



## 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)**

### PROFIT WARNING

The Board wishes to inform shareholders of the Company and investors that the Group's results for the year ending 31 December 2006 are expected to be materially adversely affected due to an unexpected increase in the cost of raw cowhides which are the Group's principal raw materials. Accordingly, while it is expected that the Group's turnover for 2006 may continue to grow, the Group's gross margin, and in turn the Group's net profit margin will be materially adversely affected as a result.

**Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.**

### PROFIT WARNING

The board of Directors (the "Board") of Kasen International Holdings Limited (the "Company" which together with its subsidiaries are collectively referred to as the "Group") wishes to inform shareholders of the Company and investors that the Group's results for the year ending 31 December 2006 are expected to be materially adversely affected due to an unexpected increase in the cost of raw cowhides.

The cost of raw cowhides and wet-blues (processed raw cowhides) accounts for approximately 50% of the Group's cost of sales. During the first five months of this year, the Directors noted that the raw cowhides price in the world market has risen sharply due to heavy demand. As a result, the Group's gross margin, and in turn the Group's net profit margin will be materially adversely affected.

The Group has taken steps to further control costs and has been able to raise the price of some of its leather upholstered furniture products.

On a more positive note, the Group has been able to expand its customer base and increase sales to its existing key customers. As a result, the Group's turnover for 2006 is expected to record a growth.

As the Group's consolidated results for the first half of 2006 have not yet been finalized, the Board is not in a position to quantify the extent of the financial impact of such increase in cost on the Group at this stage. The Group is expected to announce its unaudited consolidated results for the first six months of 2006 in September 2006.

**Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.**

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. ZHU Zhangjin, Mr. ZHU Jianqi and Mr. ZHOU Xiaosong, one non-executive Director, namely Mr. LI Hui, three independent non-executive Directors, namely Mr. LU Yungang, Mr. CHOW Joseph and Mr. SHI Zhengfu.*

By Order of the Board  
**Kasen International Holdings  
Limited**  
**ZHU Zhangjin**  
*Chairman*

PRC, 27 June 2006

*Please also refer to the published version of this announcement in  
The Standard and Sing Tao Daily.*