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, 2006

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, 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2006

		(Unaudited) Six months ended June 30,	
		2006	2005
	NOTES	***RMB'000***	*RMB'000*
Turnover	*4*	**2,044,773**	1,549,270
Cost of sales		**(1,799,707)**	(1,306,901)
Gross profit		**245,066**	242,369
Other income		**30,940**	30,987
Distribution costs		**(54,412)**	(31,428)
Administrative expenses		**(77,193)**	(47,040)
Other expenses		**(10,146)**	(10,543)
Shares of profit of associates		**490**	–
Gain (loss) on disposals of subsidiaries		**8,838**	(1,380)
Finance costs		**(47,696)**	(55,892)
Profit before taxation	*5*	**95,887**	127,073
Taxation	*6*	**(8,800)**	(9,391)
Profit for the period		**87,087**	117,682
Attributable to:			
Equity holders of the Company		**77,931**	126,404
Minority interests		**9,156**	(8,722)
		87,087	117,682
Dividend paid	*7*	**79,575**	–
Earnings per share	*9*		
Basic		**RMB8 cents**	RMB23 cents
Diluted		**RMB8 cents**	RMB18 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2006

	June 30, 2006 (Unaudited) *RMB'000*	December 31, 2005 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Goodwill	**181,006**	181,006
Property, plant and equipment	**1,200,229**	1,281,230
Prepaid lease payment – non-current portion	**133,695**	142,812
Intangible assets	**834**	1,077
Interests in associates	**12,617**	9,127
Interest in a jointly controlled entity	**2,614**	811
Available-for-sale investments	**310**	310
	1,531,305	1,616,373
CURRENT ASSETS		
Inventories	**1,319,294**	1,378,842
Trade and other receivables	**833,694**	795,665
Prepaid lease payment – current portion	**3,379**	3,543
Amounts due from related companies	**40,534**	21,253
Taxes recoverable	**7,891**	13,624
Pledged bank deposits	**214,420**	240,112
Bank balances and cash	**451,100**	372,278
	2,870,312	2,825,317
TOTAL ASSETS	**4,401,617**	4,441,690
CURRENT LIABILITIES		
Trade, bills and other payables	**737,480**	783,992
Amounts due to related companies	**14,244**	60,287
Bank and other borrowings – due within one year	**1,313,668**	1,191,246
Taxes payable	**12,094**	7,807
	2,077,486	2,043,332
NET CURRENT ASSETS	**792,826**	781,985
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,324,131**	2,398,358
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	**87,605**	100,492
NET ASSETS	**2,236,526**	2,297,866
CAPITAL AND RESERVES		
Share capital	**1,256**	1,256
Reserves	**2,171,286**	2,198,304
Equity attributable to equity holders of the Company	**2,172,542**	2,199,560
Minority interests	**63,984**	98,306
Total equity	**2,236,526**	2,297,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP REORGANIZATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Pursuant to a group reorganization (the "Group Reorganization") to rationalize the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on The Stock Exchange for Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on September 16, 2004. The shares of the Company have been listed on the Stock Exchange since October 20, 2005. Details of the Group Reorganization were set out in the prospectus issued by the Company dated October 10, 2005.

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 (IAS 34) "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee of the IASB, which are either effective for accounting periods beginning on or after January 1, 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current period, the Group has applied IAS 39 and IFRS 4 (Amendments) *Financial guarantee contracts* which is effective for annual periods beginning on or after January 1, 2006.

A financial guarantee contract is defined by IAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to January 1, 2006, financial guarantee contracts were not accounted for in accordance with IAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated realisably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with *IAS 18 Revenue*.

As mentioned in Note 12, the Group provided guarantees to banks in respect of banking facilities extended to an independent third party. However there was no material effect on the results for the current and prior accounting periods.

In addition, the Group has applied all the following accounting policy for share options granted during the current interim period:

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest and adjusted for the effect of non-market-based vesting conditions, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied all the new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Group anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segment. An analysis of the Group's consolidated income statement is as follows:

	Upholstered furniture	**Furniture leather**	**Automotive leather**	**Others**	**Eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2006						
Turnover						
External sales	**1,661,302**	**310,164**	**53,710**	**19,597**	**–**	**2,044,773**
Inter-segment sales	**329,812**	**1,070,658**	**–**	**65,946**	**(1,466,416)**	**–**
Six months ended June 30, 2005						
Turnover						
External sales	1,211,200	268,973	68,813	284	–	1,549,270
Inter-segment sales	253,339	720,514	–	42,651	(1,016,504)	–

