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, 2011

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, 2011. These interim results have been reviewed by the audit committee of the Company ("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, 2011

	NOTES	**Six months ended June 30, 2011** *RMB'000* **(unaudited)**	Six months ended June 30, 2010 *RMB'000* (unaudited)
Turnover	3	**1,156,592**	1,121,200
Cost of sales		**(943,249)**	(859,923)
Gross profit		**213,343**	261,277
Other income		**36,508**	41,519
Distribution costs		**(71,759)**	(129,332)
Administrative expenses		**(58,232)**	(65,178)
Other expenses		**(10,483)**	(29,365)
Gain on fair value change on derivative financial instruments		**130**	2,305
Impairment loss recognised in respect of trade and other receivables		**(825)**	(4,481)
Share of (losses) profits of associates		**(6,605)**	216
Share of profits of a jointly controlled entity		**–**	197
Gain on loss of control of a subsidiary	10	**64,371**	–
Finance costs		**(37,276)**	(30,209)
Profit before tax	4	**129,172**	46,949
Income tax expenses	5	**(21,212)**	(25,699)
Profit for the period		**107,960**	21,250

	NOTE	Six months ended June 30, 2011 RMB'000 (unaudited)	Six months ended June 30, 2010 RMB'000 (unaudited)
Other comprehensive (expense) income			
Fair value (loss) gain on available-for-sale investments		**(80,610)**	102,018
Deferred tax liability on fair value change of available-for-sale investments		**20,153**	(25,505)
Exchange differences arising on translation		**–**	8,672
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary		**(1,531)**	–
Total comprehensive income for the period		**45,972**	106,435
Profit for the period attributable to:			
Owners of the Company		**104,018**	22,420
Non-controlling interests		**3,942**	(1,170)
		107,960	21,250
Total comprehensive income attributable to:			
Owners of the Company		**42,030**	107,605
Non-controlling interests		**3,942**	(1,170)
		45,972	106,435
Earnings per share			
Basic and diluted	*7*	**RMB9 cents**	RMB2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2011

	NOTES	**June 30, 2011 RMB'000 (unaudited)**	December 31, 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**348,912**	467,301
Prepaid lease payments – non-current portion		**46,130**	58,681
Properties for development		**399,795**	600,938
Intangible assets		**1,017**	2,978
Interests in associates		**24,439**	35,037
Available-for-sale investments		**370,209**	452,820
Deferred tax assets		**17,073**	11,610
Deposit paid for acquisition of a subsidiary		**212,581**	212,581
Advances for acquisition of land for development		**279,430**	279,430
		1,699,586	2,121,376
CURRENT ASSETS			
Inventories		**362,817**	388,046
Properties under development		**2,104,573**	1,257,388
Properties held for sale		**311,543**	93,593
Trade, bills and other receivables	*8*	**749,426**	656,044
Receivable from disposal of assets		**–**	254,646
Prepaid lease payments – current portion		**1,327**	1,327
Derivative financial instruments		**–**	2,751
Tax recoverable		**19,224**	7,933
Pledged bank deposits		**124,890**	128,344
Bank balances and cash		**389,376**	745,347
		4,063,176	3,535,419
Assets classified as held for sale		**100,628**	–
		4,163,804	3,535,419
CURRENT LIABILITIES			
Trade, bills and other payables	*9*	**741,516**	906,007
Deposits received in respect of pre-sale of properties		**1,081,708**	750,303
Bank and other borrowings – due within one year		**1,557,655**	1,379,402
Tax payable		**–**	20,465
Other current liabilities		**–**	4,973
		3,380,879	3,061,150
NET CURRENT ASSETS		**782,925**	474,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,482,511**	2,595,645

	June 30, 2011 *RMB'000* (unaudited)	December 31, 2010 *RMB'000* (audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**110,630**	131,176
Bank and other borrowings – due after one year	**6,750**	107,459
Other long-term liabilities	**–**	37,220
	117,380	275,855
NET ASSETS	**2,365,131**	2,319,790
CAPITAL AND RESERVES		
Share capital	**1,400**	1,395
Reserves	**2,337,312**	2,292,792
Equity attributable to owners of the Company	**2,338,712**	2,294,187
Non-controlling interests	**26,419**	25,603
Total equity	**2,365,131**	2,319,790

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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, 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards and interpretations ("new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning on January 1, 2011.

The application of these new and revised IFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised 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 amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgment.

