KASEN INTERNATIONAL HOLDINGS LIMITED
卡森國際控股有限公司

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 496)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

The board of directors (the "Board") of Kasen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2010 together with comparative figures for the same period of 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Turnover	3	**2,318,480**	2,398,974
Cost of sales		**(1,891,535)**	(2,065,075)
Gross profit		**426,945**	333,899
Other income	4	**65,831**	33,647
Distribution costs		**(238,612)**	(192,827)
Administrative expenses		**(117,786)**	(119,967)
Other expenses		**(16,938)**	(14,039)
Other gains and losses	5	**25,317**	237,716
Impairment loss of goodwill		**–**	(4,139)
Share of (losses) profits of associates		**(4,880)**	192
Share of profit of a jointly controlled entity		**200**	121
Finance costs	6	**(60,807)**	(62,764)
Profit before tax	7	**79,270**	211,839
Income tax expenses	8	**(46,684)**	(77,215)
Profit for the year		**32,586**	134,624

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Other comprehensive income (expenses)			
Fair value gain on available-for-sale investments		**292,907**	96,635
Deferred tax liability on fair value change of available-for-sale investments		**(73,228)**	(24,159)
Exchange differences arising on translation		**9,683**	(8,152)
		229,362	64,324
Total comprehensive income for the year		**261,948**	198,948
Profit (loss) for the year attributable to:			
Owners of the Company		**35,378**	132,675
Non-controlling interests		**(2,792)**	1,949
		32,586	134,624
Total comprehensive income (expense) attributable to:			
Owners of the Company		**264,740**	196,999
Non-controlling interests		**(2,792)**	1,949
		261,948	198,948
Earnings per share	9		
Basic		**RMB3.05 cents**	RMB11.40 cents
Diluted		**RMB3.01 cents**	RMB11.38 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2010

	Notes	2010	2009
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**467,301**	498,268
Prepaid lease payments – non-current portion		**58,681**	60,028
Properties for development		**600,938**	519,780
Intangible assets		**2,978**	3,469
Interests in associates		**35,037**	50,426
Investment in a jointly controlled entity		**–**	2,735
Available-for-sale investments		**452,820**	139,913
Deferred tax assets		**11,610**	7,761
Deposit paid for acquisition of a subsidiary		**212,581**	70,000
Advances for acquisition of land for development		**279,430**	165,060
		2,121,376	1,517,440
CURRENT ASSETS			
Inventories		**388,046**	409,167
Properties under development and held for sale		**1,350,981**	593,702
Trade, bills and other receivables	10	**656,044**	763,970
Receivable from disposal of assets		**254,646**	486,774
Prepaid lease payments – current portion		**1,327**	1,406
Derivative financial instruments		**2,751**	–
Tax recoverable		**7,933**	9,441
Pledged bank deposits		**128,344**	76,092
Bank balances and cash		**745,347**	461,882
		3,535,419	2,802,434
CURRENT LIABILITIES			
Trade, bills and other payables	11	**906,007**	576,674
Deposits received in respect of pre-sale of properties		**750,303**	289,232
Derivative financial instruments		**–**	537
Bank and other borrowings – due within one year		**1,379,402**	1,083,528
Tax payable		**20,465**	18,361
Other current liabilities		**4,973**	4,973
		3,061,150	1,973,305
NET CURRENT ASSETS		**474,269**	829,129
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,595,645**	2,346,569

	2010	2009
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**131,176**	55,156
Bank and other borrowings – due after one year	**107,459**	198,404
Other long-term liabilities	**37,220**	37,814
	275,855	291,374
NET ASSETS	**2,319,790**	2,055,195
CAPITAL AND RESERVES		
Share capital	**1,395**	1,404
Reserves	**2,292,792**	2,050,885
Equity attributable to owners of the Company	**2,294,187**	2,052,289
Non-controlling interests	**25,603**	2,906
Total equity	**2,319,790**	2,055,195

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since October 20, 2005. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information attached to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing of upholstered furniture, furniture leather and automotive leather; (ii) properties development; and (iii) retail of furniture.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretation ("new and revised IFRSs") issued by the International Accounting Standards Board.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 in relation to amendments to IAS 28
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised IFRSs had no material effect on the amounts reported in these consolidated financial statements or disclosures set out in these consolidated financial statements.

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the acquisition during the year of the remaining 5% equity interest in an existing subsidiary, Haining Kasen Real Estate Co., Ltd. ("Haining Kasen"), by a wholly-owned subsidiary of the Company, the impact of the change in policy has been that the difference of approximately RMB43,000 between the carrying amount of net assets of Haining Kasen acquired and the consideration of RMB3,000,000 has been charged directly in equity. Had the previous accounting policy been applied, the Group would have identified the fair value of the underlying net assets attributable to the additional interest in Haining Kasen and considered goodwill/bargain purchase in the consolidated financial statements. In addition, the cash consideration paid in the current year of RMB3,000,000 has been included in cash flows from financing activities. The changes related to classification of the cash consideration paid in the consolidated statement of cash flows from investing activities to financing activities have been applied retrospectively.

