current portion		**1,949**	1,949
Prepaid land appreciation tax		**1,194**	5,938
Tax recoverable		**15,155**	22,943
Pledged bank deposits		**145,473**	120,997
Bank balances and cash		**572,213**	389,647
		2,531,318	2,479,920
Assets classified as held for sale	10	**495,949**	214,485
		3,027,267	2,694,405
CURRENT LIABILITIES			
Trade, bills and other payables	11	**620,577**	376,421
Deposit received in respect of pre-sale of properties		**225,554**	617,516
Deposit received in respect of assets classified as held for sale		**285,143**	–
Derivative financial instruments		**–**	627
Bank and other borrowings – due within one year	12	**1,118,661**	1,429,002
Taxes payable		**7,664**	7,062
		2,257,599	2,430,628
NET CURRENT ASSETS		**769,668**	263,777
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,027,932**	1,949,117

	NOTES	**June 30, 2009** *RMB'000* **(unaudited)**	December 31, 2008 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Other long-term liabilities		**33,568**	–
Bank and other borrowings – due after one year	12	**158,745**	13,555
		192,313	13,555
NET ASSETS		**1,835,619**	1,935,562
CAPITAL AND RESERVES			
Share capital		**1,404**	1,404
Reserves		**1,756,086**	1,852,654
Equity attributable to owners of the Company		**1,757,490**	1,854,058
Minority interests		**78,129**	81,504
TOTAL EQUITY		**1,835,619**	1,935,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2009

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 Standard Board ("IASB").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the IASB, which are effective for the Group's financial year beginning on January 1, 2009.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

IFRS 8 Operating Segments ("IFRS 8") is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, IAS 14 Segment Reporting ("IAS 14"), required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments by nature of products. The adoption of IFRS 8 has resulted in a redesignation for the Group's business segment (see note 3).

The adoption of the new and revised standards, amendments and interpretations has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

The adoption of IFRS 3 (Revised 2008) Business Combinations may affect the Group's accounting for business combinations for which the acquisition dates are on or after January 1, 2010. IAS 27 (Revised 2008) Consolidated and Separate Financial Statements will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted IFRS 8 with effect from January 1, 2009. IFRS 8 require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor Standard (IAS 14) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments by nature of goods and services supplied by the Group's operating divisions (i.e. upholstered furniture, furniture leather, automotive leather and properties development). However, information reported to Mr. Zhu Zhangjin, the Chief Executive Officer of the Company, for the purpose of resources allocation and performance assessment focuses more specifically on the categories of business. The principal categories of business are manufacturing and properties development. The unreported segments including retail business and property management service business are aggregated and presented as "Others". The Group's operating segments under IFRS 8 are therefore as follows:

– Manufacturing of upholstered furniture, furniture leather and automotive leather ("Manufacturing")

– Properties development; and

– Others, comprising mainly retail business and property management service business ("Others")

The segment results and segment assets are measured based on subsidiaries or group of subsidiaries that engaged in different businesses. Accordingly, the segment results include finance costs and tax expenses and segment assets include tax recoverable and bank balances and cash. Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of IFRS 8.

The following is an analysis of the Group's revenue and results for the periods by operating segment:

	Manufacturing	**Properties development**	**Others**	**Eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2009					
Turnover					
External sales	**677,453**	**523,633**	**54,919**	**–**	**1,256,005**
Inter-segment sales	**21,702**	**–**	**–**	**(21,702)**	**–**
Total	**699,155**	**523,633**	**54,919**	**(21,702)**	**1,256,005**
Six months ended June 30, 2008					
Turnover					
External sales	1,078,056	–	3,092	–	1,081,148
Inter-segment sales	1,132	–	–	(1,132)	–
Total	1,079,188	–	3,092	(1,132)	1,081,148

	Six months ended June 30, 2009 *RMB'000*	Six months ended June 30, 2008 *RMB'000*
Results		
Segment results		
– Manufacturing	**(6,147)**	14,500
– Properties development	**(52,608)**	(294)
– Others	**(19,887)**	(7,537)
	(78,642)	6,669
Unallocated corporate income	**976**	815
Unallocated corporate expenses	**(8,864)**	(4,674)
(Loss) profit for the period	**(86,530)**	2,810

