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KASEN INTERNATIONAL HOLDINGS LIMITED
(卡森國際控股有限公司)

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 496)

DISCLOSEABLE TRANSACTIONS
ACQUISITION OF LAND IN CHANGSHA
AND
FORMATION OF A JOINT VENTURE

The Board wishes to announce that the Tender submitted by Haining Higher Point, a wholly-owned subsidiary of the Company for the Acquisition of the Land for an aggregate consideration of RMB253.75 million (equivalent to approximately HK\$256.31 million) was confirmed. The Group, Haining Leather Market, and Haining Zhengyang Trading will form a Joint Venture to hold and develop the Land as a leather product retail mall.

The Acquisition of the Land and the formation of the Joint Venture form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, these transactions constitute discloseable transactions of the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to these transactions will be dispatched to the Shareholders as soon as practicable.

THE ACQUISITION

Date of the Tender

29 January 2007

Parties involved in the Acquisition

- (1) Changsha Municipal Bureau of State Land and Resources (長沙市國土資源局); and
- (2) Haining Higher Point.

The Tender and the Acquisition of the Land

On 29 January 2007, the Group, Haining Leather Market and Haining Zhengyang Trading had an oral agreement pursuant to which the parties agreed to submit the Tender to Changsha Land Market Administration Department, the authorized land auction administrator for the acquisition of the Land, and to subsequently form Joint Venture in Changsha, the PRC, to hold and develop the Land as a leather product retail mall.

On 29 January 2007 and prior to the formation of the Joint Venture, Haining Higher Point submitted the Tender to Changsha Land Market Administration Department for the acquisition of the Land.

The Tender was confirmed by an auction confirmation signed by Changsha Land Market Administration Department and Haining Higher Point dated 29 January 2007.

Pursuant to the auction confirmation, a formal land use right granting contract shall be signed with Changsha Municipal Bureau of State Land and Resources to take up the land use rights in respect of the Land on or before 12 April 2007, otherwise the Tender will be terminated. As at the date of this announcement, the land use right granting contract has not yet been signed.

The Consideration

The aggregate consideration for the Acquisition of the Land is RMB253.75 million (equivalent to approximately HK\$256.31 million), of which RMB250 million is the price for the land use right and RMB3.75 million is the transaction levy in respect of the Acquisition. The price for the land use right in respect of the Land was determined after a public bidding process and the Board considers that the consideration is fair and reasonable having taking into account the market price of land and estimated development costs together with the location and development potential of the Land.

On 5 February 2007, Haining Higher Point paid the total consideration of RMB253.75 million to Changsha Municipal Bureau of State Land and Resources, 80% of the land price and the total amount of the transaction levy, being RMB203.75 million, which was funded from the internal resources of the Group and the remaining 20% of the land price, being RMB50 million, was funded by Haining Leather Market as agreed.

The Land

The Land is located in 長沙市雨花區黎托鄉 (Li Tuo Township, Yu Hua District, Changsha, the PRC) with an area of approximately 145,078 square meter. The approved purpose of the relevant Land is for commercial use and the term of the land use right to be granted is 40 years.

Disclosure obligation under the Listing Rules

The Company did not disclose the receipt of the confirmation of the Tender for the following reasons: (1) the Land to be acquired was intended to be held and developed by the Joint Venture and the land use right in respect of such Land was intended to be held by a wholly-owned subsidiary of the Joint Venture; and (2) the Joint Venture to be established was still under discussions and the Joint Venture Partners had not yet reached an agreement in respect of their respective equity interest in the Joint Venture before the Tender was due to be submitted. The Directors were of the view that the Acquisition of the Land was part of the arrangement under the Joint Venture. The Directors intended to disclose the entire transaction, which involves the Acquisition of the Land and the formation of the Joint Venture when the Joint Venture Partners reached an agreement on the principal terms. However, failure to disclose the Acquisition upon receipt of the auction confirmation on 29 January 2007 constituted a breach of Rule 14.34 of the Listing Rules. To ensure that the Company will continue to comply with the Listing Rules, the Directors will continue to enhance their understanding of the Listing Rules. The management of the Company will strengthen its corporate governance, amongst other things, by conducting regular review of the transactions the Company may enter into and to seek external professional advice when necessary.

