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, 2011

The board (the "Board") of directors (the "Directors") 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, 2011 together with comparative figures for the same period of 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

	NOTES	**2011** *RMB'000*	2010 *RMB'000*
Turnover	*4*	**2,241,475**	2,318,480
Cost of sales		**(1,897,163)**	(1,891,535)
Gross profit		**344,312**	426,945
Other income	*5*	**67,097**	65,831
Distribution costs		**(149,475)**	(238,612)
Administrative expenses		**(124,620)**	(117,786)
Other expenses		**(11,154)**	(16,938)
Other gains and losses	*6*	**(7,659)**	25,317
Share of losses of associates		**(14,845)**	(4,880)
Share of profit of a jointly controlled entity		**–**	200
Gain on loss of control of a subsidiary	*15*	**72,250**	–
Gain on relocation of a factory	*14*	**361,052**	–
Finance costs	*7*	**(78,331)**	(60,807)
Profit before tax	*8*	**458,627**	79,270
Income tax expenses	*9*	**(157,472)**	(46,684)
Profit for the year		**301,155**	32,586

	NOTES	2011 RMB'000	2010 RMB'000
Other comprehensive (expenses) income			
Fair value (loss) gain on available-for-sale investments		**(62,024)**	292,907
Deferred tax liability on fair value change of available-for-sale investments		**15,506**	(73,228)
Exchange differences arising on translation		**–**	9,683
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	*15*	**(1,531)**	–
		(48,049)	229,362
Total comprehensive income for the year		**253,106**	261,948
Profit (loss) for the year attributable to:			
Owners of the Company		**300,491**	35,378
Non-controlling interests		**664**	(2,792)
		301,155	32,586
Total comprehensive income (expense) attributable to:			
Owners of the Company		**252,442**	264,740
Non-controlling interests		**664**	(2,792)
		253,106	261,948
Earnings per share	*11*		
Basic		**RMB25.86 cents**	RMB3.05 cents
Diluted		**RMB25.84 cents**	RMB3.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2011

	NOTES	**2011**	2010
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**408,225**	467,301
Prepaid lease payments – non-current portion		**33,951**	58,681
Properties for development		**175,807**	600,938
Intangible assets		**702**	2,978
Interests in associates		**16,200**	35,037
Available-for-sale investments		**380,796**	452,820
Deferred tax assets		**25,080**	11,610
Deposit paid for acquisition of a property		**40,000**	–
Deposit paid for acquisition of a subsidiary		**212,581**	212,581
Advances for acquisition of land for development		**279,430**	279,430
Deposits paid for acquisition of land use rights		**17,068**	–
		1,589,840	2,121,376
CURRENT ASSETS			
Inventories		**357,584**	388,046
Properties under development and held for sale		**3,319,575**	1,350,981
Trade, bills and other receivables	*12*	**810,617**	656,044
Receivable from disposal of assets	*14*	**270,948**	254,646
Prepaid lease payments – current portion		**806**	1,327
Derivative financial instruments		**497**	2,751
Tax recoverable		**30,522**	7,933
Pledged bank deposits		**185,180**	128,344
Restricted bank deposits for property development business		**9,192**	–
Bank balances and cash		**370,385**	745,347
		5,355,306	3,535,419
Assets classified as held for sale		**40,844**	–
		5,396,150	3,535,419

	NOTES	2011 RMB'000	2010 RMB'000
CURRENT LIABILITIES			
Trade, bills and other payables	*13*	**1,185,590**	906,007
Deposits received in respect of pre-sale of properties		**1,535,252**	750,303
Bank and other borrowings – due within one year		**1,424,376**	1,379,402
Tax payable		**36,194**	20,465
Other current liabilities		**–**	4,973
		4,181,412	3,061,150
Liabilities classified as held for sale		**1,690**	–
		4,183,102	3,061,150
NET CURRENT ASSETS		**1,213,048**	474,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,802,888**	2,595,645
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**204,868**	131,176
Bank and other borrowings – due after one year		**6,513**	107,459
Other long-term liabilities		**–**	37,220
		211,381	275,855
NET ASSETS		**2,591,507**	2,319,790
CAPITAL AND RESERVES			
Share capital		**1,400**	1,395
Reserves		**2,517,587**	2,292,792
Equity attributable to owners of the Company		**2,518,987**	2,294,187
Non-controlling interests		**72,520**	25,603
Total equity		**2,591,507**	2,319,790

Notes:

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability 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. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at December 31, 2011. At December 31, 2011, the Group had consolidated net current assets of approximately RMB1,213,048,000, of which bank balances and cash as at December 31, 2011 was approximately RMB564,757,000 (including RMB185,180,000 of bank deposits pledged for borrowings within one year and RMB9,192,000 of restricted bank deposits for property development business) and borrowings due within one year were approximately RMB1,424,376,000.