The directors of the Company anticipate that the application of the other new and revised IFRSs that have been issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Segment revenues and results

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

Revenue

Six months ended June 30, 2011

	Manufacturing *RMB'000*	**Properties development** *RMB'000*	**Retail** *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
TURNOVER						
External sales	**738,632**	**377,459**	**37,961**	**2,540**	**–**	**1,156,592**
Inter-segment sales	**10,492**	**–**	**–**	**3,000**	**(13,492)**	**–**
Segment revenue	**749,124**	**377,459**	**37,961**	**5,540**	**(13,492)**	**1,156,592**

Six months ended June 30, 2010

	Manufacturing *RMB'000*	Properties development *RMB'000*	Retail *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
TURNOVER						
External sales	913,113	98,566	107,845	1,676	–	1,121,200
Inter-segment sales	44,418	–	–	–	(44,418)	–
Segment revenue	957,531	98,566	107,845	1,676	(44,418)	1,121,200

Results

	Six months ended June 30, 2011 *RMB'000*	Six months ended June 30, 2010 *RMB'000*
Segment results		
– Manufacturing	**(14,178)**	85,079
– Properties development	**79,197**	(28,506)
– Retail	**(8,052)**	(29,938)
– Others	**(6,956)**	(161)
	50,011	26,474
Unallocated corporate expenses	**(6,422)**	(5,224)
Gain on loss of control of a subsidiary	**64,371**	–
Profit for the period	**107,960**	21,250

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.

4. PROFIT BEFORE TAX

	Six months ended June 30, 2011 *RMB'000*	Six months ended June 30, 2010 *RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in administrative expenses)	**224**	363
Amortisation of properties for development (included in other expenses)	**2,701**	4,107
Depreciation of property, plant and equipment	**20,880**	23,054
Total depreciation and amortisation	**23,805**	27,524
Release of prepaid lease payments	**713**	713
Interest on bank and other borrowings wholly repayable within five years	**62,404**	36,157
Less: amount capitalised in respect of property under development	**(25,128)**	(5,948)
	37,276	30,209
Loss (gain) on disposal of property, plant and equipment	**764**	(3,473)
Net exchange loss	**3,568**	8,462
Dividend income from listed available-for-sale investments	**(5,163)**	(3,098)
Government grants	**(5,243)**	(3,347)
Imputed interest in relation to receivable from disposal of assets	**(5,862)**	(5,862)
Interest income	**(11,778)**	(929)

5. INCOME TAX EXPENSES

	Six months ended June 30, 2011 *RMB'000*	Six months ended June 30, 2010 *RMB'000*
Land appreciation tax ("LAT") – current period	**11,588**	2,013
People's Republic of China ("PRC") enterprise income tax		
– Current period	**19,341**	22,521
– (Over)under provision of income tax in previous periods	**(3,861)**	1,132
	15,480	23,653
Deferred tax (credit) charged	**(5,856)**	33
	21,212	25,699

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.

6. DIVIDENDS

Subsequent to the end of the interim period, the directors have determined that an interim dividend of RMB2.46 cents (equivalent to approximately HK3.00 cents) per share (six months ended June 30, 2010: Nil) will be paid to the owners of the Company whose names appear in the Register of Members on September 16, 2011.

7. 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 period

	Six months ended June 30, 2011 *RMB'000*	Six months ended June 30, 2010 *RMB'000*
Profit for the period for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**104,018**	22,420

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,161,611,874**	1,161,667,902
Effect of dilutive potential ordinary shares – share options	**1,410,953**	9,927,744
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,163,022,827**	1,171,595,646

8. TRADE, BILLS AND OTHER RECEIVABLES

The Group grants a credit period ranging from 30 days to 120 days to its trade customers in the manufacturing segment. The aging analysis of trade and bills receivables presented based on the invoice date at the end of reporting period is as follows:

	June 30, 2011 *RMB'000* **(unaudited)**	December 31, 2010 *RMB'000* (audited)
Aged:		
Within 60 days	**213,674**	280,275
61-90 days	**36,740**	28,076
91-180 days	**52,294**	50,550
181-365 days	**104,937**	77,194
Over 1 year	**5,738**	25,385
	413,383	461,480

9. TRADE, BILLS AND OTHER PAYABLES

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

	June 30, 2011 *RMB'000* **(unaudited)**	December 31, 2010 *RMB'000* (audited)
Aged:		
Within 60 days	**526,913**	552,931
61-90 days	**11,375**	31,818
91-180 days	**10,998**	6,757
181-365 days	**17,723**	61,616
1-2 years	**3,394**	1,231
Over 2 years	**4,878**	4,146
	575,281	658,499