Segment results represent the (loss) profit earned by each segment without allocation of corporate income, expenses and directors' salaries. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	June 30, 2009 *RMB'000*	December 31, 2008 *RMB'000*
Manufacturing	**2,250,409**	2,155,954
Properties development	**1,845,260**	2,164,202
Others	**143,081**	15,932
Total segment assets	**4,238,750**	4,336,088

4. TAXATION

	Six months ended June 30, 2009 *RMB'000*	Six months ended June 30, 2008 *RMB'000*
Land appreciation tax – current period	**5,532**	–
PRC enterprise income tax		
– current period	**17,955**	3,535
– (over) under provision in prior periods	**(92)**	1,128
	17,863	4,663
Deferred tax charged	**5,916**	–
	29,311	4,663

PRC enterprise income tax is calculated at the applicable rates to the PRC subsidiaries. Certain subsidiaries of the Company operating in the PRC are eligible for certain tax concessions for both periods.

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended June 30, 2009 *RMB'000*	Six months ended June 30, 2008 *RMB'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	**295**	270
Amortization of prepaid lease payments	**1,019**	1,162
Amortization of properties for development	**3,114**	5,443
Depreciation of property, plant and equipment	**37,308**	42,899
Total depreciation and amortization	**41,736**	49,774
Interest on bank and other borrowings wholly repayable within five years	**43,157**	56,384
Less: amount capitalized in respect of properties under development	**(2,254)**	–
	40,903	56,384
Impairment loss recognized (reversed) in respect of trade and other receivables	**6,005**	(9,593)
Compensation for cancellation of grant of land	**–**	(21,430)
Net loss (gain) on sales of scrap, raw materials and work in progress	**31,284**	(62)
Net (gain) loss on disposal of property, plant and equipment	**(2,962)**	713
Net foreign exchange (gain) losses	**(5,057)**	13,227

6. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	Six months ended June 30, 2009 *RMB'000*	Six months ended June 30, 2008 *RMB'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share, representing (loss) profit attributable to owners of the Company	**(85,711)**	5,417

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,163,656,985**	990,048,369
Effect of dilutive potential ordinary shares: Share options issued by the Company	**–**	59,282
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,163,656,985**	990,107,651

The presentation of diluted loss per share for the six months period June 30, 2009 has not assumed the exercise of the Company's share options because the exercise price of share options granted by the Company is higher than the Company's share price.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group incurred expenditure of approximately RMB11,095,000 (six months ended June 30, 2008: RMB10,139,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities. In addition, a carrying amount of approximately RMB14,689,000 of leasehold improvements and equipments were acquired as a result of the acquisition of a subsidiary by the Group during the current period.

During the current period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately RMB21,267,000 (six months ended June 30, 2008: RMB2,928,000).

8. PROPERTIES FOR DEVELOPMENT

	RMB'000
CARRYING AMOUNT	
At January 1, 2009	948,919
Additions	2,672
Transfer to properties under development	(110,041)
Transfer to assets classified as held for sale	(281,464)
Amortization made for the period	(3,114)
At June 30, 2009	556,972

9. TRADE, BILLS AND OTHER RECEIVABLES

The Group grants a credit period ranging from 30 days to 90 days to its trade customers under manufacturing segment. The following is an analysis of trade receivables by age, presented based on the invoice date:

	June 30, 2009 (unaudited) *RMB'000*	December 31, 2008 (audited) *RMB'000*
Within 60 days	**227,792**	133,447
61 – 90 days	**47,338**	44,727
91 – 180 days	**19,437**	60,290
181 – 365 days	**24,963**	15,500
1 – 2 years	**3,297**	4,976
Total trade and bills receivables, net of impairment loss	**322,827**	258,940

Included in other receivables of the Group is an advance of RMB50,000,000 (December 31, 2008: Nil) to a shareholder of a non-wholly owned subsidiary. The amount is interest free and unsecured. Upon the completion of procedures for deregistration of the non-wholly owned subsidiary, the amount will be offset against the refund of capital to that shareholder.

10. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets of the Group classified as held for sale are as follows:

	June 30, 2009 (unaudited) *RMB'000*	December 31, 2008 (audited) *RMB'000*
Building included in property, plant and equipment *(note a)*	**188,624**	188,624
Prepaid lease payments *(note a)*	**25,861**	25,861
Properties for development *(note b)*	**281,464**	–
Assets classified as held for sale	**495,949**	214,485

Notes:

(a) Pursuant to a Board resolution of the Company dated on December 31, 2008, certain subsidiaries of the Company entered into an agreement with Haining City Xieqiao Town Construction and Development Company Limited, the nominee of Haining City Xieqiao Town People's Government, regarding the relocation of the manufacturing plant of those subsidiaries to fulfill local government urban redevelopment plan requirements for a consideration to be received from local government. Up to the date of this interim financial report, this disposal had not been completed.

(b) Pursuant to a Board resolution of the relevant subsidiary dated on April 10, 2009, an indirect non wholly-owned subsidiary of the Company entered into an agreement with a third party to transfer a land use right to this third party for a consideration of approximately RMB287,143,000. Up to the date of this interim financial report, this disposal had not been completed.

11. TRADE, BILLS AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	June 30, 2009 (unaudited) *RMB'000*	December 31, 2008 (audited) *RMB'000*
Within 60 days	**219,252**	67,150
61 – 90 days	**39,124**	7,884
91 – 180 days	**505**	6,520
181 – 365 days	**19,662**	11,436
1 – 2 years	**20,852**	27,583
Over 2 years	**4,813**	3,791
Total trade payables	**304,208**	124,364
Bills payable *(note)*	**49,032**	3,163
	353,240	127,527

Note: All bills payable were not yet due at the end of the reporting period.

Included in other payables of the Group are an advance due to Zhejiang Sunbridge Industrial (Group) Co. Ltd, a company that a substantial shareholder and a director of the Company has significant influence and beneficial interests, amounting to RMB113,036,000 (December 31, 2008: RMB120,932,000) and an amount due to a director of RMB30,995,000 (December 31, 2008: RMB31,007,000). The amounts are unsecured, interest-free and repayable on demand.

12. BANK AND OTHER BORROWINGS

During the period, the Group obtained additional bank and other loans of approximately RMB1,191,521,000 (six months ended June 30, 2008: RMB1,323,800,000) and made repayments of approximately RMB1,356,672,000 (six months ended June 30, 2008: RMB1,212,359,000).

13. ACQUISITION OF A SUBSIDIARY

On March 2, 2009, the Group acquired 100% interest in Sofas UK Plc from an independent party at a consideration of GBP1.00 (equivalent to approximately RMB9.8). Sofas UK Plc is engaged in furniture retail business in the United Kingdom ("UK").

The net liabilities acquired in the transaction are as follows:

	Acquiree's carrying amount before combination *RMB'000*	Provisional fair value adjustment *RMB'000*	Provisional fair value *RMB'000*
Net liabilities acquired:			
Property, plant and equipment	14,689	–	14,689
Brand name	–	2,330	2,330
Inventories	47,064	–	47,064
Trade and other receivables	28,836	–	28,836
Bank balances and cash	8,875	–	8,875
Trade and other payables *(note a)*	(85,203)	–	(85,203)
Other non-current liabilities	(23,709)	–	(23,709)
	(9,448)	2,330	(7,118)
Add: Goodwill *(note b)*			7,118
Consideration of GBP1			–

Cash inflow arising on acquisition represented RMB8,875,000 bank balances and cash acquired.

Notes:

(a) The trade and other payables excluded an amount of RMB28,365,000 due to the subsidiaries of the Group that had fully impaired by the Group in previous years.

(b) Upon acquisition, the directors of the Company had reviewed the current economic outlooks in UK and considered the future profit stream is uncertain. Accordingly, the goodwill arising on acquisition was fully impaired and recognised as other expenses in the condensed consolidated statement of comprehensive income.

The fair value of assets acquired has been determined on a provisional basis, awaiting the receipt of professional valuations.

Sofas UK Plc contributed RMB49,676,000 to the Group's turnover and RMB7,212,000 to the Group's loss for the period between the date of acquisition and the end of reporting date.

14. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2009 (unaudited) ***RMB'000***	December 31, 2008 (audited) *RMB'000*
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– Acquisition of property, plant and equipment	**15,523**	15,936
– Properties under development	**55,115**	146,112
– Construction of certain infrastructure and public facilities in the PRC on behalf of the government	**12,541**	13,072
	83,179	175,120

15. **SUBSEQUENT EVENT**

Pursuant to a conditional sale and purchase agreement dated September 1, 2009, Zhejiang Kasen Property Development Co., Ltd., a wholly-owned subsidiary of the Company, agreed to transfer its 49.5% equity interests with carrying amount of RMB27 million in Chengdu Longteng Shoes Market Investment and Development Co., Ltd. ("Chengdu Longteng"), a company established in the PRC with limited liability, to two independent third parties at a total consideration of RMB65,700,000. Upon completion of the Agreement, Chengdu Longteng will cease to be an associate of the Group.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2009, the Group recorded a consolidated turnover of RMB1,256.0 million (six months ended June 30, 2008: RMB1,081.1 million), representing an increase of 16.2%.

The Group's gross profit for the six months ended June 30, 2009 was RMB147.0 million (six months ended June 30, 2008: RMB132.9 million) with gross profit margin of 11.7%.

The net loss attributable to owners of the Company for the first half of 2009 was RMB85.7 million, compared to the net profit of RMB5.4 million of the corresponding period in 2008.

The results reflect the mixed performance across the Group's three business segments (manufacturing, properties development and others (comprising mainly retail business and property management service business)) in the challenging economic conditions.

Review by Business Segments

The Group's reportable segments under IFRS 8 are now changed to manufacturing, properties development and others (comprising mainly retail business and property management service business).

The table below shows the total turnover by business segments for the six months ended June 30, 2009, together with the comparative figures for the corresponding period of last year:

	Six Months Ended June 30,				
	2009		2008		Change
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing	**677.5**	**53.9**	1,078.0	99.7	-37.2
Upholstered Furniture	**375.6**	**29.9**	725.0	67.1	-48.2
Furniture Leather	**148.8**	**11.8**	243.4	22.5	-38.9
Automotive Leather	**153.1**	**12.2**	109.6	10.1	39.7
Properties Development	**523.6**	**41.7**	–	–	N.M.
Others	**54.9**	**4.4**	3.1	0.3	1,671.0
Total	**1,256.0**	**100.0**	1,081.1	100.0	16.2

N.M. – Not meaningful.

Manufacturing Business

Manufacturing business is the core and fundamental business segment of the Group. This business segment includes three major operating divisions: upholstered furniture, furniture leather and automotive leather. This manufacturing segment experienced a decrease of 37.2% in its sales of RMB677.5 million for the first half of 2009 (first half of 2008: RMB1,078.0 million). Also this segment suffered an operating loss of RMB6.1 million for the first half of 2009 (first half of 2008: operating profit of RMB14.5 million). These decreases resulted from the combined net effect of the three operating divisions during the period under review. A brief discussion of the sales of the three operating divisions are as follows:

Upholstered Furniture

Sales of upholstered furniture including finished sofa and sofa cut-and-sew accounted for 29.9% of the Group's total revenue. The Group's major customers are furniture manufacturers and retailers in the U.S. The weak demand from the U.S market severely affected the sales of upholstered furniture.

As a result of the above, the Group's upholstered furniture sales experienced a decrease of 48.2%, from RMB725.0 million in the first half of 2008 to RMB375.6 million in the first half of 2009.

Furniture Leather

The Group's priority in furniture leather production is to meet the internal leather requirement of its upholstered furniture division. Along with the decreased demand from sofa subsidiaries and external customers, the sales of furniture leather decreased by 38.9%.

Automotive Leather

After achieving a rapid growth in the domestic market since the year of 2008, the Group has allocated more resources in the promotion of automotive leather's domestic sales and recorded an increase of 39.7%, from RMB109.6 million in the first half of 2008 to RMB153.1 million in the first half of 2009.

Properties Development Business

The operating loss in the overall properties development business amounted to RMB52.6 million in the first half of 2009.