The Group's operating results for the year continue to show a profit of approximately RMB301,155,000 (2010: RMB32,586,000). The turnover of the Group for the year has decreased from RMB2,318 million for the year ended December 31, 2010 to RMB2,241 million for the year ended December 31, 2011. The Group has net cash used in operating activities amounting to RMB464 million (2010: Net cash from operating activities amounting to RMB513 million). In order to improve the liquidity of the Group, the directors maintained regular contacts with the banks to renew the credit facilities annually on an ongoing basis. As at December 31, 2011, the Group has available unutilized short-term bank loan facilities of approximately RMB507 million as liquidity management resources. The directors consider that the existing facilities can provide sufficient cash to finance the Group's working capital requirement and the Group is able to renew the existing credit facilities on an ongoing basis. In addition, RMB504,000,000 of bank loan has been renewed subsequently up to the date of this report. Accordingly, the consolidated financial statements are prepared on a going concern basis.

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

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

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after July 1, 2011.
2 Effective for annual periods beginning on or after January 1, 2013.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after January 1, 2012.
5 Effective for annual periods beginning on or after July 1, 2012.
6 Effective for annual periods beginning on or after January 1, 2014.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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.

4. SEGMENT INFORMATION AND REVENUE

a. Segment information

The Group's operating segments, based on information reported to the executive directors, who are the chief operating decision maker (the "CODM") for the purpose of resource allocation and performance 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, hot spring resort operation and provision of travel-related services ("Others").

In July 2011 and September 2011, the Group acquired two subsidiaries engaged in hot spring resort operation and provision of travel-related services. Because the sizes of subsidiaries are insignificant, they are aggregated with provision of property management services as an operating segment of Others when reporting to the CODM.

Segment revenues and results

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

Revenue

For the year ended December 31, 2011

	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	**1,637,113**	**532,417**	**46,928**	**25,017**	**2,241,475**	**–**	**2,241,475**
Inter-segment sales	**13,869**	**–**	**–**	**6,042**	**19,911**	**(19,911)**	**–**
Total	**1,650,982**	**532,417**	**46,928**	**31,059**	**2,261,386**	**(19,911)**	**2,241,475**

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

Results

	2011	2010
	RMB'000	*RMB'000*
Segment results		
– Manufacturing	**232,235**	170,400
– Properties development	**33,221**	(28,883)
– Retail	**(4,733)**	(95,815)
– Others	**(19,389)**	(2,416)
	241,334	43,286
Unallocated corporate expenses and gain	**(12,429)**	(10,700)
Gain on loss of control of a subsidiary	**72,250**	–
Profit for the year	**301,155**	32,586

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries and exchange gain. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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:

	Revenue from external customers Year ended December 31,	
	2011	2010
	RMB'000	*RMB'000*
United States	**348,027**	545,893
PRC, including Hong Kong	**1,777,608**	1,446,564
Europe	**68,951**	244,434
Australia	**46,889**	77,525
Others	**–**	4,064
	2,241,475	2,318,480

b. **Revenue**

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. The following is an analysis of the Group's revenue for the year:

	2011	2010
	RMB'000	*RMB'000*
Sales of Goods		
Manufacturing		
Upholstered furniture	**527,342**	758,401
Furniture leather	**272,813**	264,127
Automotive leather	**836,958**	714,621
Residential properties	**532,417**	374,197
Retail of upholstered furniture	**46,928**	203,605
	2,216,458	2,314,951
Provision of Services		
Others (including provision of property management services and travel-related operation and income from hot spring resort)	**25,017**	3,529
Total	**2,241,475**	2,318,480

5. OTHER INCOME

Details of other income are as follows:

