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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)

DISCLOSEABLE TRANSACTION INVOLVING THE ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

On 20 December 2007, the First Purchaser, a wholly-owned subsidiary of the Company, and the Second Purchaser entered into the Equity Transfer Agreement pursuant to which the First Purchaser and the Second Purchaser have agreed to purchase from the First Vendor and the Second Vendor 99% and 1% of the equity interests in the Target Company, respectively for a consideration of approximately RMB100,062,373 and approximately RMB1,010,731 respectively.

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the Equity Transfer Agreement and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date: 20 December 2007

- Parties:**
- (1) Haining Kasen, the First Purchaser
 - (2) Chen Yiqun, the Second Purchaser
 - (3) the First Vendor, holder of 99% equity interest in the Target Company
 - (4) the Second Vendor, holder of 1% equity interest in the Target Company

The First Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in leather cut and sew. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, so far as the Directors are aware the Vendors are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The Acquisition

Pursuant to the Equity Transfer Agreement, the First Vendor and the Second Vendor will transfer 99% and 1% of the equity interests in the Target Company to the First Purchaser and the Second Purchaser, respectively.

The Second Purchaser and the Second Vendor were also parties to the Equity Transfer Agreement as the transfer of 99% and 1% equity interests in the Target Company is subject to the pre-emptive right under the PRC Companies Law, as such the Vendors and the Purchasers are of the view that it is more convenient for them to enter into the same equity transfer agreement instead of two different agreements whereby consents will need to be obtained from both the First Vendor in respect of the transfer of 1% equity interest and the Second Vendor in respect of the transfer of 99% equity interest in the Target Company.

The Company only intends to acquire 99% interests in the Target Company from the First Vendor as the Second Vendor has decided to sell his 1% equity interest in the Target Company to the Second Purchaser for his own commercial reason.

Assets to be acquired

The asset to be acquired is the entire interest in the Target Company, a limited liability company incorporated in the PRC. The Target Company is set up as a property investment holding company in the PRC and owns the land use rights in respect of the Properties. The Target Company has obtained the land use rights certificates of the Properties and the Target Company is not required to pay for any land premium.

Upon completion of the Equity Transfer Agreement, the Target Company will become a subsidiary of the Company.

Consideration

The consideration for the acquisition of the 99% and 1% equity interests in the Target Company is approximately RMB100,062,373 (approximately HK\$105,218,058) and approximately RMB1,010,731 (approximately HK\$1,062,809), respectively. The consideration payable by the First Purchaser and the Second Purchaser to the First Vendor and the Second Vendor, respectively will be paid in the following manner:

- (1) a first payment of RMB79,200,000 (equivalent to approximately HK\$83,280,757) and RMB800,000 (equivalent to approximately HK\$841,220) will be payable to the First Vendor and the Second Vendor, respectively within 3 days from the execution of the Equity Transfer Agreement; and
- (2) a second payment of RMB20,862,372 (equivalent to approximately HK\$21,937,300) and RMB210,732 (equivalent to approximately HK\$221,590) will be payable to the First Vendor and the Second Vendor, respectively on the 15th day after the transfer of the 99% and 1% equity interests in the Target Company to the First Purchaser and the Second Purchaser has been registered with the PRC authorities.

The consideration of the Acquisition was arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the market price of nearby land and properties, the market value of the Properties as at 30 November 2007 being RMB198,669,000 based on the valuation report conducted by Sallmanns (Far East) Limited and the net asset value of the Target Company as at 30 November 2007, after taking into account the liabilities of the Target Company of approximately RMB84,676,896 (approximately HK\$89,039,849), being a non-interest bearing loan granted by the First Vendor and the Second Vendor to the Target Company for the purpose of land acquisition and the development of the land acquired by the Target Company. The Company is aware of the current market value of the Properties and is of the view that the consideration in connection with the acquisition of 99% interest in the Target Company is fair and reasonable based on the valuation prepared by Sallmanns (Far East) Limited and the Director's confidence in the potential growth of the property market in the PRC. The First Purchaser will pay the consideration of the Acquisition by cash from its internal resources to an account designated by the First Vendor.