Formation of the Joint Venture

Under the oral agreement between the Joint Venture Partners, the Joint Venture Partners had agreed to form a Joint Venture to hold and develop the Land as a leather product retail mall. It was further agreed that prior to the formation of the Joint Venture and the determination of the parties' respective equity interest in the Joint Venture, each of Haining Higher Point and Haining Leather Market would contribute 80% and 20%, respectively, of the price of the Land and Haining Higher Point would also fund the transaction levy in respect of the Acquisition under the Tender.

(i) *Registered capital*

On 15 March, 2007, the Joint Venture Partners entered into a preliminary joint venture agreement. Pursuant to the preliminary joint venture agreement, the total registered capital of Joint Venture will be RMB360 million which was determined based on the consideration paid for the Land and the estimated development costs of such Land. As the Joint Venture is a PRC domestic company, to the best knowledge and information of the Directors after making reasonable inquiries, the term "total investment" under the rules and regulations governing foreign invested enterprises does not apply to PRC domestic companies. Under the agreement, the total registered capital will be paid by two installments. The first installment will be RMB180 million and will be fully paid up by the Joint Venture Partners upon formation of the Joint Venture. Each of the Group, Haining Leather Market and Haining Zhengyang Trading will contribute RMB105.93 million, RMB45 million and RMB29.07 million, respectively, for the first installment and shall further contribute in the same proportion as stated above for the second installment within one year after the formation of the Joint Venture. Upon completion of the capital contribution, each of the Group, Haining Leather Market and Haining Zhengyang Trading will hold 51%, 35% and 14%, respectively, of the equity interest of the Joint Venture. Upon formation, the Joint Venture will be a subsidiary of the Company and its results will be consolidated to the Group. The Company will satisfy its capital contribution obligation from internal resources.

In respect of the capital contributions to be made by the Group and Haining Zhengyang Trading, each of the Group and Haining Zhengyang Trading will contribute an additional RMB28.26 million and RMB7.74 million, respectively, representing 7.85% and 2.15% respective, of the total registered capital (the "Additional Contributions"). The Additional Contributions represent the cost the Group and Haining Zhengyang Trading agreed to pay to enable the Joint Venture to use the trade name "海寧中國皮革城" owned by Haining Leather Market, free of charge, for projects developed by the Joint Venture, and to share the management resources and customers bases owned by Haining Leather Market. Such cost was agreed by the Joint Venture Partners based on arm's length negotiations and under normal commercial terms. Hence, the total capital contributions to be made by the Group and Haining Zhengyang Trading will be RMB211.86 million and RMB58.14 million, respectively, and their respective percentage of equity interest in the Joint Venture will remain as 51% and 14% respectively. Haining Leather Market will contribute a total of RMB90 million and will hold 35% equity interest in the Joint Venture. The Additional Contributions form part of the total registered capital of the Joint Venture. Taking into account the market recognition of the trade name "海寧中國皮革城" and the goodwill attached to such name, and the management resources that the Joint Venture will be able to share, and based on the initial financial analysis performed by the management of the Company, the Directors are of the view that the Additional Contributions to be paid to Haining Leather Market is fair and reasonable.

(ii) *Board of directors of the Joint Venture*

The board of directors of the Joint Venture will consist of 9 members. Each of the Group and Haining Leather Market will be entitled to appoint 4 directors and Haining Zhengyang Trading will be entitled to appoint 1 director.

(iii) *Supplemental agreement*

On 15 March 2007, the Joint Venture Partners entered into a supplemental agreement to the preliminary joint venture agreement pursuant to which the Joint Venture Partners agree that (1) upon full payment of the first installment of the registered capital of the Joint Venture by the Joint Venture Partners, the Joint Venture shall, within two days after the signing of the land use right granting contract by its wholly-owned subsidiary, repay RMB180 million to Haining Higher Point; (2) the Group shall make its second proportionate capital contribution to the Joint Venture until after the Group has received the RMB180 million in full; and (3) within two days after the completion of the capital verification in respect of the full amount of capital paid to the Joint Venture, the Joint Venture shall repay RMB23.75 million to the Group, being the remaining amount of the total consideration paid by Haining Higher Point for the Acquisition; and RMB50 million to Haining Leather Market.