	2011	2010
	RMB'000	*RMB'000*
Government grants		
Grants for export sales	**452**	328
Incentive for business development	**5,520**	1,332
Other grants	**6,191**	7,579
	12,163	9,239
Income from sales of scrap materials	**2,957**	7,414
Interest income	**23,995**	18,136
Dividend income from listed available-for-sale investments	**5,163**	3,098
Rental income	**6,438**	12,161
Imputed interest of receivable from disposal of assets	**5,862**	5,862
Others	**10,519**	9,921
	67,097	65,831

6. OTHER GAINS AND LOSSES

	2011 *RMB'000*	2010 *RMB'000*
Reversal of impairment loss recognized in respect of trade and other receivables	**9,154**	30,427
Gain on disposal of interest in an associate	**–**	17,898
Gain on disposal of properties for development	**–**	15,418
Gain on fair value change on derivative financial instruments	**839**	4,971
Gain on disposal of property, plant and equipment	**1,143**	3,872
Net foreign exchange loss	**(10,828)**	(14,783)
Impairment loss recognized in respect of trade and other receivables	**(14,748)**	(7,454)
Reversal of (impairment loss) recognized in respect of property, plant and equipment	**6,781**	(25,032)
	(7,659)	25,317

7. FINANCE COSTS

	2011 *RMB'000*	2010 *RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**87,255**	73,717
Other borrowings wholly repayable within five years	**–**	20
Other borrowings not wholly repayable within five years	**48**	198
Total borrowing costs	**87,303**	73,935
Less: Amounts capitalized in respect of properties under development	**(8,972)**	(13,128)
	78,331	60,807

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.

8. PROFIT BEFORE TAX

	2011 *RMB'000*	2010 *RMB'000*
Profit before tax has been arrived at after charging:		
Amortization of intangible assets (included in administrative expenses)	**429**	739
Amortization of properties for development (included in other expenses)	**1,092**	8,472
Depreciation of property, plant and equipment	**43,276**	46,767
Total depreciation and amortization	**44,797**	55,978
Release of prepaid lease payments	**1,344**	1,426
Auditor's remuneration	**7,463**	6,530
Cost of inventories recognized as expenses (including net reversal of allowance of inventories of RMB13,406,000 (2010: RMB27,103,000))	**1,540,612**	1,560,763
Cost of properties recognized as cost of sale	**331,991**	330,772
Operating lease rentals in respect of land and buildings	**26,178**	67,641
Total employee benefit expenses	**149,068**	187,654

9. INCOME TAX EXPENSES

	2011 *RMB'000*	2010 *RMB'000*
PRC enterprise income tax		
– Current year	**22,343**	39,426
– Underprovision of income tax in previous years	**8,389**	2,050
	30,732	41,476
PRC Land appreciation tax ("LAT")	**51,012**	6,265
Deferred tax	**75,728**	(1,057)
	157,472	46,684

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税暫行條例) 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税暫行條例實施細則) 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.

10. DIVIDEND

2011 interim dividend of RMB2.46 cents (equivalent to approximately HK3.00 cents) per ordinary share (2010: Nil) amounting to approximately RMB28,565,000 (equivalent to approximately HK$34,869,000 was paid during the year.

11. 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

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company	**300,491**	35,378

Number of shares

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,161,972,300**	1,159,347,478
Effect of dilutive potential ordinary shares – share options	**796,543**	15,468,032
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,162,768,843**	1,174,815,510

The computation of diluted earnings per share does not assume the exercise of certain of the Company's options because the exercise prices of those options were higher than the average market price of shares in 2011.

12. 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:

	2011	2010
	RMB'000	*RMB'000*
Aged:		
Within 60 days	**287,871**	280,275
61 – 90 days	**92,781**	28,076
91 – 180 days	**42,772**	50,550
181 – 365 days	**12,884**	77,194
Over 1 year	**2,546**	25,385
	438,854	461,480

13. 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:

	2011	2010
	RMB'000	*RMB'000*
Within 60 days	**703,086**	552,931
61 – 90 days	**106,731**	31,818
91 – 180 days	**110,934**	6,757
181 – 365 days	**7,342**	61,616
1 – 2 years	**19,220**	1,231
Over 2 years	**9,179**	4,146
	956,492	658,499

14. RECEIVABLE FROM DISPOSAL OF ASSETS/GAIN ON RELOCATION OF A FACTORY

During the year ended December 31, 2009, the Group demolished the plant and returned certain land use rights to the PRC government ("2009 demolition"). The consideration of the disposal was RMB503,498,000. The fair value of the receivable at initial recognition with effective interest rate of 3.22% per annum amounted to approximately RMB491,774,000. The consideration of RMB242,990,000 was received in previous year, the remaining balance of RMB260,508,000 was received in 2011.