10. LOSS OF CONTROL OF A SUBSIDIARY

Pursuant to a Board resolution dated on March 29, 2011, the resolution in respect of the administration of a wholly owned subsidiary, Sofas UK Limited ("Sofas UK"), which carried out retail sales of furniture was duly passed. Accordingly, the Group filed the necessary documentation with the High Court of Justice (Bristol District Registry) in England and the administrators were appointed in respect of the Administration. The administration became effective from March 30, 2011, on which date the control of Sofas UK was passed to the administrators. After consultation of a legal counsel for legal advice, the directors of the Company have a view that the Group has lost its control over Sofas UK since administration became effective.

Up to the date of board authorisation for issue of the interim financial statements, the administration has not been completed.

An analysis of the assets and liabilities of Sofas UK at the date when the Group lost control were as follows:

	RMB'000
Bank balances and cash	11,686
Inventories	32,149
Trade and other receivables	14,837
Other long term liabilities	(43,455)
Trade and other payables	(82,915)
Carrying amount of brandname (included in intangible assets of the Group)	1,796
Cumulative exchange differences in respect of net liabilities of Sofas UK reclassified from equity to profit or loss on loss of control of the subsidiary	1,531
Gain on loss of control of Sofas UK	64,371

11. CAPITAL AND OTHER COMMITMENTS

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

	June 30, 2011 *RMB'000* **(unaudited)**	December 31, 2010 *RMB'000* (audited)
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– Properties under development	**471,126**	576,178
– Acquisition of property, plant and equipment	**17,830**	6,996
– Construction of certain infrastructure and public facilities in the PRC on behalf of the government	**12,253**	12,253
	501,209	595,427

12. CONTINGENT LIABILITIES

The Group provided guarantees of RMB173,867,000 (December 31, 2010: RMB138,683,000) at June 30, 2011 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.

BUSINESS REVIEW AND PROSPECTS

RESULTS OVERVIEW

For the six months ended June 30, 2011, the Group recorded a consolidated turnover of RMB1,156.6 million (six months ended June 30, 2010: RMB1,121.2 million), representing an increase of 3.2%.

The Group's gross profit for the six months ended June 30, 2011 was RMB213.3 million (six months ended June 30, 2010: RMB261.3 million) with an average gross profit margin of 18.4% (six months ended June 30, 2010: 23.3%).

The net profit attributable to owners of the Company for the first half of 2011 was approximately RMB104.0 million (six months ended June 30, 2010: RMB22.4 million), representing an increase of 364.2% when compared with the corresponding period in 2010.

Review by Business Segments

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

The table below shows the total turnover by business segment for the six months ended June 30, 2011, together with the comparative figures for the corresponding period of year 2010:

	Six Months Ended June 30,				
	2011		2010		Change
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing	**738.6**	**63.9**	913.2	81.5	-19.1
Upholstered Furniture	**270.4**	**23.4**	456.4	40.7	-40.7
Furniture Leather	**133.8**	**11.6**	142.0	12.7	-5.8
Automotive Leather	**334.4**	**28.9**	314.8	28.1	6.2
Property Development	**377.5**	**32.6**	98.6	8.8	282.8
Retail	**38.0**	**3.3**	107.8	9.6	-64.7
Others	**2.5**	**0.2**	1.6	0.1	56.3
Total	**1,156.6**	**100.0**	1,121.2	100.0	3.2

Manufacturing Business

During the six months ended June 30, 2011, the Group's manufacturing business, comprising of upholstered furniture, furniture leather and automotive leather divisions, recorded a total turnover of RMB738.6 million (six months ended June 30, 2010: RMB913.2 million), representing a decrease of 19.1%. This segment recorded a loss of RMB14.2 million during the six months ended June 30, 2011, compared to an operating profit of RMB85.1 million for the corresponding period in 2010. A brief discussion of the performance of the three operating divisions are as follows:

Upholstered Furniture

Sales of upholstered furniture including finished sofa and sofa cut-and-sew recorded a turnover of RMB270.4 million in the first half of 2011 as compared to RMB456.4 million for the corresponding period in 2010. The decrease of turnover was mainly attributable to the reduction in export orders. During the six months ended June 30, 2011, major customers in U.S and Europe were experiencing difficulties in their operations, resulting in reduced manufacturing orders.