The net assets of the Target Company amounted to approximately RMB9.5 million has not reflected the valuation amount of the Properties, being RMB 198,669,000, conducted by Sallmanns (Far East) Limited. The book value of the Properties in the accounts of the Target Company as at 30 November 2007 is approximately RMB89,925,000.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, Sallmanns (Far East) Limited and its ultimate beneficial owners is an independent third party who is not connected with any promoters, directors, supervisors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates.

The Board considers that the Acquisition has been made on normal commercial terms and after arm's length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is a property investment holding company in the PRC.

The financial information of the Target Company for the two financial years ended 31 December 2006 and the eleven months ended 30 November 2007 are as follows:

	Eleven months ended 30 November 2007 (unaudited) RMB'000	Year ended 31 December 2006 (unaudited) RMB'000	Year ended 31 December 2005 (unaudited) RMB'000
Turnover	0	0	0
Loss before taxation	(2.98)	(58)	(432)
Loss after taxation	(2.98)	(58)	(432)
Net assets	9,507	9,511	9,569

REASONS FOR THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business. The First Purchaser is engaged in the cut and sew of finished leather.

The Second Purchaser is a PRC natural person.

The Target Company is set up as a property investment holding company in the PRC and owns the land use rights in respect of the Properties. According to the land use rights agreement relating to the Properties in favour of the Target Company, the term of the land use rights is 60 years which will expire on 15 November 2067. The use of the Properties granted under the land use rights agreement is for residential, commercial and tourism services purposes. After completion of the Acquisition, the First Purchaser and the Second Purchaser intend to construct resorts, hotels and entertainment recreation centres on the Properties.

The Group owns a parcel of land which was acquired from an Independent Third Party for development nearby the Properties held by the Target Company. The Acquisition will enable the Group to combine two pieces of land into one construction plan and fully utilize the resources for real estate development in Hainan. The Directors consider that the Acquisition contemplated under the Equity Transfer Agreement is in line with the Group's property development activities and believe the Acquisition will increase the Group's competitiveness in the property development market by providing the Group with a good opportunity to strengthen and diversify its business to the property development sector that would provide positive contributions to the operation of the Group in the long run.

The Directors, including the independent non-executive Directors, consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are entered into upon normal commercial terms following arm's length negotiations among the parties and the terms are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst others, details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of the entire equity interest of the Target Company as contemplated by the Equity Transfer Agreement
“Board”	the board of Directors

“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Equity Transfer Agreement in accordance with its terms and conditions
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 20 December 2007 entered into between the Purchasers and the Vendors in relation to the Acquisition
“First Purchaser”	海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“First Vendor”	上海複泰房地產開發有限公司 (Shanghai Futai Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and principally engages in real property development, it is an Independent Third Party
“Group”	the Company and its subsidiaries (which shall exclude, where the context requires, the Target Company after Completion)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties of the Target Company which are situated at Seaside Tourism District, Wanquan River, Boao, Qionghai City, Hainan Province, PRC (瓊海市博鰲萬泉河口海濱旅遊區), with a total site area of 450,496 square metres
“Purchasers”	the First Purchaser and the Second Purchaser
“RMB”	Renminbi, the lawful currency of the PRC

“Second Purchaser”	陳益群 (Chen Yiqun), a PRC national and to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, is an Independent Third Party
“Second Vendor”	何銀龍 (He Yinglong), a PRC national and to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, is an Independent Third Party
“Shareholders”	holders of the Shares
“Shares”	ordinary shares with a par value of US\$0.00015 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	瓊海博地置業有限公司 (Qionghai Bodi Real Estate Co., Ltd*), a company incorporated in the PRC with limited liability and the entire equity interests of which are currently held by the Vendors
“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	the First Vendor and the Second Vendor
“%”	per cent.

* for identification purposes only

For the purpose of this announcement, the exchange rate of RMB0.951 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

By Order of the Board
Kasen International Holdings Limited
Yiu Hoi Yan
Company Secretary

Hong Kong, 20 December 2007

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

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