In respect of the disposal during the year of 8% equity interest in an existing subsidiary, Hainan Boao Kasen Property Development Co., Ltd. ("Hainan Boao"), by a wholly-owned subsidiary of the Company, the impact of the change in policy has been that the difference of approximately RMB6,705,000 between the carrying amount of net assets of Hainan Boao disposed of amounting to RMB14,705,000 and the consideration received of RMB8,000,000 has been charged directly in equity. Had the previous accounting policy been applied, the difference of RMB6,705,000 would have been recognized as loss for the year. In addition, the cash consideration received in the current year of RMB8,000,000 has been included in cash flows from financing activities. The changes related to classification of the cash consideration received in the consolidated statement of cash flows from investing activities to financing activities have been applied retrospectively.

The changes related to the difference between the consideration received/paid and the adjustment to the non-controlling interests have been applied prospectively from January 1, 2010 in accordance with the relevant transitional provisions.

IAS 28 (as revised in 2008) Investments in Associates

The principle adopted under IAS 27 (as revised in 2008) (see above) that a loss of control is recognized as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss. In addition, as part of *Improvements to IFRSs* issued in 2010, IAS 28 (as revised in 2008) has been amended to clarify that the consequential amendments to IAS 28 in relation to transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to IAS 28 (as revised in 2008) as part of *Improvements to IFRSs* issued in 2010 in advance of their effective dates (annual periods beginning on or after July 1, 2010).

This change in policy has affected the accounting for the partial disposal of the Group's interest in Chengdu Longteng Shoes Market Investment and Development Co., Ltd. ("Chengdu Longteng") in the current year. The difference of RMB11,932,000 between the carrying amount of the interest retained in Chengdu Longteng and its fair value has been recognized in profit or loss in the current year. Had the Group's previous accounting policy been allowed, the carrying amount of the investment retained would have been regarded as cost for the purpose of subsequent accounting as an available-for-sale investment under HKAS 39 Financial Instruments: Recognition and Measurement and the movement in fair value would have been recognized in equity. The profit for the current year has therefore been increased by RMB11,932,000 as a result of the change in accounting policy.

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share Year ended 31.12.2010 *RMB cents*	**Impact on diluted earnings per share Year ended 31.12.2010** *RMB cents*
Figures before adjustments	1.44	1.42
Adjustments arising from changes in the Group's accounting policies in relation to:		
– Partial disposal of interest in a subsidiary without change of control	0.58	0.57
– Loss of control in investment in an associate	1.03	1.02
Figures after adjustments	3.05	3.01

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for amendments to IAS 28[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate.
[2] Effective for annual periods beginning on or after July 1, 2010.
[3] Effective for annual periods beginning on or after July 1, 2011.
[4] Effective for annual periods beginning on or after January 1, 2013.
[5] Effective for annual periods beginning on or after January 1, 2012.
[6] Effective for annual periods beginning on or after January 1, 2011.
[7] Effective for annual periods beginning on or after February 1, 2010.

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and new requirements for financial liabilities and for derecognition which will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The application of IFRS 9 might affect the classification and measurement of the Group's financial assets. As at December 31, 2010, no financial liability has been designated as at fair value through profit and loss. The application of IFRS 9 will affect the measurement of such financial liability if designation is made in the future.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, are as follows:

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

– Properties development;

– Retailing of furniture ("Retail"); and

– Others, comprising mainly provision of property management service ("Others").

Segment revenues and results

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

Revenue

For the year ended December 31, 2010

	Manufacturing *RMB'000*	**Properties development** *RMB'000*	**Retail** *RMB'000*	**Others** *RMB'000*	**Segment total** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
TURNOVER							
External sales	**1,737,149**	**374,197**	**203,605**	**3,529**	**2,318,480**	**–**	**2,318,480**
Inter-segment sales	**63,943**	**–**	**–**	**500**	**64,443**	**(64,443)**	**–**
Total	**1,801,092**	**374,197**	**203,605**	**4,029**	**2,382,923**	**(64,443)**	**2,318,480**

For the year ended December 31, 2009

	Manufacturing *RMB'000*	Properties development *RMB'000*	Retail *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
TURNOVER							
External sales	1,530,662	708,987	157,415	1,910	2,398,974	–	2,398,974
Inter-segment sales	57,236	–	–	–	57,236	(57,236)	–
Total	1,587,898	708,987	157,415	1,910	2,456,210	(57,236)	2,398,974

Results

	2010 *RMB'000*	2009 *RMB'000*
Segment results		
– Manufacturing	**170,400**	285,237
– Properties development	**(28,883)**	(52,341)
– Retail	**(95,815)**	(88,002)
– Others	**(2,416)**	(560)
	43,286	144,334
Unallocated corporate expenses	**(10,700)**	(9,710)
Profit for the year	**32,586**	134,624

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs and directors' salaries. 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.