	Six months ended June 30, 2006	2005
	RMB'000	*RMB'000*
Result		
Segment result		
– Upholstered furniture	**114,974**	150,020
– Furniture leather	**3,950**	9,809
– Automotive leather	**(4,478)**	4,150
– Others	**(985)**	(78)
	113,461	163,901
Unallocated corporate income	**30,940**	30,987
Unallocated corporate expenses	**(10,146)**	(10,543)
Gain (loss) on disposals of subsidiaries	**8,838**	(1,380)
Shares of profit of associates	**490**	–
Finance costs	**(47,696)**	(55,892)
Profit before taxation	**95,887**	127,073
Taxation	**(8,800)**	(9,391)
Profit for the period	**87,087**	117,682

5. PROFIT BEFORE TAXATION

	Six months ended June 30, 2006 RMB'000	2005 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Amortization of intangible assets	**143**	105
Amortization of prepaid lease payment	**1,551**	1,717
Depreciation of property, plant and equipment	**48,534**	39,337
Total depreciation and amortization	**50,228**	41,159
Impairment loss recognized in respect of trade and other receivables	**7,603**	7,195
Loss on disposal of property, plant and equipment	**1,468**	660
Net foreign exchange losses	**7,175**	1,463
Staff costs (including directors' remuneration)	**130,201**	102,675
Discounts on acquisition of an additional interest of a subsidiary	**(10,279)**	(5,300)

6. TAXATION

	Six months ended June 30, 2006 RMB'000	2005 RMB'000
Hong Kong Profits Tax		
– current period	**455**	411
PRC enterprise income tax		
– current period	**8,345**	8,980
	8,800	9,391

Hong Kong Profits Tax is calculated at 17.5% of estimated assessable profit for both periods.

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 holidays and concessions and were exempted from PRC income taxes for the both periods.

7. DIVIDEND PAID

	Six months ended June 30, 2006 RMB'000	2005 RMB'000
Final, paid – HK7.58 cents for the year ended December 31, 2005 (2004: Nil) per ordinary share	**79,575**	–

The Board of Directors have determined that an interim dividend of RMB3.53 cents (equivalent to HK3.45 cents) (six months ended June 30, 2005: Nil) per share be payable to the shareholders of the Company whose names appear in the register of members on October 20, 2006.

8. SHARE OPTIONS

A share option scheme was adopted by the Company pursuant to a Board resolution passed on September 26, 2005 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. The Scheme became effective on October 20, 2005 and the option issued pursuant to the scheme will expire no later than 10 years from the date of grant of the option. Under the Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

Details of the share options outstanding during the current period are as follows:

	Number of share options
Granted during the period and outstanding at the end of the period	30,200,000

The Company granted share options to eligible employees on March 9, 2006. The fair value of the options determined at the date of grant using the Binomial Model was RMB21,762,000. The exercise price of the options is fixed at HK$2.38. The share options could be exercised during the following periods:

Date	**Percentage of share options**
From January 1, 2007 to March 8, 2016	50%
From January 1, 2008 to March 8, 2016	100%

No share option has been exercised during the period.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

Earnings

	Six months ended June 30,	
	2006	2005
	RMB'000	*RMB'000*
Earnings for the purposes of basic earnings per share, being profit attributable to equity holders of the Company	**77,931**	126,404
Effect of dilutive potential ordinary shares: Interest on convertible loan notes	**–**	7,623
Earnings for the purposes of diluted earnings per share	**77,931**	134,027

Number of shares

	Six months ended June 30,	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,014,045,369**	553,263,153
Effect of dilutive potential ordinary shares: Convertible loan notes	**–**	211,594,203
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,014,045,369**	764,857,356

The share options granted to the employees of the Group has no effect to the diluted earnings per share because the exercise price of the Company's share options was higher than average market price for shares during the share option outstanding period.

10. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

In June 2006, the Group acquired 44.55% and 49.5% interests in its subsidiaries, Haining Hainix Sofa Co., Ltd. ("Hainix Sofa") and Haining Hidea Furniture Co., Ltd. ("Hidea Furniture"), respectively, from their minority shareholders. The acquisition prices were agreed through negotiation between the Group and the minority shareholders.

11. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments as follows:

	June 30, 2006 *RMB'000*	December 31, 2005 *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**6,157**	6,656
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of construction of certain infrastructure and public facilities in the PRC on behalf of the government	**17,232**	20,991
	23,389	27,647

12. CONTINGENT LIABILITIES

At the balance sheet dates, the Group had the following contingent liabilities:

	June 30, 2006 *RMB'000*	December 31, 2005 *RMB'000*
Guarantees given to banks in respect of banking facilities extended to independent third parties	**52,145**	67,897

13. SUBSEQUENT EVENTS

Pursuant to the general mandate granted by the shareholders of the Company, the Board of Directors resolved on July 31, 2006 to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 30, 2006. The repurchase will be made at the discretions of the Board.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of approximately RMB3.53 cents (equivalent to US0.44 cents or HK3.45 cents) per ordinary share for the six months ended June 30, 2006 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on Friday, October 20, 2006. The conversion of RMB into Hong Kong dollars is made at the official exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China of HK$1.00=RMB1.0235 for the week prior to the date of declaration of dividends. The interim dividends will be paid on October 31, 2006.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, October 18, 2006 to Friday, October 20, 2006, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, October 17, 2006.

BUSINESS REVIEW AND PROSPECTS

RESULTS AND OPERATIONS

For the six months ended June 30, 2006, the Group recorded a consolidated turnover of RMB2,044.8 million, representing a significant increase of 32.0% compared with RMB1,549.3 million in the corresponding period of last year.

The Group's gross profit for the period was RMB245.1 million with gross profit margin of 12.0% compared with the previous 15.6%. The decrease in gross profit was mainly due to the increase in the cost of raw materials and the appreciation of the RMB. The profit attributable to equity holders of the Company for the period was RMB77.9 million, representing a decrease of 38.3% from RMB126.4 million in the corresponding period of last year.

Revenue Analysis

During the period under review, the Group has continued to record significant increase in its upholstered furniture business which currently accounts for 81.2% of the Group's total turnover. The Group produced a total of 1,539,000 seats of finished sofa, representing an increase of 64.4% compared with last year. External sales of sofa cut-and-sew remained flat as the cut-and-sew factories were focusing on providing for increased in-house requirements.

The Group produces furniture leather for both in-house production and external sales. Compared with the same period of last year, total sales from this business unit grew by 39.5% while external sales grew by 15.3%.

The Group's automotive leather business had a disappointing first half as sales declined by 21.9%, due mainly to a slow start in the domestic market.

Despite the widely publicized slowing down in the US housing market, the Group's major customers in upholstered furniture have been increasing their outsourcing orders to leverage on the cost advantage. The Group has also been able to add new customers to its existing strong customer portfolio. Overall, the US market now accounts for 75.2% of the Group's total sales, an increase of 7.1 percentage points compared to the same period of last year. Progress in the European market is encouraging with a growth of 27.5%, while sales to Australia experienced a slow start.

Profitability

During the period under review, the Group's gross profit margin was adversely impacted by the unexpected increase in the prices of raw cowhides and wet-blues, which accounted for 45.8% of the Group's cost of sales. The average prices of raw cowhides and wet-blues purchased during the first six months were between 10-20% higher compared to the average level of 2005.

The Group's gross profit margin for the first six months of this year was also, to a lesser extent, adversely impacted by the appreciation of the RMB. Importing its principal raw material for production was not enough to offset this impact as more than 80% of the Group's sales were denominated in US dollars.

During the period under review, the Group's sales of finished upholstered sofa increased by 59.6%, this has led to an increase of land transportation costs by 58.7%. In addition, the Group incurred an additional RMB8.0 million in credit insurance, commission and customer clearance charges. As a result, the Group's distribution costs for the period increased by 73.1% compared to last year.

The increase of 64.1% in administrative expenses was mainly due to: (1) a charge of RMB5.8 million on the Group's granting of share options to its executives and employees; (2) an exchange loss of RMB5.7 million on the Group's trade receivables arising from the RMB appreciation; (3) an increased provision of RMB5.1 million on trade receivables; (4) an increase of RMB4.2 million on professional fees; and (5) an increase of RMB3.1 million on the deprecation of the Group's office premises.

The Group's finance cost was reduced by 14.7% compared to the same period of last year. The main reason is that the Group has gradually reduced its interest-bearing debts level for the period ended June 30, 2006 as compared with the same period of last year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintains a healthy financial position. As at June 30, 2006, the Group had cash and cash equivalent of RMB451.1 million (December 31, 2005: RMB372.3 million) and a total borrowings of RMB1,401.3 million (December 31, 2005: RMB1,291.7 million). This represents a gearing ratio of 62.7% (December 31, 2005: 56.2%) and a net debt-to-equity ratio of 42.5% (December 31, 2005: 40.0%). The gearing ratio is based on total borrowings to total equity and the net debt-to-equity ratio is based on total borrowings net of cash and cash equivalent to total equity.

