

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION ACQUISITION OF 4.92% EQUITY INTEREST IN HAINING LEATHER MARKET

The Board announced that on 30 September 2007, pursuant to an auction for strategic investment in Haining Leather Market, Zhejiang Kasen, a wholly owned subsidiary of the Company, succeeded in its bidding and entered into the Capital Increase Agreement to acquire 4.92% equity interest in Haining Leather Market. Haining Leather Market is principally engaged in development and operation of large leather product retail malls in the PRC.

As Haining Leather Market is a connected person of the Company by virtue of it being a substantial shareholder of a subsidiary of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios exceeds 2.5% and the total consideration of the Acquisition is more than HK\$10,000,000, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements as well as Independent Shareholders' approval requirements under the Listing Rules.

A circular containing further details on the Acquisition, letter from the Independent Board Committee, an opinion of the independent financial adviser together with the notice convening the EGM to approve the Acquisition will be despatched to the Shareholders as soon as possible.

The Board is pleased to announce that on 30 September 2007, pursuant to an auction for strategic investment in Haining Leather Market, Zhejiang Kasen, a wholly owned subsidiary of the Company, succeeded in its bidding in the said auction and entered into the Capital Increase Agreement to acquire 4.92% equity interest in Haining Leather Market upon increase of its registered capital to become its strategic investor.

Haining City Assets engaged Zhejiang Property and Stock Exchange (浙江產權交易所有限公司) to hold the auction to invite bids from prospective investors and to select a maximum of 2 strategic investors to acquire the equity interest in Haining Leather Market after its increase of registered capital. Each bidder had to pay a refundable security deposit of RMB4,000,000 to Zhejiang Property and Stock Exchange (浙江產權交易所有限公司) before it may participate at the auction.

A. CAPITAL INCREASE AGREEMENT

Date:

30 September 2007

Parties:

Haining City Assets
Haining Development Centre
Zhejiang Hongda
Zhejiang Kasen
Haining Leather Market Management Unit

Assets to be acquired:

Zhejiang Kasen entered into the Capital Increase Agreement on 30 September 2007 to acquire 4.92% equity interest in Haining Leather Market upon the increase of its registered capital from RMB47,607,800 to RMB58,081,600. Save for disclosed in this announcement, as at the date of this announcement, the Group does not have any plan to acquire further equity interest in Haining Leather Market.

Consideration and payment term:

The total consideration payable in cash under the Capital Increase Agreement is RMB42,333,400 (equivalent to approximately HK\$43,647,180). RMB4,000,000 (equivalent to approximately HK\$4,124,137) has been paid to 浙江產權交易所有限公司 (Zhejiang Property and Stock Exchange) as security deposit for entering into the auction for the Assets which was conducted on 30 September 2007. An amount of RMB635,001 (equivalent to approximately HK\$654,708) calculated at 1.5% of the total consideration has been deducted from such security deposit as commission payment to 浙江產權交易所有限公司 (Zhejiang Property and Stock Exchange) who manages the said auction in accordance with the requirements of such auction. Under the Capital Increase Agreement, the balance of the consideration shall be paid to 浙江產權交易所有限公司 (Zhejiang Property and Stock Exchange) on or before 10 October 2007, which is within 3 working days after the execution of the Capital Increase Agreement.

The total consideration and the related costs will be financed by the internal resources of the Group and/or bank financing.

Basis of consideration:

Zhejiang Kasen will acquire 4.92% equity interest in Haining Leather Market upon the said increase of its registered capital, constituting RMB2,856,500 (equivalent to approximately HK\$2,945,149) of the increased registered capital of Haining Leather Market. The total consideration of RMB42,333,400 is equivalent to the bid price offered by Zhejiang Kasen at a public auction held by 浙江產權交易所有限公司 (Zhejiang Property and Stock Exchange) on 30 September 2007.