Revenue from major products

The following is an analysis of the Group's revenue from its major products and services:

	2010	2009
	RMB'000	*RMB'000*
Manufacturing		
Upholstered furniture	**758,401**	793,608
Furniture leather	**264,127**	352,456
Automotive leather	**714,621**	384,598
Residential properties	**374,197**	708,987
Retail of upholstered furniture	**203,605**	157,415
Provision of building management service	**3,529**	1,910
Total	**2,318,480**	2,398,974

Geographical information

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

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

The Group's revenue from external customers by geographical location are detailed below:

	2010	2009
	RMB'000	*RMB'000*
United States	**545,893**	586,728
PRC, including Hong Kong	**1,446,564**	1,536,800
Europe	**244,434**	215,182
Australia	**77,525**	48,187
Others	**4,064**	12,077
	2,318,480	2,398,974

4. OTHER INCOME

Details of other income are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Government grants		
Grants for export sales	**328**	402
Incentive for business development	**1,332**	210
Other grants	**7,579**	4,896
	9,239	5,508
Income from sales of scrap materials	**7,414**	3,825
Interest income	**18,136**	11,630
Dividend income from listed available-for-sale investments	**3,098**	11
Rental income	**12,161**	5,446
Imputed interest of receivable from disposal of assets	**5,862**	–
Others	**9,921**	7,227
	65,831	33,647

5. OTHER GAINS AND LOSSES

	2010 *RMB'000*	2009 *RMB'000*
Reversal of impairment loss recognized in respect of trade and other receivables	**30,427**	–
Gain on disposal of interest in an associate	**17,898**	21,300
Gain on disposal of properties for development	**15,418**	4,431
Gain on disposal of assets classified as held for sale	**–**	277,289
Gain on fair value change on derivative financial instruments	**4,971**	207
Gain(loss) on disposal of property, plant and equipment	**3,872**	(4,993)
Impairment loss recognized in respect of property, plant and equipment	**(25,032)**	(34,110)
Net foreign exchange loss	**(14,783)**	(13,484)
Impairment loss recognized in respect of trade and other receivables	**(7,454)**	(13,763)
Discount on acquisition of additional interest in a subsidiary	**–**	839
	25,317	237,716

6. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**73,717**	69,673
Other borrowings wholly repayable within five years	**20**	324
Other borrowings not wholly repayable within five years	**198**	144
Total borrowing costs	**73,935**	70,141
Less: amounts capitalized in respect of properties under development	**(13,128)**	(7,377)
	60,807	62,764

The capitalized borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically invested in the properties during the year.

7. PROFIT BEFORE TAX

	2010	2009
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Amortization of intangible assets (included in administrative expenses)	**739**	801
Amortization of properties for development (included in other expenses)	**8,472**	9,666
Depreciation of property, plant and equipment	**46,767**	63,447
Total depreciation and amortization	**55,978**	73,914
Release of prepaid lease payments	**1,426**	1,546
Auditor's remuneration	**6,530**	5,302
Cost of inventories recognized as expenses (including net reversal of allowance of inventories of RMB27,103,000 (2009: RMB21,782,000))	**1,560,763**	1,353,874
Cost of properties recognized as cost of sale	**330,772**	711,201
Operating lease rentals in respect of land and buildings	**67,641**	60,332
Total employee benefit expenses	**187,654**	165,989

8. INCOME TAX EXPENSES

	2010	2009
	RMB'000	*RMB'000*
PRC enterprise income tax		
– Current year	**39,426**	41,682
– Under(over) provision of income tax in previous year	**2,050**	(1,106)
	41,476	40,576
PRC Land appreciation tax ("LAT")	**6,265**	7,487
Deferred tax	**(1,057)**	29,152
	46,684	77,215

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries are exempted from PRC Enterprise Income Tax ("EIT") for two years starting from its first profit-making year, followed by a 50% reduction in tax rate for the next three years (the "Tax Exemptions"). The tax exemption had expired in 2009 and the tax relief of 50% reduction in tax rate will expire in 2012.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa 2008 No.39), certain of the group entities operating in the PRC are entitled to the following tax concession under the EIT Law:

(1) The Tax Exemptions is still applicable until the end of the five-year transitional period under the EIT Law.

(2) Those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate increased progressively to 25% over a five year transitional period.

