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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)**

### **MAJOR TRANSACTION IN RELATION TO DISPOSAL OF LAND IN HAINING**

The Board announces that on 30 June 2011, Haining Kareno entered into the Agreement with Haining Development Company, pursuant to which Haining Kareno will surrender the Land to Haining Development Company for a compensation in an aggregate amount of RMB463,418,238.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Completion is subject to the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

A circular of the Company containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the EGM in compliance with the Listing Rules will be despatched to the Shareholders as soon as practicable.

#### **THE AGREEMENT**

##### **Date**

30 June 2011

##### **Parties**

Vendor: Haining Kareno

Purchaser: Haining Development Company, the nominee of Haining Local Government, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Haining Development Company and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best of the Directors' knowledge, each of Haining Development Company and its associates (as defined in the Listing Rules) does not hold any share of the Company as at the date of this announcement.

## **Assets to be disposed**

Pursuant to the Agreement, Haining Kareno will surrender the Land to Haining Development Company to facilitate the urban development of Haining City, Zhejiang Province, the PRC. The Land comprises 1 parcel of land located at No.259 Qianjiang Road West, Haining City, Zhejiang Province, the PRC (中國浙江省海寧市錢江西路259號) with an aggregate area of 205,978 sq.m. where Haining Kareno has erected factories and other structures with an aggregate gross floor area of approximately 110,000 sq.m. for the production of upholstered furniture.

With the Disposal, the Company intends to relocate the Group's upholstered furniture production facilities on the Land to other land owned by the Group. The Directors, including the independent non-executive Directors, do not expect that the Disposal will have a material adverse effect on the operation and financial results of the Group.

## **Compensation**

In consideration of Haining Kareno surrendering the Land, Haining Development Company will pay a compensation in an aggregate amount of RMB463,418,238, provided that Haining Kareno will complete the delivery of the Land to Haining Development Company before 30 June 2012. The Compensation comprises a fixed amount of RMB380,137,680 as compensation of Haining Kareno surrendering the Land and additional incentive fee of up to RMB83,280,558, which will be payable in cash by Haining Development Company in the following manner:

- (1) RMB190,068,840 will be payable to Haining Kareno on or before 15 July 2011; and
- (2) the remaining balance of the Compensation will be paid to Haining Kareno within 15 working days upon completion of the delivery of the Land to Haining Development Company.

The Compensation was arrived at after arm's length negotiations between Haining Kareno and Haining Development Company in accordance to the valuation of the Land provided by Haining Local Government and a preliminary indicative valuation assessed by Jones Lang LaSalle Sallmanns Limited, a professional valuer independent of the Group and its connected person (as defined in the Listing Rules). The Directors consider the terms of the Agreement (including the Compensation) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Condition precedent**

The Disposal is subject to approval by the Shareholders at the EGM of the Agreement and the transaction contemplated thereunder. In the event that the Disposal is not being approved by the Shareholders at the EGM, both Haining Kareno and Haining Development Company will further negotiate the terms of the Agreement and enter into further agreement, if necessary.

## **Delivery of the Land**

Subject to the fulfillment of the condition precedent, Haining Kareno will, at its own costs, complete the removal of the factory building and deliver the Land to Haining Development Company on or before 30 June 2012.

## **REASONS FOR THE DISPOSAL**

The Company is an investment holding company. Its subsidiaries within the Group are principally engaged in production and sales of upholstered furniture and leather products and property development businesses in the PRC.

Haining Local Government has recently implemented an urban redevelopment plan which include the rezoning of certain industrial land in the urban area where the Land is located for commercial and residential purposes. Under this redevelopment plan, Haining Local Government will acquire certain land within a designated areas in Haining, the PRC from the relevant land owners. As the Land is located in the redevelopment zone, Haining Kareno has been offered to surrender the Land to Haining Development Company, the nominee of Haining Local Government.