(iv) *Strategic investor*

Haining Zhengyang Trading, a strategic investor in the Joint Venture who will hold only 14% equity interest in the Joint Venture, will not participate in the initial setup or the management or operation of the Joint Venture. It was agreed by the Joint Venture Partners that as a condition to its investment, Haining Zhengyang Trading did not have to contribute to the initial financial requirements prior to the establishment of the Joint Venture. As such, Haining Zhengyang was not required to pay any consideration for the Acquisition. The Directors believe that the investment to be made by Haining Zhengyang Trading in the Joint Venture will provide a further source of funding for the development of the Land. Under such circumstances, the Directors are of the view that it is fair and reasonable that Haining Zhengyang Trading was not required to pay the consideration for the Acquisition prior to the establishment of the Joint Venture.

(v) *Holder of title of the Land*

To form a proper corporate structure, the Joint Venture Partners intend that the Joint Venture will establish a wholly-owned subsidiary to sign the formal land use right granting contract with Changsha Municipal Bureau of State Land and Resources to transfer the legal title to such wholly-owned subsidiary.

Information on Haining Leather Market and Haining Zhengyang Trading

Haining Leather Market is wholly owned by 海寧市國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Haining Municipal Government). Haining Leather Market is principally engaged in the development and operation of large leather product retail malls.

Haining Zhengyang Trading is owned as to 66.7% by 海寧白楊皮革有限公司 (Haining Baiyang Leather Co. Ltd) and as to 33.3% by Lin Yingyou. Haining Zhengyang Trading is principally engaged in leather product trading.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Haining Leather Market, Haining Zhengyang Trading and their ultimate beneficial shareholders is an Independent Third Party.

Reasons for the Acquisition and the formation of the Joint Venture

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products.

The Board believes that the acquisition of the interest in the Land and the formation of the Joint Venture, in particular with Haining Leather Market, an experienced and well-known leather market operator in the PRC will provide the Group with a better opportunity to develop and operate leather product retail malls in the PRC. The Directors (including the independent non-executive Directors) consider that the Acquisition and the formation of the Joint Venture have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition and the formation of the Joint Venture are in the interest of the Company and the Shareholders as a whole.

GENERAL

The Acquisition of the Land and the formation of the Joint Venture constitute discloseable transactions of the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to these transactions will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

“Acquisition”	the acquisition of the Land pursuant to the Tender
“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	that board of directors of the Company
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Haining Leather Market”	Haining Zhejiang Leather and Garment Market Investment and Development Company Limited (海寧浙江皮革服裝城投資開發有限公司), a domestic company incorporated in the PRC and an Independent Third Party. It is principally engaged in the development and operating of large leather products markets in the PRC
“Haining Higher Point”	Haining Higher Point Investment Development Co., Ltd. (海寧高點投資發展有限公司), an indirectly wholly-owned subsidiary of the Company incorporated under the PRC law and a PRC domestic company
“Haining Zhengyang Trading”	Haining Zhengyang Trading Co., Ltd. (海寧正揚貿易有限公司), a domestic company incorporated in the PRC and an Independent Third Party. It is principally engaged in the trading of leather products

“HK\$”	Hong Kong dollar, the lawfully currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates
“Joint Venture”	the joint venture company to be established by the Joint Venture Partners under the laws of the PRC pursuant to the preliminary joint venture agreement entered into by the Joint Venture Partners on 15 March 2007
“Joint Venture Partners”	Haining Leather Market, Haining Zhengyang Trading, Haining Higher Point and Haining Kasen Leather Co., Ltd. Haining Kasen Leather Co., Ltd is an indirectly wholly-owned subsidiary of the Company incorporated under the PRC law and a sino-foreign joint venture company
“Land”	a piece of land located in Changsha, the PRC with a total area of approximately 145,078 square metres under the Tender
“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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender”	the tender made by Haining Higher Point to the Land Market Administration Department for the Acquisition of the Land
“%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.99.

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
Yiu Hoi Yan
Company Secretary

Hong Kong, 16 March 2007