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

9. EARNINGS PER SHARE

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

Profit for the year

	2010	2009
	RMB'000	*RMB'000*
Profit for the year for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**35,378**	132,675

Number of shares

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,159,347,478**	1,163,707,944
Effect of dilutive potential ordinary shares – share options	**15,468,032**	2,378,532
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,174,815,510**	1,166,086,476

10. TRADE AND BILLS RECEIVABLES

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

	2010	2009
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**280,275**	289,222
61 – 90 days	**28,076**	69,390
91 – 180 days	**50,550**	37,042
181 – 365 days	**77,194**	16,109
Over 1 year	**25,385**	8,058
	461,480	419,821

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:

	2010	2009
	RMB'000	*RMB'000*
Within 60 days	**552,931**	290,868
61 – 90 days	**31,818**	12,061
91 – 180 days	**6,757**	6,196
181 – 365 days	**61,616**	2,784
1 – 2 years	**1,231**	4,108
Over 2 years	**4,146**	3,832
	658,499	319,849

12. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets have been pledged to secure the borrowings and the general banking facilities of the Group. The aggregate carrying amount of the pledged assets of the Group at the end of the reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
Buildings	**224,147**	175,649
Prepaid lease payments	**38,626**	39,462
Pledged bank deposits	**128,344**	76,092
Properties under development and held for sale	**207,348**	171,823
	598,465	463,026

13. CAPITAL AND OTHER COMMITMENTS

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

	2010	2009
	RMB'000	*RMB'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of		
– Acquisition of property, plant and equipment	**6,996**	16,644
– Acquisition of land use rights	**–**	70,801
– Properties under development	**576,178**	303,051
– Construction of certain infrastructure and public facilities in the PRC on behalf of the government	**12,253**	12,541
	595,427	403,037

14. CONTINGENT LIABILITIES

The Group provided guarantees of RMB138,683,000 (2009: RMB73,832,000) at December 31, 2010 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.

15. EVENTS AFTER REPORTING PERIOD

The Group has the following significant events after the reporting period:

(a) On March 29, 2011, the directors of the Company proposed to put Sofas UK Limited (formerly known as Sofas UK Plc) ("Sofas UK") into administration. The Group intends to appoint an administrator to manage Sofas UK's affairs, business and property. Notwithstanding the administration, the Group maintains the normal operation of all its businesses and activities. An impairment loss was recognized in property, plant and equipment in Sofas UK of approximately RMB25,032,000.

(b) Pursuant to a sale and purchase agreement dated February 23, 2011, Haining Kasen Property Co., Ltd (海寧卡森地產有限公司), an indirect wholly-owned subsidiary of the Company, agreed to acquire from Haining Bureau of Land and Resources (海寧市國土資源局), an independent third party, a parcel of land which is located in the north side of Xiaxie Road, Haining City, Zhejiang Province, the PRC with a total site area of 58,382 square meters for an aggregate consideration of approximately RMB94,800,000. The parcel of land is acquired for the properties development segment.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2010, the Group recorded a consolidated turnover of RMB2,318.5 million, representing a slight decrease of 3.4% compared with RMB2,399.0 million for the year ended December 31, 2009.

The Group's gross profit for 2010 was RMB426.9 million, representing an increase of 27.9% as compared with RMB333.9 million in 2009 and the Group's gross profit margin in 2010 rose to 18.4%, as compared to 13.9% in 2009.

Due to the decline in other net gains, the increase in selling, distribution and administration expenses incurred in the property development business and impairment losses recognized in respect of certain assets of Sofas UK, the net profit attributable to owners of the Company decreased by approximately 73.3% to RMB35.4 million in 2010, as compared to RMB132.7 million in 2009.

Review by Business Segments

The Group's reportable segments are manufacturing, property development, retail business and others (comprising mainly property management service business).

The table below shows the total turnover by business segments for the year ended December 31, 2010 together with the comparative figures for the corresponding period of year 2009:

	2010		2009		**Y-O-Y Change**
	RMB'Million	%	*RMB'Million*	%	%
Manufacturing	**1,737.2**	**74.9%**	1,530.7	63.8%	13.5%
Upholstered Furniture	***758.4***	***32.7%***	*793.6*	*33.1%*	*-4.4%*
Furniture Leather	***264.2***	***11.4%***	*352.5*	*14.7%*	*-25.0%*
Automotive Leather	***714.6***	***30.8%***	*384.6*	*16.0%*	*85.8%*
Property Development	**374.2**	**16.1%**	709.0	29.6%	-47.2%
Retail business	**203.6**	**8.8%**	157.4	6.5%	29.4%
Others	**3.5**	**0.2%**	1.9	0.1%	84.2%
Total	**2,318.5**	**100.0%**	2,399.0	100.0%	-3.4%

Manufacturing Business

This business segment, including three major operating divisions: upholstered furniture, furniture leather and automotive leather, recorded a total turnover of RMB1,737.2 million in 2010, as compared to RMB1,530.7 million in 2009.