Since Haining Kareno will receive the Compensation and that the Company can use the Disposal to reduce its production capacity for furniture leather products and allocate the resources currently occupied by Haining Kareno to other uses, the Directors, including the independent non-executive Directors, consider that the Disposal is a good opportunity for the Group to reduce costs with a view of developing higher-end products to improve the Group's profit margins.

The Directors, including the independent non-executive Directors, thus consider that the terms of the Agreement and the transactions contemplated thereunder 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.

## **FINANCIAL EFFECT OF THE DISPOSAL**

The Land and the factory building erected on the Land are owned by Haining Kareno.

The net book value of the Land and the factory building erected on the Land as shown in the Company's latest audited accounts as at 31 December 2010 was RMB102,142,887 (which is approximately 22% of the Compensation), representing approximately 2% of the total assets of the Group as at 31 December 2010, being the Company's last audited financial year end date. The net profit before and after taxation attributable to the Land for the year ended 31 December 2009 was approximately RMB12,936,690 and RMB9,682,140, respectively, and the net profit before and after taxation attributable to the Land for the year ended 31 December 2010 was approximately RMB19,419,238 and RMB14,525,948, respectively, comprising the net profit generating from the production facilities on the Land by Haining Kareno.

As Haining Kareno intends to continue its production of upholstered furniture after the Disposal and relocate their production facilities on the Land to other land owned by the Group, the Directors, including the independent non-executive Directors, do not expect that the Disposal will have a material adverse effect on the operation and financial results of the Group.

It was estimated that there would be a gain in the amount of approximately RMB360,000,000 on the Disposal accrued to the consolidated accounts of the Group which is calculated by reference to the net proceeds from the Disposal less the net book value of the Land and the factory building erected on the Land as at 30 June 2011 and the estimated relocation costs and other related expenses of Haining Kareno. Such estimated gain has not taken into account of any PRC profits tax to be or may be charged. The actual gain will depend on the net book value of the Land and the factory building erected on the Land attributable to the Group as at the date of completion of the Disposal, the actual costs and expenses to be incurred in connection with the Disposal, relocation

of Haining Kareno and the amortization of the Land and depreciation of the factory building erected on the Land for the period from 1 July 2011 to the date of completion of the Disposal, which are yet to be determined as at the date of this announcement.

## **USE OF PROCEEDS**

The net proceeds of the Disposal is currently intended to be used by the Group for general working capital purpose and/or suitable investment opportunities as may be identified by the Company in the future. As at the date of this announcement, the Company has not identified any suitable investment opportunities and is not in discussions for any investment projects. The Company will make announcement in compliance with the requirements of the Listing Rules as and when appropriate.

## **GENERAL**

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Completion is subject to the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

A circular of the Company containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the EGM in compliance with the Listing Rules will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

“Agreement”	an agreement dated 30 June 2011 entered into between Haining Kareno and Haining Development Company in relation to the Disposal
“Board”	the board of Directors
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Compensation”	the total compensation to be paid by Haining Local Government to Haining Kareno for the surrendering of the Land
“Completion”	completion of the Disposal
“Directors”	the directors of the Company
“Disposal”	the surrendering of the Land to Haining Development Company by Haining Kareno pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among others, the Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries

“Haining Development Company”	海寧市舊城改造與建設投資開發有限公司 (Haining City Old City Reform and Construction Investment Development Company Limited), the nominee of Haining Local Government
“Haining Kareno”	海寧卡雷諾傢俬有限公司 (Haining Kareno Furniture Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Haining Local Government”	海寧市人民政府 (Haining City People’s Government), the local People’s Government for Haining City, Zhejiang Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	1 parcel of land located at No.259 Qianjiang Road West, Haining City, Zhejiang Province, the PRC (中國浙江省海寧市錢江西路259號) with an aggregate area of 205,978 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

PRC, 30 June 2011

*As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive directors of the Company are Mr. Sun Steve Xiaodi, Dr. Li Qingyuan and Mr. Zhou Lingqiang.*

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