During the year ended December 31, 2011, the Group demolished the plant and returned certain of land use rights to the PRC government ("2011 demolition"). The consideration of the disposal was RMB463,418,000. RMB190,000,000 of the consideration was received in the current year. The fair value of the remaining balance of the receivable at initial recognition with effective interest rate of 3.75% per annum amounted to approximately RMB270,948,000. In the opinion of the directors, the remaining balance will be settled in 2012.

	2011 demolition *RMB'000*	2009 demolition *RMB'000*	Total *RMB'000*
Balance as at January 1, 2010	**–**	486,774	486,774
Imputed interest *(note 5)*	**–**	5,862	5,862
Settled during the year	**–**	(237,990)	(237,990)
Balance as at December 31, 2010	**–**	254,646	254,646
Addition of receivable	**273,418**	–	273,418
Recognition of fair value on initial recognition (included in gain on relocation of a factory)	**(2,470)**	–	(2,470)
Imputed interest *(note 5)*	**–**	5,862	5,862
Settled during the year	**–**	(260,508)	(260,508)
Balances as at December 31, 2011	**270,948**	–	270,948

A gain of relocation, amounting to RMB361,052,000 (including removal cost of RMB1,414,000) was recognized during the year.

An analysis of the assets sold are set out below:

	RMB'000
Property, plant and equipment – buildings	86,728
Prepaid lease payment	11,754
	98,482

15. 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 in the United Kingdom, was duly passed. Accordingly, the Group filed the necessary documentation with the High Court of Justice (Bristol District Registry) in United Kingdom and administrators were appointed. The administration became effective from March 30, 2011, on which date the control of Sofas UK was lost. After consultation of a legal counsel for legal advice, the directors of the Company are in the opinion that the Group has lost its control over Sofas UK since administration became effective. Up to the date of board authorization for issue of the annual 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 *(Note)*	(219,142)
Carrying amount of brandname (included in intangible assets of the Group)	2,330
Net liabilities	(201,595)
Add: allowance made by the Group related to trade and other receivables due from Sofas UK	127,814
Cumulative exchange differences in respect of net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	1,531
Gain on loss of control of Sofas UK	(72,250)

The net cash outflow arising on loss of control of a subsidiary with an amount of RMB11,686,000 is disclosed as an investing activity in consolidated statement of cash flows.

Note: The amount includes a balance due to the Group of approximately RMB127,814,000 which had been fully eliminated in the Group prior to the loss of control. The Group had fully impaired the amount due from Sofas UK.

16. 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:

	2011	2010
	RMB'000	*RMB'000*
Buildings	**133,351**	224,147
Prepaid lease payments	**26,016**	38,626
Pledged bank deposits	**185,180**	128,344
Properties under development and held for sale	**553,615**	207,348
	898,162	598,465

17. CAPITAL AND OTHER COMMITMENTS

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

	2011	2010
	RMB'000	*RMB'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of		
– Acquisition of property, plant and equipment	**43,176**	6,996
– Properties under development	**696,727**	576,178
– Construction of certain infrastructure and public facilities in the PRC on behalf of the government	**–**	12,253
	739,903	595,427

18. CONTINGENT LIABILITIES

The Group provided guarantees of RMB150,059,000 (2010: RMB138,683,000) at December 31, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Financial Review

For the year ended December 31, 2011, the Group recorded a consolidated turnover of RMB2,241.5 million, representing a slight decrease of 3.3% as compared with RMB2,318.5 million for the year ended December 31, 2010.

The Group's gross profit for the year 2011 was RMB344.3 million, representing a decrease of 19.3% as compared with RMB426.9 million in the year 2010 and the Group's gross profit margin in 2011 fell to 15.4%, as compared to 18.4% in the year 2010.

The net profit attributable to owners of the Company rose to RMB300.5 million in 2011, representing a substantial increase of approximately 748.9% as compared to RMB35.4 million in 2010.

Review by Business Segments

The Group's reportable business segments consists of mainly manufacturing, property development, retail business and others (comprising mainly provision of property management service business, hot spring resort operation and travel-related service).