During the year under review, this segment gained an operating profit of RMB170.4 million, as compared to RMB285.2 million in 2009. A brief discussion of the performance of the three operating divisions is as follows:

Upholstered Furniture

Sales of upholstered furniture included finished sofa and sofa cut-and-sew. Total sales for this division was RMB758.4 million and accounted for 32.7% of the Group's total turnover in 2010, as compared to RMB793.6 million or 33.1% of total sales in 2009. During the year under review, we experienced sharp seasonal fluctuations in orders from international market. At the same time, our business was negatively impacted by rising raw material costs, such as timber, cowhides, foam and paint. By optimizing our business process and implementing an advanced ERP system, we were able to serve our OEM customers satisfactorily and proved our value in a challenging business environment, thus further strengthened our relationship with key customers. After the consolidation of manufacturing facilities, excess capabilities were minimized and efficiency was further enhanced.

Furniture Leather

The Group's priority in furniture leather production is to meet the internal leather requirement of its upholstered furniture division. The Group's sales of furniture leather performed steadily and recorded sales of RMB264.2 million in 2010, as compared to RMB352.5 million in 2009.

Automotive Leather

The automobile industry is one of the driving forces of China's national economy and maintained strong growth momentum in the year of 2010. As a leading automotive leather supplier in China, the Group has successfully built solid relationships with key automotive manufacturers in China and our leather seat covers were used in many popular brands. Revenue generated in automotive leather operating division was RMB714.6 million in 2010, representing a significant increase of 85.8% compared to the year of 2009.

Property Development Business

As of December 31, 2010, the Group had four projects at various stages of development and the turnover from the property development segment was RMB374.2 million in 2010, as compared to RMB709.0 million in 2009.

Group Property Project Portfolio as at December 31, 2010

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m)	Status
1	Hainan Asia Bay	Boao, Hainan	92%	590,165	Under development
2	Sanya Project	Sanya, Hainan	77%	1,424,692	Pre-development
3	Qianjiang Continent	Yancheng, Jiangsu	100%	331,040	Under development
4	Haining Project	Haining, Zhejiang	100%	168,800	Pre-development
Total				2,514,697	

Projects Overview

Hainan Asia Bay

Hainan Asia Bay is located at the east coast of Boao City, with a site area of approximately 600,000 square meters ("sq.m."). The project features a beautiful beach and has facilities including one five-star ocean-view hotel, six luxurious clubs and one health club. The total gross floor area ("GFA") to be built is approximately 600,000 sq.m., including six groups of island villas, six buildings of wave-shaped apartments and ocean-view villas. Hainan Asia Bay is targeted to become a landmark at the east coast (東線海岸地標) attractive to customers from all over the world. In 2010, the Hainan Asia Bay project received a number of honours and awards in Hainan Province, including being named as a Top Property Project for Good Living Environment, and as the Most Anticipated Property Project.

During the year under review, the Group commenced the development of the first phase of the Hainan Asia Bay project and achieved contracted sales of approximately RMB268.9 million and GFA of approximately 11,466 sq.m. The premises will be delivered and revenue will be recognized in the first half of 2011. It is estimated that the construction of next phase of Hainan Asia Bay will be launched in the near future and will contribute significant revenue to the Group in 2011.

Qianjiang Continent

Qianjiang Continent, covering a site area of approximately 331,000 sq.m., is located in Yancheng city of Jiangsu Province. This project is adjacent to the major avenue of Yancheng city and surrounded by forest park, commercial center and cultural district. The total gross floor area is approximately 629,000 sq.m. and it is the largest residential property project in Yancheng. Since its expansion to Yancheng, the Group has become a leader in the local property market. In 2010, Qianjiang Continent was awarded as National Demonstration Project for Healthy Living by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

During the year under review, the recognized GFA sold in this project was 54,923 sq.m. and the recognized sales amounted to RMB289.1 million. A total of 518 units, including both commercial and residential units were delivered and the average selling price was RMB5,263 per square meter, compared to RMB3,816 per square meter in the year of 2009.

Haining Project

Haining is a famous tourism city in Zhejiang Province located between Shanghai and Hangzhou and enjoys a convenient transport system. It is well-known by its unique resort to view the tides. The Group acquired several parcels of land in Haining during the year of 2010 and planned to develop the area into a top-grade residential district.

The first phase has a site area of 168,800 sq.m. and the GFA is approximately 250,000 sq.m. Construction will commence in the first half of 2011 and the premises will be ready for pre-sale before the end of the year 2011.

Others

The Jing Xiang Yuan Project in Haining was completed during the year under review. All of the units were sold out and a turnover of RMB85.1 million was recorded with the average selling price of RMB2,783 per sq.m. This project contributed net profit of RMB9.0 million to the Group.

The Group's other property project in Sanya of Hainan Province was still undeveloped during the year under review. No contribution was made from this project with respect to turnover and profit of the Group in 2010.

Retail Business

The total turnover from furniture retail business in mainland China and the United Kingdom ("UK") recorded an increase of 29.4% from RMB157.4 million in 2009 to RMB203.6 million in 2010.

