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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 DISPOSAL OF 5% INTEREST IN ZHEJIANG LIEMA

The Board announces that on 8 May 2008, Zhejiang Kasen, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Haining Jinwei pursuant to which Zhejiang Kasen agreed to transfer the Sale Shares, representing 5% of the equity interest in Zhejiang Liema, to Haining Jinwei at a consideration of RMB2,896,923 (equivalent to HK\$3,232,387).

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Disposal 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: 8 May 2008

Parties:

- (1) Haining Jinwei, the Purchaser
- (2) Zhejiang Kasen, the Vendor
- (3) Three existing shareholders of Zhejiang Liema, Independent Third Parties

Haining Jinwei is a company incorporated in the PRC with limited liability and is principally engaged in the manufacture and processing of leather goods and clothes. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, so far as the Directors are aware Haining Jinwei and its ultimate beneficial owners, Mao Jianjie, Xu Panzhi and Qing Zhongjun, are Independent Third Parties.

The Disposal

Pursuant to the Equity Transfer Agreement, Zhejiang Kasen will transfer the Sale Shares, representing 5% of the equity interest in Zhejiang Liema, to Haining Jinwei.

The three existing shareholders of Zhejiang Liema were also parties to the Equity Transfer Agreement as the transfer of the Sale Shares is subject to the pre-emptive right under the PRC Companies Law. They entered into the Equity Transfer Agreement to waive their respective right of first refusal in respect of the transfer of the Sale Shares under the Disposal.

Assets to be disposed

The Sale Shares represents 5% of the registered capital of Zhejiang Liema.

Upon completion of the Equity Transfer Agreement, Zhejiang Liema will cease to be a subsidiary of the Company and will be accounted for as an associated company.

Consideration

The consideration for the Disposal of the 5% equity interest in Zhejiang Liema is approximately RMB2,896,923 (approximately HK\$3,232,387) and shall be paid by Haining Jinwei to Zhejiang Kasen by remittance into the bank account designated by Zhejiang Kasen within one month after the transfer of the Sale Shares to Haining Jinwei has been registered with the relevant PRC authorities.

The Equity Transfer Agreement was entered into after arm's length negotiation between the parties involved and based on normal commercial terms, and the consideration was determined based on the registered capital of Zhejiang Liema.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Haining Jinwei is a prominent and reputable corporation in Haining Province, the PRC and has a good credit history. In view of foregoing and having taken into account of (i) the size of and the amount of consideration involved in the transaction contemplated under the Equity Transfer Agreement; and (ii) the local PRC business custom in relation to the payment terms or arrangements, and after arm's length negotiation with Haining Jinwei, the Board considers that the payment schedule under the Equity Transfer Agreement will not affect the interests of the Company significantly given that Zhejiang Kasen remains as the single largest shareholder in Zhejiang Liema upon Completion and there will not be any material impact on the Group's operation and financial conditions in the event that Haining Jinwei fails to perform its payment obligations under the Equity Transfer Agreement. As such, the Board considers that the terms of the Equity Transfer Agreement including the payment arrangement are fair and reasonable so far as the Company and the Shareholders are concerned and that the Disposal is in the interests of the Group and the Shareholders as a whole.

INFORMATION ON ZHEJIANG LIEMA

Zhejiang Liema is a company incorporated in the PRC with limited liability and is principally engaged in the manufacture and sale of sofas, dining chairs and home products. The registered capital of Zhejiang Liema is US\$7 million (equivalent to approximately HK\$54.6 million), and as at the date of this announcement, is held as to 50.5%, 25%, 15.15% and 9.35% by Zhejiang Kasen and the three existing shareholders of Zhejiang Liema, respectively.

A summary of the turnover, profit before and after taxation and net asset value of Zhejiang Liema, based on the audited accounts of Zhejiang Liema under the International Financial Reporting Standards is set out below:

	For the year ended 31 December 2007 or as at 31 December 2007	For the year ended 31 December 2006 or as at 31 December 2006
(RMB' million)		
Turnover	269.07	223.34
Profit before taxation	2.17	2.85
Profit after taxation	2.17	2.85
Net asset value	57.79	55.62

REASONS FOR THE DISPOSAL

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

Since 2006, the Group's core businesses, i.e. leather processing and upholstered furniture manufacturing, have been under severe pressure due to (1) the slow down in the U.S. housing market and subprime loan crises; and (2) the appreciation of RMB against US\$, along with the acceleration of raw material and labour costs. Zhejiang Liema has recorded a loss in the first quarter of 2008. The Group is not optimistic about Zhejiang Liema's future financial performance. The Group intends to dispose of its remaining interest in Zhejiang Liema if future opportunity arises. The Disposal will enable the Group to realize the value of its interest in Zhejiang Liema and it will also help the Group to further concentrate on its manufacturing resources and improve efficiency.

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.

FINANCIAL EFFECTS OF THE DISPOSAL

It was estimated that there would be a small gain in the amount of approximately RMB7,000 on the Disposal accrued to the consolidated accounts of the Group which is to be calculated by reference to the net proceeds from the Disposal and the proportionate net asset value of Zhejiang Liema attributable to the Group as at 31 December 2007. The actual gain/loss will depend on the net asset value of Zhejiang Liema attributable to the Group as at the date of completion of the Disposal.

The Board intends to apply the sale proceeds of RMB2,896,923 as general working capital for the Group.

LISTING RULES IMPLICATION

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Disposal 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 Disposal, 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:

“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
“Disposal”	the disposal of 5% interest in Zhejiang Liema as contemplated by the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 8 May 2008 entered into between Zhejiang Kasen, Haining Jinwei and three existing shareholders of Zhejiang Liema in relation to the Disposal
“Group”	the Company and its subsidiaries (which shall exclude, where the context requires, Zhejiang Liema after Completion)
“Haining Jinwei”	海寧市經緯皮革有限責任公司 (Haining Jinwei Leather Co., Ltd.*), a company established in the PRC and an Independent Third Party
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	5% of the registered capital of Zhejiang Liema
“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
“U.S.”	the United States of America
“US\$”	US dollars, the lawful currency of the United States of America
“Zhejiang Kasen”	浙江卡森置業有限公司 (Zhejiang Kasen Property Co., Ltd.*) a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhejiang Liema”	浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of the Company before Completion
“%”	per cent.

* for identification purposes only

For the purpose of this announcement, the exchange rates of RMB1.00 = HK\$1.1158 and US\$1.00 = HK\$7.7938 have been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in RMB, US\$ or HK\$ have been, could have been or may be converted at such rates.

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

Hong Kong, 9 May 2008

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>