As delivery of the units of Phase 1 of the residential buildings in Yancheng of Jiangsu Province ("Yancheng Project") took place during the period under review, the Group recorded a revenue of RMB523.6 million from the Yancheng Project. However, the unit selling price of Phase 1 was relatively low. Yancheng Project recorded an operating loss of RMB40.8 million accordingly during the period under review. It is expected that the unit selling price of Phases 2 and 3 will be higher than that of Phase 1.

Through the disposal of a piece of land located in Changsha, Hunan Province, the Group received a consideration of RMB285.1 million in the first half of 2009. As the land transfer registration had not been completed as at June 30, 2009, the disposal gain/loss would only be recognized upon the completion of such registration.

Others

Retail Business

The Group has entered into the UK furniture retail market in early March 2009 through acquisition of Sofas UK Plc ("Sofas UK"), a UK based furniture retailer, which has become a wholly owned subsidiary of the Company. Together with the expansion in the PRC domestic furniture retail business, the Group's retail sales recorded an increase from RMB3.1 million in the first half of 2008 to RMB54.9 million in the first half of 2009.

As the Group took a new step into the UK retail business market during the period under review, an operating loss of RMB19.9 million was recorded in this business segment during the first half of 2009.

Review by Region

The table below shows the total turnover by geographic market for the six months ended June 30, 2009, together with the comparative figures for the corresponding period of last year:

	Six Months Ended June 30,				
	2009		2008		Change
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
USA	**272.3**	**21.7**	500.5	46.3	-45.6
Europe	**87.5**	**7.0**	73.7	6.8	18.7
Australia	**14.1**	**1.1**	60.7	5.6	-76.8
PRC (including Hong Kong)	**882.1**	**70.2**	406.2	37.6	117.2
Others	**–**	**–**	40.0	3.7	-100.0
Total	**1,256.0**	**100.0**	1,081.1	100.0	16.2

During the period under review, the Group's sales to the US market declined by 45.6%, and the percentage of US sales to the Group's total turnover reduced to 21.7%, representing a 24.6 percentage point drop as compared to the corresponding period of last year. This decrease is mainly due to the disappointing performance of the US furniture industry and slower residential furniture sales.

The Group's sales to the European market increased by 18.7%, from RMB73.7 million in the first half of 2008 to RMB87.5 million in the first half of 2009. During the period under review, the Group acquired a UK based furniture retailer. The Group believes that the acquisition will offer a good opportunity for the Group to expand its home furniture retail business in the UK.

The Group's sales to the Australian market was RMB14.1 million for the first half of 2009, as compared to RMB60.7 million for the first half of 2008, representing a decrease of 76.8%.

The Group's sales to the PRC domestic market reflected a better performance in the first half of 2009. The turnover of the Group's sales to the PRC domestic market represented 70.2% of its total sales during the period under review. The increase was mainly due to the newly generated revenue from the delivery of some of the residential building units in Yancheng of Jiangsu Province, and the growth in sales of automotive leather.

Operating Expenses, Taxation and Loss Attributable to Owners

The Group's selling and distribution costs during the period under review increased to RMB74.0 million, compared to RMB41.3 million in the first half of 2008, mainly due to (1) an increase of approximately RMB14.8 million in operating lease for the UK stores newly operated by the Group starting from March 2009, (2) an increase of RMB11.8 million in staff costs for salesperson of the Group's UK stores, and (3) an increase of RMB7.8 million in sales commission and marketing expenses paid. As a result, the selling and distribution costs to turnover in the first half of 2009 increased slightly to 5.9% as compared to 3.8% for the corresponding period in 2008.

The administrative costs for the six months ended June 30, 2009 were RMB53.2 million, with a decrease of RMB11.4 million as compared to RMB64.6 million during the corresponding period of last year, mainly due to a decrease of RMB18.3 million in the net foreign exchange losses offset by a reduction of RMB9.6 million in reversal of impairment loss in respect of trade and other receivables.

The Group's finance cost in the first half of 2009 was RMB40.9 million, with a decrease of RMB15.5 million, compared to that of the same period of 2008, due to the reduction of the bank lending rate, and also the decrease in the level of outstanding amounts of bank borrowings of the Group during the period under review.