At present, the Group operates five furniture stores in mainland China, including self-owned and franchisees trading under the brand of "Kasen Home Furnishings". In 2010, the domestic furniture sales was RMB24.4 million, representing a significant increase of 146.5%, as compared to RMB9.9 million in 2009.

The Group entered into the UK furniture retail market in early 2009. In 2010, the Group operated 26 stores in the UK trading under the brand name of "Easyliving Furniture". Sales from the UK market was RMB179.2 million in the year of 2010. Due to harsh trading conditions, our UK retail business has been performing well below our expectation and has suffered major losses of RMB98.3 million in 2010 (2009: RMB63.8 million), which included impairment losses recognized in property, plant and equipment as well as inventories in Sofas UK of approximately RMB25,032,000 and RMB8,794,000 respectively for the year ended December 31, 2010.

Operating Expense, Taxation and Profit Attributable to Owners

The Group's other income in 2010 was approximately RMB65.8 million, an increase of approximately RMB32.2 million as compared to approximately RMB33.6 million in 2009. The increase was mainly due to (1) an increase of approximately RMB16.0 million in interest income from the advance made for acquisition of a piece of land situated in Sanya, Hainan Province of the PRC, (2) an increase of approximately RMB6.5 million in concession income derived from a wholly owned subsidiary in UK, Sofas UK, (3) dividend of approximately RMB3.1 million received from the investment in Haining Leather Market, which was listed in the Shenzhen Stock Exchange, as well as (4) imputed interest of RMB5.9 million for receivable from disposal of assets. All other income items only showed small increase in the amount.

The selling and distribution costs during the year under review increased to approximately RMB238.6 million, as compared to approximately RMB192.8 million in 2009, mainly due to (1) a net increase of approximately RMB10.8 million in operating lease rentals and government rates, attributed mainly by an increase of approximately RMB20.2 million from the UK operations as the number of stores increased, offset by a reduction of approximately RMB10.3 million for the reversal of PRC store lease rentals recognized in prior years and reduction of annual rentals as a result of alteration in PRC store leases, (2) an increase of approximately RMB9.2 million in staff costs largely for sales persons of the Group's UK stores, (3) a net increase of approximately RMB5.3 million in transportation costs, and (4) an increase of approximately RMB24.9 million in payment of marketing expenses mostly incurred by the PRC property development projects. As a result, the selling and distribution costs to turnover in 2010 increased to 10.3% as compared to 8.0% in 2009.

The administrative costs in 2010 was approximately RMB117.8 million, with a decrease of approximately RMB2.2 million as compared to approximately RMB120.0 million in 2009. All administrative expenses kept at same level as in 2009.

The Group's finance cost in 2010 was approximately RMB60.8 million, with a decrease of approximately RMB2.0 million, as compared to approximately RMB62.8 million in 2009, mainly due to an increase in interest capitalization in properties under development during the year under review.

Other expenses in 2010 were approximately RMB16.9 million, as compared to approximately RMB14.0 million in 2009. All other expenses remained at the same level as in 2009.

The Group's other gains and losses in 2010 resulted in a net gain of approximately RMB25.3 million, a decrease of approximately RMB212.4 million, as compared to a net gain of approximately RMB237.7 million in 2009. Such decrease in other net gain resulted from (1) in 2009, the Group recognized a gain of approximately RMB277.3 million on disposal of 9 parcels of land for the use of leather production located in Haining, Zhejiang Province while no such income recognized in the year under review, and offset by (2) the reversal of impairment loss recognized in respect of trade and other receivable of approximately RMB30.4 million (2009: Nil), (3) a compensation of approximately RMB15.4 million received from the PRC Government in relation to the cancellation of grant of a small parcel of land in Yancheng, Jiangsu Province in 2010, together with (4) the decrease of approximately RMB9.1 million in impairment loss recognized in respect of property, plant and equipment.

The Group's income tax in 2010 was approximately RMB46.7 million, a decrease of approximately RMB30.5 million, as compared to approximately RMB77.2 million in 2009. The decrease resulted from (1) a decrease of approximately RMB29.1 million in deferred tax charged on relocation income of manufacturing plant in Haining, Zhejiang province in 2009, and (2) a decrease in PRC income tax of approximately RMB13.1 million as a result of a decrease in taxable profits generated from reduced delivery of some of the residential building units in Yancheng, Jiangsu Province, offset by (3) an increase in PRC income tax of approximately RMB12.7 million as a result of the increase in taxable profits generated from the increased sales of manufacturing business at subsidiary level.

For reasons mentioned above, profit attributable to owners of the Company decreased by approximately 73.3% to RMB35.4 million (2009: RMB132.7 million).