As at June 30, 2006, the Group's inventory, comprising of mainly raw cowhides and wet blues, was RMB1,319.3 million, representing a reduction of RMB59.5 million or 4.3% compared to the previous year end. Average Days Inventory Outstanding as at June 30, 2006 has improved to 134 days as compared to 172 days as at December 31, 2005.

Despite significant sales growth, the Group's trade and other receivables have remained stable during the period, rising by only 4.8% from RMB795.7 million as at December 31, 2005 to RMB833.7 million as at June 30, 2006. Average Days Sales Outstanding has improved to 50 days from 54 days as at the previous year end. There has been no major change in trading terms or deterioration in collections.

FOREIGN EXCHANGE EXPOSURE

As the Group's businesses are principally export-related and transactions are primarily denominated in US dollars, the Board considers that the Group is exposed to foreign exchange fluctuation risks. However, as a substantial portion of procurements of the Group is denominated in US dollars, such risks can be reduced partly through natural hedges. Therefore, the Group neither used any financial instrument for hedging purposes during the year, nor had any hedging instruments outstanding as at June 30, 2006.

PLEDGE OF ASSETS

The Group pledged deposits to banks to secure the bills payable issued by the Group and the bank facilities granted to the Group. The deposits carry an average interest rate of 0.72% per annum.

EMPLOYEES AND EMOLUMENTS POLICIES

As at June 30, 2006, the Group employs a total of approximately 16,000 full time employees (June 30, 2005: approximately 15,000) which included management staff, technicians, salespersons and workers. For the six months ended June 30, 2006, the Group's total expenses on the remuneration of employees is RMB130.2 million (six months ended June 30, 2005: RMB102.7 million). The Group's emolument policies are formulated on the performance of individual employees, which will be reviewed regularly every year. Apart from provident fund scheme (in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

PROSPECTS

Latest market intelligence still shows a robust demand for Chinese-made upholstered furniture products in the USA and Europe, and after a 37.2% year-on-year growth in our upholstered furniture sales, the Group remains optimistic on its momentum of sales growth.

The raw cowhide prices have not shown signs of declining over the last two months and the current level is still over 10% higher than the average level for 2005. Therefore, mounting pressure from rising material costs is still expected. The Group will closely monitor the hide prices and continue to quest for improvement in production efficiency to mitigate the impact from rising production costs. The Group will also evaluate the available options in terms of its product pricing.

In the past, the Group has been manufacturing its products primarily based on the designs of its customers. This has been an inevitable step and also a learning experience as the Group is relatively a newcomer in this industry. Going forward, the Group aims to strengthen its design and prototyping capabilities in order to improve its profitability and competitiveness.

As most investments by the Group to increase production capacity completed in previous years up to 2004, and current facilities are adequate to accommodate customers' expansion plans, the Group has no immediate plan to expand its production bases. The Group believes that increased plant utilization will lead to higher operational efficiency.

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

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Audit Committee, comprises all the three independent non-executive directors of the Company, has reviewed with management and the external auditors the accounting principles and practices adopted by the Group. The Audit Committee has held meetings to discuss auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended June 30, 2006.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent non-executive directors and a non-executive director of the Company. Mr. Li Hui is the chairman of the Remuneration Committee. The Remuneration Committee is responsible for establishing policies, reviewing and determining the remuneration of the directors and the senior management.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the "Code On Corporate Governance Practices" contained in Appendix 14 to the Listing Rules during the six months ended June 30, 2006, except for the following deviations:

Code Provision A.2.1 stipulates that the role 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 currently considering to appoint 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 required for the position of Chief Executive Officer, it is not possible to determine as to when the appointment of a new Chief Executive Officer of the Company can be effected. However, the Board believes that the appointment of Mr. Zhu as the Chairman and Chief Executive Officer of the Company will not impair the balance of power and authority between the Board and the management of the Company, and is most beneficial to the Company's interest at present.

Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election; and Code Provision A.4.2 requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. There is no service contract between the Company and the non-executive Director and independent non-executive Directors. They are subject to rotational retirement and re-election at annual general meetings pursuant to Article 87 of the Articles of Association of the Company every three years. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with required standard set out in the Model Code for the period under review.

As at the date of this announcement, the executive Directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhu Jianqi, the non-executive Director of the Company is Mr. Li Hui, the independent non-executive Directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Zhang Huaqiao.

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

Hong Kong, September 18, 2006