The table below shows the total turnover by business segments for the year ended December 31, 2011 together with the comparative figures for the corresponding period of year 2010:

	2011		2010		**Y-O-Y Change**
	RMB'Million	*%*	*RMB'Million*	*%*	*%*
Manufacturing	**1,637.2**	**73.0%**	1,737.2	74.9%	-5.8%
Upholstered Furniture	***527.4***	***23.5%***	*758.4*	*32.7%*	*-30.5%*
Furniture Leather	***272.8***	***12.2%***	*264.2*	*11.4%*	*3.3%*
Automotive Leather	***837.0***	***37.3%***	*714.6*	*30.8%*	*17.1%*
Property Development	**532.4**	**23.8%**	374.2	16.1%	42.3%
Retail business	**46.9**	**2.1%**	203.6	8.8%	-77.0%
Others	**25.0**	**1.1%**	3.5	0.2%	614.3%
Total	**2,241.5**	**100.0%**	2,318.5	100.0%	-3.3%

Manufacturing Business

During the year under review, the Group's manufacturing business, comprising of upholstered furniture, furniture leather and automotive leather, recorded a total turnover of RMB1,637.2 million, representing a decrease of 5.8% as compared to RMB1,737.2 million in 2010.

During the year under review, this segment recorded a profit of RMB232.2 million, as compared to an operating profit of RMB170.4 million in 2010. 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 RMB527.4 million and accounted for 23.5% of the Group's total turnover in 2011, as compared to RMB758.4 million or 32.7% of total sales in 2010. The Group's major customers are in the United States and the euro zone countries which are severely impacted by the sovereign debt crisis. With less demand of furniture products from the United States and Europe and the rising raw material costs and labor cost in PRC, the overall sales of upholstered furniture business during the year 2011 decreased by RMB231.0 million, representing a decrease of 30.5% as compared with 2010.

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 RMB272.8 million in 2011, as compared to RMB264.2 million in 2010.

Automotive Leather

As a leading automotive leather supplier in China and strategic partner with major international auto makers, the Group's leather seat covers were used in many popular auto brands. Revenue generated in automotive leather operating division was RMB837.0 million in 2011, representing an increase of 17.1% as compared to the corresponding period in year 2010.

Property Development Business

As of December 31, 2011, the Group has five projects at various stages of development spread around the mainland of PRC. The turnover from the property development segment was RMB532.4 million in 2011, as compared to RMB374.2 million in 2010 and the net profit generated from this segment was RMB33.2 million in 2011.

Group Property Project Portfolio as at December 31, 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	Pre-development
3	Qianjiang Continent	Yancheng, Jiangsu	100%	331,040	Under development
4	Kingdom Garden	Haining, Zhejiang	100%	430,319	Under development
5	Changbai Paradise	Changbai Mountain, Jilin	89%	157,004	Under development
Total				2,933,220	

During the year under review, the Group acquired several parcels of land in Haining and Changbai Mountain 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 the end of 2010.

Analysis of Properties Under Development

No.	Project Name	Total GFA (sq.m.)	GFA under development (sq.m.)	Total Saleable GFA (sq.m.)	GFA sold as at December 31, 2011 (sq.m.)	GFA delivered as at December 31, 2011 (sq.m.)	Average Selling Price (RMB/sq.m.)
1	Asia Bay	718,665	246,556	575,443	37,733	10,277	27,227
2	Qianjiang Continent	722,091	722,091	628,587	455,405	277,081	4,515
3	Kingdom Garden	998,108	221,462	662,620	3,423	–	N.A
4	Changbai Paradise	200,323	152,425	159,024	–	–	N.A
Total		2,639,187	1,342,534	2,025,674	496,561	287,358	

Projects Overview

Asia Bay

As the Group's first and flagship project in resort property development, Asia Bay achieved a steady sales performance despite of the overall downturn in Hainan property markets. During the year under review, 88 units of the Sentosa and Bali Island semi-detached houses were successfully delivered and a revenue of RMB279.8 million was recognized with a net profit of RMB25.6 million. The recognized gross floor area ("GFA") sold was 10,276.7 square meters.

During the year of 2011, the contracted sales from semi-detached houses and apartments amounted to approximately RMB531.5 million.