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 recorded sales of RMB133.8 million in the first half of 2011 (six months ended June 30, 2010: RMB142.0 million), representing a slight decrease of 5.8%.

Automotive Leather

During the six months ended June 30, 2011, the turnover from automotive leather division exceeded the turnover from upholstered furniture and accounted for 45.3% of the Group's manufacturing business. The Group, as one of the largest domestic automotive seat leather suppliers in China, successfully strengthened its relationships with major automakers in China. Revenue generated from this division was RMB334.4 million in the first half of 2011, representing an increase of 6.2% as compared to the corresponding period in 2010 (six months ended June 30, 2010: RMB314.8 million).

During the six months ended June 30, 2011, the prices of raw cowhides and wet-blues, which are the principal raw materials of leather business, increased significantly to a historical high level. In addition, prices of other raw materials, such as chemicals also increased, adversely impacting the profit margin of the automotive leather business.

Property Development Business

As of June 30, 2011, the Group has five property development projects at various stages of development and the turnover from the property development segment amounted to RMB377.5 million during the six months ended June 30, 2011.

Group's Property Project Portfolio as at June 30, 2011

No.	Project Name	Location	Interests Attributable to the Group	Total Site Area (sq.m)	Status
1	Asia Bay	Boao, Hainan	92%	590,165	Under development
2	Sanya Project	Sanya, Hainan	77%	1,424,692	For development
3	Qianjiang Continent	Yancheng, Jiangsu	100%	331,040	Under development
4	Haining Project	Haining, Zhejiang	100%	430,319	Under development
5	Changbai Paradise	Changbai Mountain, Jilin	89%	157,004	Under development
Total				2,933,220	

During the six months ended June 30, 2011, the Group acquired several parcels of land in Haining and Changbai Mountain, respectively and the total site area for property development rose to 2,933,220 square meters, representing an increase of 16.6% as compared to 2,514,697 square meters as at year ended December 31, 2010.

Projects Overview

Asia Bay in Boao of Hainan

As the Group's first and an anchor project in resort property development, Asia Bay attracted buyers from all around the country. During the six months ended June 30, 2011, 82 units of the Sentosa villas and Bali Island villas were successfully delivered and a revenue of RMB259.4 million was recognized with a net profit of RMB52.9 million. The recognized gross floor area ("GFA") sold was 9,547 square meters.

In the first half of 2011, the contracted sales from villas and apartments amounted to approximately RMB430.9 million.

Qianjiang Continent in Yancheng of Jiangsu

During the six months ended June 30, 2011, the recognized GFA sold in this project was 15,135 square meters and the recognized sales amounted to RMB118.1 million. A total of 113 units, including both commercial and residential units were delivered and the average selling price was RMB7,803 per square meter, as compared to RMB5,057 per square meter during the corresponding period in 2010.

Haining Project in Zhejiang

During the six months ended June 30, 2011, the Group expanded its land reserve in Haining, Zhejiang Province and the total site area for residential and commercial development amounted to approximately 430,000 square meters as of June 30, 2011.

Construction of the first phase of the project, including villas and high-rise apartments commenced in the first half of 2011 and the premises is expected to be ready for pre-sale in November, 2011.

Changbai Paradise in Changbai Mountain of Jilin

Located in southern part of Jilin Province, Changbai Mountain is one of China's best nature preservation zones, covering an area of over 200,000 hectares. It boosts an unique natural environment and ecosystem.

The local government has announced its plan in developing the Changbai Mountain district into an international tourist resort in the near future. Since 2009, a number of well-known property developers in China, such as Wanda, Lenovo and Oceanwide have commenced various property development projects in the area.

As one of the pioneers in resort property development in the Changbai Mountain resort area, the Group has secured a large parcel of land in one of the best spots. The first project, located in Chibei district, was named "Changbai Paradise". It includes one five-star hotspring hotel, a shopping plaza, a performance center and a large number of residential units. The Group will commence the construction in the second half of 2011.

Others

The Group's property project in Sanya of Hainan Province was still undeveloped as at June 30, 2011. No contribution was made from this project with respect to turnover and profit of the Group in the first half of 2011.