Other expenses for the six months ended June 30, 2009 were RMB51.2 million, compared to RMB3.4 million in the first half of 2008. The increase resulted from (1) an increase of RMB7.1 million in goodwill impairment arising from the acquisition of Sofas UK, (2) an increase of RMB31.3 million of loss on disposal of obsolete raw materials in inventories, and (3) an increase of RMB6.0 million in impairment loss on trade and other receivables.

The Group's income tax in the first half of 2009 was RMB29.3 million, with an increase of RMB24.6 million, compared to the same period of 2008, mainly due to the increase in taxable operating profit generated from the delivery of some of the residential building units in Yancheng of Jiangsu Province at subsidiary level.

For reasons mentioned above, the loss attributable to owners of the Company was RMB85.7 million, compared to a profit of RMB5.4 million in the corresponding period of 2008.

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2009, the Group had cash and cash equivalent of RMB572.2 million (as at December 31, 2008: RMB389.6 million) and a total borrowings of RMB1,277.4 million (as at December 31, 2008: RMB1,442.6 million). This represents a gearing ratio of 72.2% (as at December 31, 2008: 72.3%) and a net debt-to-equity ratio of 39.6% (as at December 31, 2008: 51.3%). The gearing ratio is based on bank borrowings to shareholders' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity.

As at June 30, 2009, the Group's inventory, comprising of mainly raw cowhides and wet blues, was RMB616.1 million, representing a decrease of RMB111.1 million as compared to December 31, 2008. Inventory turnover days for the six months ended June 30, 2009 has increased to 192 days as compared to 147 days as at December 31, 2008.

The Group's trade receivables was RMB300.8 million, compared to RMB247.6 million as at December 31, 2008. The Group continued to maintain a strict credit policy. Many of the Group's customers are also in their difficult time, resulting in an increase in trade receivables turnover days to 74 days for the first half of 2009 (as at December 31, 2008: 48 days).

The accounts payable turnover days increased to 53 days for the six months ended June 30, 2009 (as at December 31, 2008: 25 days).

MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Group acquired the entire equity interest in Sofas UK which operates more than 20 furniture retail stores (now increased to 26 stores) in the UK. Sofas UK trades under the name of "Easyliving Furniture", a furniture brand with gaining popularity in the UK. The acquisition will offer a good opportunity for the Group to expand its home furniture retail business in the UK.

During the period under review, the Group also entered into a sale and purchase agreement to dispose of a piece of land located in Changsha, Hunan Province which was planned for properties development to avoid the potential uncertainties prevailing the property market in the PRC.

As at December 31, 2008, the Group entered into a sale and purchase agreement with the PRC local government to dispose of 9 parcels of land in Haining, Zhejiang Province for the use of its leather production to support an urban redevelopment plan. Up to the date of this interim financial report, the disposal has not been completed.

PLEDGE OF ASSETS

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 0.89%.

FOREIGN EXCHANGE EXPOSURE

The Group is fully aware that most of its trade receivables was exposed to the fluctuation of exchange rates. The Group used financial instruments to hedge foreign exchange risk, and recorded a gain of RMB0.7 million.

CONTINGENT LIABILITIES

As at June 30, 2009, the Group had no contingent liabilities.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2009, the Group employed a total of approximately 5,000 full time employees (as at June 30, 2008: approximately 8,300) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2009, the Group's total expenses on the remuneration of employees were RMB77.6 million (six months ended June 30, 2008: RMB103.7 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) or 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, 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.

FUTURE PLANS AND PROSPECTS

Although the Group is facing great difficulty under this economic climate, the Group is working hard to find more business opportunities and to overcome the challenges ahead.

Profit-oriented Upholstered Furniture Development Strategy

Facing the weak demand from the overseas markets and the rising cost, the Group has shifted its strategy from volume-oriented to profit-oriented. The Group will put more priority on the production and promotion of products with higher profit. Furthermore, the Group is taking steps to consolidate the production capacities. The Group has disposed of 9 pieces of land for the use of leather and furniture production to PRC local government and relocate the production facilities. As a result, the production structure and process will be re-designed and re-planned. After the consolidation of production facilities, business process efficiency will be further improved and the profit is estimated to increase. The Group will keep implementing a series of reforming schemes to motivate its business units. These will lead to strengthening of the Group's competitiveness.