During the year under review, the semi-detached houses of Phuket Island and apartments of Tower 2 are under construction and is expected to contribute more pre-sale revenue to the Group in 2012.

Qianjiang Continent in Yancheng of Jiangsu

During the year under review, the recognized GFA sold in this project was 36,320.6 square meters and the recognized sales amounted to RMB252.6 million with a net profit of RMB30.6 million (2010: RMB6.0 million). A total of 247 units, including both commercial and residential units were delivered.

Kingdom Garden in Haining of Zhejiang

The first phase of Kingdom Garden has a site area of 93,578 square meters and the GFA is approximately 240,000 square meters. The pre-sale of premises, including townhouses and high-rise apartments commenced at the end of 2011.

During the year under review, the Group expanded its land reserve in this project and the total site area for development was around 430,000 square meters.

Changbai Paradise in Changbai Mountain of Jilin

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 hot spring hotel, a shopping plaza, a performance center and a large number of residential units. Construction has commenced in the second half of year 2011.

Other projects

The Group's property project in Sanya of Hainan Province was still pre-developed during the year under review. No contribution was made from this project with respect to turnover and profit of the Group in the year 2011.

Others

In the second half of year 2011, the Group acquired 55% equity interests of Xin'anjiang Hot Spring Resort located in Jiande city of Zhejiang Province. The Xin'anjiang Hot Spring Resort owns the best Hot Spring nearest to Hangzhou with a site area of 32,892 square meters and attracted many travelers from the Yangtze River Delta. The Four Seas Vacation Club operated by the Group will manage this resort and offers the Group's customers with unique leisure experiences.

Operating Expense, Taxation and Profit Attributable to Owners

The Group's other income in 2011 was approximately RMB67.1 million with a slight increase of approximately RMB1.3 million as compared to approximately RMB65.8 million in 2010.

The selling and distribution costs during the year under review decreased to approximately RMB149.5 million, as compared to approximately RMB238.6 million in 2010, mainly due to (1) the administration of Sofas UK Limited ("Sofas UK"), previously a wholly-owned subsidiary of the Group, which resulted in the loss of control of Sofas UK and consequently, the financial results of Sofas UK during the period from March 2011 to December 2011 was not consolidated into the Group's results for the year ended December 31, 2011. 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, etc, were significantly reduced by approximately RMB117.9 million in total as a result of such loss of control of Sofas UK, (2) the decrease of transportation costs of approximately RMB15.0 million due to the reduction in sales to Europe, offset by (3) the increase of approximately RMB32.8 million in payment of marketing expenses and salesperson commission expenses mostly incurred by the PRC property development projects, and (4) the increase of approximately RMB5.4 million in PRC store lease rentals as compared with 2010 store rentals, as a reversal of PRC store lease rental recognized in prior years was made in 2010. As a result, the Group's selling and distribution costs to turnover in 2011 decreased to 6.7% as compared to 10.3% in 2010.

The administrative costs in 2011 was approximately RMB124.6 million, representing an increase of approximately RMB6.8 million as compared to approximately RMB117.8 million in 2010, the increase was mainly due to (1) the administration of Sofas UK as mentioned above and consequently the administrative expenses of Sofas UK were significantly reduced by approximately RMB19.9 million in total as a result of such loss of control of Sofas UK, offset by (2) the increase of administrative expenses incurred by those newly setup PRC subsidiaries and new PRC property development projects during the year under review in total of approximately RMB18.1 million, and (3) the increase of depreciation of property, plant and equipment (excluding depreciation of Sofas UK) of approximately RMB7.1 million.

The Group's finance cost in 2011 was approximately RMB78.3 million, with an increase of approximately RMB17.5 million, as compared to approximately RMB60.8 million in 2010, mainly due to the increase in both bank lending rates and the Group's borrowings during the year under review.

The Group's other gains and losses in 2011 recorded at a net loss of approximately RMB7.7 million, representing a decrease of approximately RMB33.0 million, as compared to a net gain of approximately RMB25.3 million in 2010. For details, please refer to note 6 above.

During the year under review, there were gains of approximately RMB72.3 million from the loss of control of Sofas UK and approximately RMB361.1 million from relocation of a PRC factory. For details, please refer to notes 15 and 14, respectively.