Operating Expenses, Taxation and Profit Attributable to Owners

The Group's selling and distribution costs during the six months ended June 30, 2011 decreased to approximately RMB71.8 million, as compared to approximately RMB129.3 million in the first half of 2010, mainly due to (1) the administration of Sofas UK Limited ("Sofas UK") which resulted in the loss of control of Sofas UK and consequently, the financial results of Sofas UK for the period from March 2011 to June 2011 had not been consolidated to the Group's results. The main selling and distribution expenses of Sofas UK, such as operating lease rentals and government rates, staff costs for sales persons, sales commission and marketing expenses, were significantly reduced in total by approximately RMB43.9 million as a result of such loss of control of Sofas UK, and (2) the decrease of transportation costs of approximately RMB12.9 million due to the reduction in sales to Europe. As a result, the selling and distribution costs to turnover in the first half of 2011 decreased to 6.2% as compared to 11.5% for the corresponding period in 2010.

The administrative costs for the six months ended June 30, 2011 was approximately RMB58.2 million, representing a decrease of approximately RMB7.0 million as compared to approximately RMB65.2 million during the corresponding period in 2010, mainly due to the loss of control of Sofas UK as mentioned above.

The Group's finance cost in the first half of 2011 was approximately RMB37.3 million, with an increase of approximately RMB7.1 million, as compared to approximately RMB30.2 million during the same period of 2010, due to the increase in both bank lending rates and the Group's borrowings during the six months ended June 30, 2011.

Other expenses for the six months ended June 30, 2011 were approximately RMB10.5 million, as compared to approximately RMB29.4 million in the first half of 2010. Such decrease mainly resulted from (1) a net loss of approximately RMB9.3 million suffered from the PRC warehouse fire accident happened in the corresponding period in 2010 while there was no such loss incurred in the period under review, and (2) a decrease of net exchange loss of RMB4.9 million during the period under review as compared to the corresponding period in 2010.

Other income for the six months ended June 30, 2011 was approximately RMB36.5 million, with a slight decrease of approximately RMB5.0 million as compared to approximately RMB41.5 million during the corresponding period in 2010.

The Group's income tax in the first half of 2011 was approximately RMB21.2 million, with a decrease of approximately RMB4.5 million, as compared to approximately RMB25.7 million in the corresponding period in 2010. The decrease resulted from (1) a decrease in PRC income tax of approximately RMB15.5 million as a result of the decrease in taxable profits generated by the manufacturing business from the reduced sales of manufacturing business at subsidiary level, (2) a reversal of deferred taxation recognized in prior years amounting to RMB11.7 million, offset by (3) an increase in PRC income tax of approximately RMB22.7 million as a result of an increase in taxable profits generated from increased delivery of some of the residential building units in Yancheng, Jiangsu Province and Boao, Hainan Province.

A gain on loss of control of Sofas UK as the Group's subsidiary amounting to RMB64.4 million was recorded during the six months ended June 30, 2011. For more details, please refer to note 10 to the Condensed Consolidated Financial Statements.

For reasons mentioned above, the net profit attributable to owners of the Company was approximately RMB104.0 million in the first half of 2011 (six months ended June 30, 2010: RMB22.4 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at June 30, 2011, the Group had cash and cash equivalent of RMB389.4 million (as at December 31, 2010: RMB745.3 million) and a total borrowings of RMB1,564.4 million (as at December 31, 2010: RMB1,486.9 million). This represents a gearing ratio of 66.6% (as at December 31, 2010: 64.5%) and a net debt-to-equity ratio of 50.0% (as at December 31, 2010: 32.0%). 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, 2011, the Group's inventory which primarily represented leather crust, was RMB362.8 million, representing a decrease of RMB25.2 million as compared to RMB388.0 million as of December 31, 2010. During the six months ended June 30, 2011, the Group endeavoured to control inventory level and managed to maintain its inventory turnover period to 93 days as compared to 91 days as at December 31, 2010.

During the six months ended June 30, 2011, the Group continued to maintain a strict credit policy. Longer credit terms were granted to customers in the automotive leather division, account receivable turnover days increased to 88 days for the first half of 2011 (as at December 31, 2010: 84 days).

The accounts payable turnover days decreased to 49 days for the six months ended June 30, 2011 (as at December 31, 2010: 57 days).

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended June 30, 2011, the Group acquired four parcels of land located in Haining of Zhejiang Province in February 2011 and May 2011, respectively, with a total site area of 261,519 square meters for the purpose of property development. The Group also acquired 3 parcels of land located in Changbai Mountain of Jilin Province in May 2011 with a total site area of 133,684 square meters for the purpose of property development.