The Directors consider that it is fair and reasonable having taken into accounts the net asset value of RMB124,371,000 (equivalent to approximately HK\$128,230,745) and the revalued net asset value of RMB705,577,000 (equivalent to approximately HK\$727,473,966) of Haining Leather Market as of 31 December 2006.

Such revalued net asset value of Haining Leather Market was conducted and appraised by 浙江勤信資產評估有限公司 (Zhejiang Qinxin Zichan Pinggu Co., Ltd.), an independent valuer employed by Haining City Assets. Assets subject to such revaluation include current assets, non-current assets, fixed assets including property, plant and equipment and intangible assets. The increase from Haining Leather Market's net asset value to the revalued net asset value was mainly attributable to the appreciation of property owned by Haining Leather Market. As of 31 December 2006, Haining Leather Market has acquired approximately 330,000 square meters of property, and the open market value of such property increased from the historical purchase value of RMB1,200 per square meter to RMB18,000 per square meter based on the valuation report of 浙江勤信資產評估有限公司 (Zhejiang Qinxin Zichan Pinggu Co., Ltd.) as of 31 December 2006.

Conditions:

Completion is subject to all approval(s) required from the parties' respective governance bodies having been obtained in respect of the transactions contemplated under the Capital Increase Agreement .

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products, and the Group is in the process of entering into property investment and development business.

Since state-owned assets in the PRC are normally acquired by means of auction, and Haining Leather Market is at present owned by stated-owned enterprises and is indirectly wholly owned by 海寧市國有資產監督管理委員會 (State-owned Assets Supervision and Administrative Commission of Haining Municipal Government), equity interest in Haining Leather Market pursuant to its capital increase has to be put to auction.

The Board believes that the acquisition of equity interest in Haining Leather Market, an experienced and well-known leather market operator in the PRC will provide the Group with a favorable opportunity to develop and operate leather product retail malls in the PRC. Accordingly, the Acquisition would enhance the retail sales capability, growth and profitability of the Group.

The Board believes that the Acquisition has 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 in the interest of the Company and the Shareholders as a whole.

C. INFORMATION ON HAINING LEATHER MARKET

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

Based on the audited consolidated financial statements of Haining Leather Market prepared under generally accepted accounting principles in the PRC, the net profit before and after taxation for the year ended 31 December 2005 amounted to approximately RMB8,376,062 (equivalent to approximately HK\$8,636,006) and approximately RMB4,287,418 (equivalent to approximately HK\$4,420,474) respectively; and the net profit before and after taxation for the year ended 31 December, 2006 amounted to approximately RMB39,479,436 (equivalent to approximately HK\$40,704,646) and approximately RMB29,967,104 (equivalent to approximately HK\$30,897,107) respectively.

D. INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT OTHER THAN THE GROUP

Haining City Assets is a PRC state-owned enterprise engaged in state asset management for Haining City. Prior to the Acquisition, it holds 64.34% equity interest in Haining Leather Market. It will hold 52.73% equity interest in Haining Leather Market upon the completion of the Acquisition.

Haining Development Centre is a PRC state-owned enterprise engaged in the development of retail markets. Prior to the Acquisition, it holds 35.66% equity interest in Haining Leather Market. It will hold 29.23% equity interest in Haining Leather Market upon the completion of the Acquisition.

Zhejiang Hongda is a company listed on the A-Share Stock Market in the PRC, which carries on the business of warp knitting, printing and dyeing for garment manufacturing. It will hold as a strategic investor 4.92% equity interest constituting RMB2,856,500 (equivalent to approximately HK\$2,945,149) of the increased registered capital of Haining Leather Market upon the completion of the Acquisition, at a total consideration of RMB42,333,400 (equivalent to approximately HK\$43,647,180) under the same terms of the Company under the Capital Increase Agreement.