CAPITAL EXPENDITURES

Capital expenditure (excluding assets acquired through acquisition of subsidiaries during the year) in 2010 increased to approximately RMB419.4 million from approximately RMB87.7 million in 2009. The capital expenditure comprised mainly (1) an amount of approximately RMB56.8 million spent on the purchase of property, plant and equipment for operational purpose, (2) payment of approximately RMB285.7 million for acquisition cost and initial expenditure spent on two parcels of land situated in Haining, Zhejiang Province, the PRC, and (3) an amount of approximately RMB74.3 million spent on initial development costs for Hainan Asia Bay project.

FINANCIAL RESOURCES AND LIQUIDITY

Bank and Other Borrowings

As at December 31, 2010, the Group's bank and other borrowings amounted to approximately RMB1,486.9 million, accounted for a 16.0% increase from approximately RMB1,281.9 million as at December 31, 2009.

Turnover Period, Liquidity and Gearing

The Group's existing inventory primarily represented leather crust used for production, accounted for approximately 24% of the total inventory of approximately RMB388.0 million in 2010 (2009: approximately RMB409.2 million). In 2010, the inventory turnover period decreased to 91 days (2009: 110 days) due to a shorter production cycle and decrease in inventories resulting from streamlined leather production.

In 2010, the Group continued to maintain a strict credit policy. Many of the Group's customers are also facing difficult times and also a general longer credit term (up to 90 days) granted to customers in automotive leather division, resulting in a slight increase in account receivables turnover days of the Group's manufacturing and retail segments to 84 days in 2010 (2009: 82 days).

The accounts payable turnover days of the Group's manufacturing and retail segments decreased to 38 days in 2010 (2009: 51 days).

As at December 31, 2010, the Group's current ratio decreased to 1.15 (December 31, 2009: 1.42) and quick ratio decreased to 1.03 (December 31, 2009: 1.21), respectively. The Group's cash and cash equivalent balance was approximately RMB745.3 million as at December 31, 2010 (December 31, 2009: approximately RMB461.9 million). This represents a gearing ratio of 64.5% as at December 31, 2010 (December 31, 2009: 62.1%) and a net debt-to-equity ratio of 32.0% as at December 31, 2010 (December 31, 2009: 39.5%). The gearing ratio is based on bank borrowings to shareholders' equity and the net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity. In 2010, the Group's credit facilities were able to renew on an on-going basis, which provide sufficient cash to finance the Group's working capital requirement during the year under review.

MATERIAL ACQUISITION AND DISPOSAL

During the year under review, the Group acquired 26% equity interest in Hainan Hejia Property Development Co., Ltd. from a connected person of the Company for a consideration of RMB71,780,000.

During the year under review, the Group also disposed 2% equity interest in Hainan Boao Kasen Property Development Co., Ltd. to a connected person of the Company for a consideration of RMB43,910,000.

CONTINGENT LIABILITIES

As at December 31, 2010, the Group had certain contingent liabilities. For details, please refer to note 14 in the consolidated financial statements above.

PLEDGE OF ASSETS

Some of the Group's assets have been pledged to secure the bank borrowings and the bank facilities granted to the Group. For details, please refer to note 12 in the consolidated financial statements above.

FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in export-related business, and transactions (including sales and procurements) were mainly denominated in US dollars, and most of the trade receivables was exposed to exchange rate fluctuation. In 2010, the Group used forward contract and some other financial instruments to hedge foreign exchange risk, and recorded a gain of approximately RMB4,971,000.

On the other hand, the Group's exposure to foreign currency in retail segment has increased during the year under review. It was mainly due to the reason that the functional currency in respect of the acquisition of Sofas UK is in GBP while the majority of the purchase of Sofas UK is in USD. However, Sofas UK's foreign exchange risk of GBP against USD is minimised partly by reason of an arrangement reached between Sofas UK and a supplier to fix the settlement rate of payable in its own functional currency. The payable under such arrangement amounted to approximately RMB42,603,000 as at December 31, 2010.

EMPLOYEES AND EMOLUMENTS POLICIES

As at December 31, 2010, the Group employed a total of approximately 4,600 full time employees (December 31, 2009: approximately 4,500), including management staff, technicians, salespersons and workers. In 2010, the Group's total expense on the remuneration of employees was approximately RMB187.7 million (2009: approximately RMB166.0 million), representing 8.10% (2009: 6.92%) of the operating revenue of the Group. The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly 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) or state National Insurance scheme (for the UK employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

The Group's emolument policies of the employees are formulated by the Board with reference to their respective qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for executives of similar position. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company, who are 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

Manufacturing Business

Production of leather products and upholstered furniture will still be an important segment of the Group's business. The Group will adhere to the principle of "Specialty, Excellence and Perfection" with a firm focus on profitability and efficiency. As a reliable OEM partner, the Group will fully utilize its core competitiveness in high quality products, eco-friendly materials, on-time delivery, etc. to offer our domestic and international customers with top-grade products and services. The US market has traditionally been the most important international market for the Group. According to forecast figures from EASI (Easy Analytic Software Inc.), the furniture market in the US will keep reviving in the next few years and the total sales is expected to reach US$90.7 billion, indicating that the market will come back to the pre-crisis level in 2007. The Group will grasp the opportunity to diversify our customer base while further strengthening our relationships with key customers.