Pursuant to a sale and purchase agreement dated June 30, 2011, Haining Kareno Furniture Co., Ltd. ("Haining Kareno"), an indirect wholly-owned subsidiary of the Company, surrended a parcel of land situated in Haining of Zhejiang Province, the PRC with an aggregate area of 205,978 square meters to an independent third party at a total compensation of RMB463,418,238. The compensation comprises a fixed amount of RMB380,137,680 as compensation of Haining Kareno surrendering the land and an additional incentive fee of up to RMB83,280,558.

PLEDGE OF ASSETS

During the six months ended June 30, 2011, 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 3.05%.

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 were exposed to exchange rate fluctuation. During the six months ended June 30, 2011, the Group used forward contracts and some other financial instruments to hedge foreign exchange risk, and recorded a gain of approximately RMB130,000.

CONTINGENT LIABILITIES

As at June 30, 2011, the Group had certain contingent liabilities. For details, please refer to note 12 to the Condensed Consolidated Financial Statements.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2011, the Group employed a total of approximately 3,700 full time employees (as at June 30, 2010: approximately 4,600) including management staff, technicians, salespersons and workers. For the six months ended June 30, 2011, the Group's total expenses on the remuneration of employees were RMB62.5 million (six months ended June 30, 2010: RMB97.0 million). The Group's emolument policies for employees are formulated on the performance of individual employees, which are reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees), state-managed retirement pension scheme (for the PRC employees) 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 ("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

Manufacturing business

The prospect of the global furniture market is not optimistic and represents uncertainties. In this uncertain business environment, the Group will be focusing on key customers and product lines to ensure profitability.

The automotive leather business will continue to be the core element in the Group's leather production division. Due to a sharp increase in the prices of raw materials, the profit margin was negatively impacted in the first half of 2011. To overcome the challenges, the Group will implement an aggressive cost-saving plan involving flexible procurement policy and optimizing of resource allocation to improve the profit margin.

Properties Development

The Group's long term goal is to become a leading resort property developer in China. Owing to the fast growth of the domestic economy and the rapid increase in household disposable income, there has been a strong demand in the domestic tourism industry. To grasp the huge potential opportunities in this sector, the Group will extend its businesses to vacation tourist services. During the six months ended June 30, 2011, the Group established "Four Seas Vacation Club", specializing in vacation arrangements and services for property owners and other potential high-end customers. In cooperating with other developers in popular tourist resorts and by capitalizing on the resort projects developed by the Group, the objective of the Four Seas Vacation Club is to provide customers with unique leisure experience during their vacations.

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

It is estimated that in the second half of 2011, the units from various projects in Boao, Yancheng, Haining and Changbai Mountain that are ready for pre-sales will be increasing, as compared to the first half of the year. In addition, more revenue will be recognized from Asia Bay and Qianjiang Continent in the second half of 2011. In conclusion, the Group is optimistic about the financial performance in its property development segment.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Appendix 14 of Code on Corporate Governance Practices (" CG 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, 2011, except for the following deviations to 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 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 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 is 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. Sun Steve Xiaodi, Dr. Li Qingyuan and Mr. Zhou Lingqiang 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended June 30, 2011, 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, 2011.

AUDIT COMMITTEE

The Audit Committee, comprises all the three independent non-executive Directors namely, Mr. Sun Steve Xiaodi, Dr. Li Qingyuan and Mr. Zhou Lingqiang, has reviewed with management and the external auditors on 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, 2011. The Audit Committee reviewed, discussed and approved this unaudited interim information for the six months ended June 30, 2011 which 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. Zhou Lingqiang is the chairman of the Remuneration Committee.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB2.46 cents (equivalent to approximately HK3.00 cents) per ordinary share for the six months ended June 30, 2011 (six months ended June 30, 2010: Nil), amounting to approximately RMB28,593,000 (six months ended June 30, 2010: Nil), to shareholders of the Company whose names appear on the register of members of the Company on Friday, September 16, 2011, payable on or around Friday, September 30, 2011. The interim dividend will be payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on August 25, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, September 14, 2011 to Friday, September 16, 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, September 12, 2011.

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

The Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended June 30, 2011.

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, 2011.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended June 30, 2011 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange and the website of the Company at www.irasia.com/listco/hk/kasen/index.htm in due course.

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

PRC, August 25, 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. Sun Steve Xiaodi, Dr. Li Qingyuan and Mr. Zhou Lingqiang.

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