To maintain and strengthen the position as a major OEM is important to the Group's future development. Leveraging on the unique advantage in its vertically integrated production, the Group will continue to maintain strong relationships with its existing overseas customers and find more new cooperation possibilities from abroad.

Aggressive Expansion in Automobile Leather Market

The Group is pleased to see a rapid growth in automobile leather manufacture business in the first half of 2009. The Group is now the largest automobile seat leather supplier in the PRC and can supply both chrome and chrome free leather. The automobile leather division is equipped with advanced technology and instruments, along with experienced engineers and staffs. The Group's current customers are major automobile manufacturers in the PRC. Apart from maintaining the good relationship with its current customers, the Group will focus on its expansion in the PRC domestic market and expand its PRC customer base. Based on the leading research and development capability and mass production facility of the automotive leather division of the Group, the Group is aiming to achieve a 15% market share in the automotive leather market in the PRC by the end of year 2009.

Home Furniture Retail Business

Domestic

During the period under review, the Group owns two self-operating stores under its brand name "Kasen Home Furnishings" in Hangzhou and Shanghai respectively. In these stores, the Group provides domestic customers with quality furniture at affordable price. The Group has enacted a new pricing strategy to strengthen the competitiveness and the turnover showed a fast growth in the first half of 2009. In the future, the Group will implement more effective promotion, such as co-operation relationships with property developers, network marketing and setting up franchised chain-shops, etc. The Group is confident that a stronger brand can be built for its furniture retail business.

Overseas

In the first half of 2009, the Group acquired Sofas UK, a company principally engaged in the sale of home furniture in the UK. By acquiring Sofas UK, the Group will be able to make use of the floor areas of the current 26 retail stores of Sofas UK for promoting the brand of "Easyliving Furniture" with a view to gaining more popularity in the UK. In line with its expansion plan, the Group will open more new stores which will trade under "Easyliving Furniture". In the future, the Group will keep monitoring the possibilities of overseas acquisitions to expand its overseas retail business.

Properties Development

The Group is developing a commercial and residential property project in Yancheng, Jiangsu Province, PRC with a total construction area of 680,000 square meters. During the period under review, the sales generated from the first phase of Yancheng Project was recognized. It is estimated that steady income will be realized in the following years upon the sales in the next two phases.

The Group also owns two parcels of land with a total site area of 590,166 square meters in Boao, Hainan Province for the use of residential and tourism property development projects. Considering the optimistic future of the property market in Hainan, the Group will review and improve the construction plan to increase the attainable profit and it is expected that the project will be launched for construction in the end of year 2009.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Appendix 14 of Code on Corporate Governance Practices ("Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the six months ended June 30, 2009, except for code provisions A.2.1 and A.4.1.

CODE PROVISION A.2.1

Under CG Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of chairman and chief executive officer. Mr. Zhu Zhangjin, Kasen is the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in 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.

CODE PROVISION A.4.1

Under CG Code Provision A.4.1, non-executive Directors should be appointed for a specific term and subject to re-election. The current independent non-executive Directors, namely Mr. Chow Joseph, Mr. Lu Yungang, Ken and Mr. GU Mingchao are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company which provides that at every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation. Given that the provisions are stipulated under the articles of association of the Company, the Company considers that appropriate measures have been taken by the Company regarding its corporate governance practices. The Board will keep these matters under review and 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.

The Board will keep these matters under review. Following sustained development and growth of the Company, we 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") 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 period under review, they were in compliance with the provisions of the Model Code. All Directors declared that they have complied with the Model Code for the six months ended June 30, 2009.

AUDIT COMMITTEE

The Audit Committee, comprises all the three independent non-executive Directors, has reviewed with management and the external auditors the accounting principles and practices adopted by the Group. The Audit Committee has held meetings to discuss the auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended June 30, 2009. The Audit Committee of the Company reviewed, discussed and approved this 2009 unaudited interim information that had been reviewed by the auditors, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management of the Company. The Remuneration Committee comprises two independent non-executive directors and an executive director.

Mr. GU Mingchao is the chairman of the Remuneration Committee.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2009.

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

At no time during the period under review, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

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, 2009.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Article of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2009 containing all the information required by the Listing Rules will be dispatched 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, September 16, 2009

As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael, and the independent non-executive directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Gu Mingchao.

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