Haining Leather Market Management Unit is an association representing the interests of Haining Leather City's management employees. It will hold 8.2% equity interest constituting RMB4,760,800 (equivalent to approximately HK\$4,908,547) of the increased registered capital of Haining Leather Market upon the completion of the Acquisition, at a total consideration of RMB70,555,056 (equivalent to approximately HK\$72,744,670) under the same terms of the Company under the Capital Increase Agreement.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Haining City Assets, Haining Development Centre, Zhejiang Hongda, Haining Leather Market Management Unit and their ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

E. INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products. The Group is in the process of entering into property investment and development business.

Zhejiang Kasen is an indirect wholly owned subsidiary of the Company whose principal activities are research, development, production and sale of furniture leather. It is also an investment holding company of the Group's subsidiaries in the PRC.

F. LISTING RULES IMPLICATIONS

As Haining Leather Market is a substantial shareholder of a subsidiary of the Company, 海寧皮革產業投資開發有限公司 (Haining Leather Industry Investment and Development Co., Limited), it is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transaction disclosed hereof constitutes a connected transaction of the Company under the Listing Rules. Further, as one of the applicable percentage ratios exceeds 2.5% and the total consideration is more than HK\$10,000,000, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements as well as Independent Shareholders' approval requirements under the Listing Rules.

As none of the Shareholders of the Company has a material interest in the Acquisition, no Shareholders shall abstain from voting in relation to the resolution approving the Acquisition at the EGM. An Independent Board Committee will be formed to advise the Independent Shareholders on whether or not the terms of the Acquisition are in the interests of the Company and are fair and reasonable so far as the Shareholders as a whole are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee regarding the terms of the Acquisition.

A circular containing further details on the Acquisition, letter from the Independent Board Committee, an opinion of the independent financial adviser together with the notice convening the EGM to approve the Acquisition will be dispatched to the Shareholders as soon as practicable and in any event within 21 days from the publication of this announcement in accordance with the Listing Rules.

The Group's capital investment in Haining Leather Market is not a discloseable transaction under Chapter 14 of the Listing Rules as each of the applicable percentage ratios for the Acquisition is less than the relevant percentage requirement for constituting a discloseable transaction under Chapter 14 of the Listing Rules.

G. DEFINITIONS

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

“Acquisition”	the proposed acquisition of 4.92% equity interest in Haining Leather Market by Zhejiang Kasen upon the increase of its registered capital as contemplated under the Capital Increase Agreement
“Assets”	the 4.92% equity interest in Haining Leather Market upon the increase of its registered capital
“Board”	the board of directors of the Company

“Capital Increase Agreement”	the agreement dated 30 September 2007 entered into by Haining City Assets, Haining Development Centre, Zhejiang Hongda, Zhejiang Kasen and Haining Leather Market Management Unit
“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
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition
“Group”	the Company and its subsidiaries
“Haining City Assets”	海寧市資產經營公司 (Haining City Assets Operation Company Limited), a state-owned enterprise in the PRC and an Independent Third Party
“Haining Development Centre”	海寧市市場開發服務中心 (Haining City Market Development Services Centre.), a state-owned enterprise in the PRC and an Independent Third Party
“Haining Leather Market”	海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited), a domestic company incorporated in the PRC
“Haining Leather Market Management Unit”	海寧浙江皮革服裝城投資開發有限公司管理層入股聯合體 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited Management Share Association) and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising the independent non executive Directors
“Independent Shareholders”	the shareholders of the Company other than the controlling shareholder of the Company and its associates (as defined in the Listing Rules) and who have no interests in the transactions contemplated under the Capital Increase Agreement and are not required to abstain from voting on a resolution to approve the Acquisition
“Independent Third Party(ies)”	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

“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
“Zhejiang Hongda”	浙江宏達經編股份有限公司 (Zhejiang Hongda Warp Knitting Co., Limited), a domestic company incorporated in the PRC and an Independent Third Party
“Zhejiang Kasen”	浙江卡森實業有限公司 (Zhejiang Kasen Industrial Company Limited), a domestic company incorporated in the PRC and an indirectly wholly owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.9699 to HK\$1.00 has been used for illustration purpose only.

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 of the Company 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, 3 October 2007

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