The Group's income tax in 2011 was approximately RMB157.5 million, an increase of approximately RMB110.8 million, as compared to approximately RMB46.7 million in 2010. The increase was resulted from (1) an increase in PRC land appreciation tax of approximately RMB44.7 million from the property development projects, (2) an increase of deferred taxation charge of RMB76.8 million mainly related to the compensation receivable from relocation of a PRC factory, offset by (3) a decrease in PRC income tax of approximately RMB17.1 million mainly due to the decrease in taxable profits generated by the manufacturing business from the reduced sales of manufacturing business at subsidiary level.

For reasons mentioned above, profit attributable to owners of the Company for the year 2011 increased by approximately 748.9% to RMB300.5 million (2010: RMB35.4 million).

CAPITAL EXPENDITURES

Capital expenditure (excluding assets acquired through acquisition of subsidiaries during the year) in 2011 slightly increased to approximately RMB57.2 million from approximately RMB57.1 million in 2010. The capital expenditure comprised mainly the amount of approximately RMB56.8 million spent on the purchase of property, plant and equipment for operational purpose.

FINANCIAL RESOURCES AND LIQUIDITY

Bank and Other Borrowings

As at December 31, 2011, the Group's bank and other borrowings amounted to approximately RMB1,430.9 million, representing a 3.8% decrease from approximately RMB1,486.9 million as at December 31, 2010.

Turnover Period, Liquidity and Gearing

The Group's existing inventory primarily comprising leather crust used for production, accounted for approximately 16.6% of the total inventory of approximately RMB357.6 million in 2011 (2010: approximately RMB388.0 million). In 2011, the inventory turnover period slightly decreased to 85 days (2010: 91 days).

In 2011, the Group continued to maintain a strict credit policy. However, many of the Group's customers were also facing difficult times and a general longer credit term (up to 90 days) was 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 89 days in 2011 (2010: 84 days).

The accounts payable turnover days of the Group's manufacturing and retail segments increased to 52 days in 2011 (2010: 38 days).

As at December 31, 2011, the Group's current ratio increased to 1.28 (December 31, 2010: 1.15). The Group's cash and cash equivalent balance was approximately RMB370.7 million as at December 31, 2011 (December 31, 2010: approximately RMB745.3 million). This represents a gearing ratio of 56.5% as at December 31, 2011 (December 31, 2010: 64.5%) and a net debt-to-equity ratio of 41.8% as at December 31, 2011 (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. In 2011, 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 4 parcels of land located in Haining of Zhejiang Province 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 133,685 square meters for the purpose of property development.

In September 2011, the Group acquired 100% interest in Jiande Xin'an Jiang Hot Spring Resort Company Limited ("Jiande Hot Spring Resort") at a consideration of RMB34,970,000 from an independent third party. Jiande Hot Spring Resort is engaged in hot spring resort operation in Jiande, PRC.

Pursuant to a sale and purchase agreement dated June 30, 2011, Haining Kareno Furniture Co., Ltd. an indirect wholly-owned subsidiary of the Company, surrendered a parcel of land situated in Haining of Zhejiang Province with a total site area of 205,978 square meters to an independent third party at a total compensation of RMB463,418,238. The compensation comprises of a fixed amount of RMB380,137,680 as compensation of the land and an additional incentive fee of up to RMB83,280,558. For details, please refer to note 14 above.

Pursuant to a Board resolution dated on March 29, 2011, the resolution in respect of the administration of Sofas UK, which carried out retail sales of furniture in the United Kingdom, was duly passed by the Board. Up to the date of board authorization for issue of the annual financial statements for the year ended December 31, 2011, the administration of Sofas UK has not been completed. For details, please refer to note 15 above.

CONTINGENT LIABILITIES

As at December 31, 2011, the Group had certain contingent liabilities. For details, please refer to note 18 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 16 above.

CAPITAL COMMITMENTS

As at December 31, 2011, the Group had contracted, but not provided for, a total capital expenditure of RMB739.9 million (2010: RMB595.4 million), in which an amount of RMB696.7 million (2010: RMB576.2 million) was in respect of properties under development.

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 2011, the Group used forward contract and some other financial instruments to hedge foreign exchange risk, and recorded a gain of approximately RMB839,000.