The automotive leather business is the core element in the Group's leather production segment. Leveraging on our competitive advantages in high technology, talents and large scale production capabilities accumulated in the past several years, we believe that we will be able to maintain our leading position in this business segment. The Group's automotive leather manufacturing division was granted provincial-level high-tech enterprise status and received a series of quality management system accreditations. Such status and accreditations have given our customers strong confidence in the quality of our products. The Group will be actively looking for more cooperative opportunities with major auto-makers in mainland China.

The vertically integrated production platform distinguished the Group from its peers and gave our customers strong confidence in our products. In a fiercely competitive environment, the Group will continue optimizing its production process and management to enhance operating efficiency and to strengthen its core competitiveness.

Retail Business

The Group believes that domestic furniture retail market has bright prospects under the national strategy of stimulating domestic consumption. The Group will take active initiatives to strengthen its market presence and to raise its brand awareness in mainland China. An important step is to attract more franchisee distributors to join "Kasen Home Furnishings" chain store program. The Group achieved a promising start in project procurement in the year of 2010 and its cooperation with government buyers and property developers will be further strengthened to bring more sales.

Due to harsh trading conditions, our UK retail business has been performing well below our expectation and has suffered major losses since our acquisition. We currently proposed to place Sofas UK into administration, which will enable the Group to realize the value of its interests in Sofas UK and redirect its resources and attention to other operating subsidiaries which may generate a better return to the Group. Upon the conclusion of the administration, the Group will exit the furniture market in the United Kingdom. Please refer to the announcement of the Company dated March 29, 2011 for further details in relation to the administration of Sofas UK.

Property Development

In the past year of 2010, macro-control regulations imposed by the PRC government on the property sector have adversely impacted the industry. We believe that such policies will continue in the next few years and will slow down the growth in China's real estate sector. However, the Group has adopted a unique strategy since its entering into the property development business and such strategy will benefit the Group under the current macro environment. Firstly, the Group's residential projects are all located in third and fourth tier cities where property prices have not gone up significantly, therefore there are less pressures for local government to implement strict controls on demand. Secondly, the Group's long-term mission is to become a leading tourism property developer in China, as evidenced by our land acquisitions in China's top tourism areas such as Hainan. Our future success in the property business will be aided by China's strong and continue growing tourism demand.

To build our reputable brand in the property business, we are in pursuit of providing our customers with the highest quality premises, beautiful landscape, energy-efficient technologies and personalized services. In 2011, we will continue upgrading the quality of our products and improving our services to enhance our corporate image in domestic property market.

In 2011, the Group will launch the second phase of Hainan Asia Bay Project, and the first phase of Haining Project. We are optimistic about the estimated sales from the above two projects. In addition, the Group will prudently seek for investment opportunities in other famous tourism resorts, specially in the Northeastern regions of China.

DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the year ended December 31, 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 27, 2011 to May 31, 2011 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on May 26, 2011.

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

Pursuant to the general mandate granted by the Shareholders, the Board resolved on December 27, 2009, May 6, 2010 and July 5, 2010 to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 29, 2009 and May 31, 2010. As at December 31, 2010, the Company had repurchased 10,504,000 ordinary shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of HK$20,220,230. All of such shares have been subsequently cancelled during the year ended December 31, 2010. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions ("CG Code Provisions") set out in Appendix 14 of Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended December 31, 2010, except for the deviation to CG Code Provisions A.2.1 and A.4.1 as stated below.

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 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, Dr. Li Qingyuan 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 has provided 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 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the 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 of the Company, who have confirmed that, during the year ended December 31, 2010, they were in compliance with the provisions of the Model Code. All directors of the Company declared that they have complied with the Model Code for the year ended December 31, 2010.

AUDIT COMMITTEE

An audit committee was established by the Company to review and supervise the Company's financial reporting process and internal controls. The audit committee comprises all the independent non-executive directors of the Company. Mr. CHOW Joseph is the chairman of the audit committee. The audit committee has held meetings to discuss the auditing, internal controls and financial reporting matters.

The annual results of the Company for the year ended December 31, 2010 have been reviewed by the Audit Committee.

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 of the Company.

Mr. GU Mingchao is the chairman of the remuneration committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2010 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended December 31, 2010.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended December 31, 2010 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/kasen/index.htm on or about April 8, 2011.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on May 31, 2011. Notice of the annual general meeting will be published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at www.irasia.com/listco/hk/kasen/index.htm and despatched to the Company's shareholders on or about April 8, 2011.

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

PRC, March 30, 2011

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 of the Company are Mr. Chow Joseph, Dr. Li Qingyuan and Mr. Gu Mingchao.

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