EMPLOYEES AND EMOLUMENTS POLICIES

As at December 31, 2011, the Group employed a total of approximately 3,500 full time employees (December 31, 2010: approximately 4,600), including management staff, technicians, salespersons and workers. In 2011, the Group's total expense on the remuneration of employees was approximately RMB149.1 million (2010: approximately RMB187.7 million), representing 6.7% (2010: 8.1%) 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

The Company expects that the global furniture market in 2012 will still be highly volatile as the economy recovery of the United States and the euro zone countries is slower than anticipated. Consumers in these developed countries may be reluctant to spend money on the purchase of home furniture. The Group will keep monitoring the market situation and try to consolidate the relationship with our major OEM customers.

The Group will make ongoing efforts into the improvement of production efficiency and cost control. An advanced ERP system was implemented in the factories and excess capabilities will be further minimized.

The automotive leather business will continue to be the most promising division in the Group's manufacturing business. During the past several years, the Group has successfully established its brand image in the leather car seat industry in the PRC and built strong relationships with major auto makers in the PRC, such as FAW-Volkswagen, General Motors and Ford. Compared to the Group's competitors in PRC, the Group has overwhelming advantages in the R&D, large-scale production capabilities, team management and market expansion skills. The Group is confident about the prospects of automotive leather division.

Property Development

In the year of 2012, it is expected that the real estate market in the PRC will continue to be depressed by the cooling measures from the PRC central government and such regulatory measures will not be relieved in the near future. However, the Group remains optimistic about the resort property market since the tourism industry is definitely to be one of the pillar industries in the coming several years. In the past years, the Group emphasized on the land acquisitions in China's top tourism areas such as Hainan, Changbai Mountain and Zhejiang. In the coming year of 2012, more premises in Hainan Asia Bay and Changbai Paradise will be ready for sale or delivered and it will make more contribution to the Group's financial performance.

Travel-Related Service

During the year under review, the Group established "Four Seas Vacation Club", specializing in vacation arrangements and services for our property owners and other potential high-end customers. In 2012, the Four Seas Vacation Club will also provide the service named "vacation swap" to offer customers with more vacation destination choices. In 2011, the Group has also acquired a travel agency located in Hangzhou of Zhejiang which will further enhance the Group's service ability.

DIVIDENDS

An interim dividend of approximately RMB2.46 cents (equivalent to approximately HK3.00 cents) per ordinary share amounting to approximately RMB28,565,000 (equivalent to approximately HK$34,869,000) was paid to the shareholders during the year 2011. The Directors did not recommend the payment of any final dividend for the year ended December 31, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 29, 2012 to May 31, 2012 (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 28, 2012.

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 year ended December 31, 2011.

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, 2011, 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, Kasen is the chairman and chief executive officer of the Company responsible for overseeing the operations of the Group. The Company is still considering appointing a new chief executive officer to replace Mr. Zhu if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group. However, due to the nature and extent of the Group's operations, in particular in Mainland China and the in-depth knowledge and experience in the leather and upholstery furniture market required for the position of chief executive officer, the Company is unable to determine as to when the appointment of a chief executive officer for the Company can be effected.

CODE PROVISION A.4.1

Under CG Code Provision A.4.1, non-executive Directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors, namely Mr. Sun Steve Xiaodi, Mr. Zhou Lingqiang, Mr. Chow Joseph (resigned on June 1, 2011), Mr. Gu Mingchao (resigned on June 1, 2011) and Dr. Li Qingyuan (resigned on March 1, 2012) are not appointed for specific terms during the year under review, but are subject to retirement by rotation and re- election at the annual general meeting of the Company in accordance with the Articles 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 the provisions stipulated under the Articles, the Company considers that appropriate measures have been taken by the Company regarding its corporate governance practices. Notwithstanding the foregoing, the Company has entered into service contract with the current independent non-executive Directors for a term of three years commencing from January 1, 2012 and March 1, 2012 for the purpose of complying with the CG Code Provisions.

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, who have confirmed that, during the year ended December 31, 2011, each of them has complied with the provisions with the required standards as set out in the Model Code.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Company in compliance with Rules 3.21 and 3.22 of the Listing Rules to review and monitor the Company's financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee comprises all the independent non-executive directors of the Company. Mr. SUN Steve Xiaodi 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, 2011 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. ZHOU Lingqiang 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, 2011 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, 2011.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended December 31, 2011 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 in due course.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on May 31, 2012. 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 12, 2012.

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

PRC, March 30, 2012

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, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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