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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)**

### **ANNOUNCEMENT**

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

Reference is made to the announcement of the Company dated 16 March 2007, the circular of the Company dated 4 April 2007 and the announcements of the Company dated 13 April 2007 and 4 July 2007 in relation to the Acquisition of the Land and the formation of the Joint Venture which formed a series of transactions and upon aggregation with the present transaction, these transactions constitute discloseable transactions of the Company under Rule 14.06 of the Listing Rules.

The Board wishes to announce that on 17 September 2008, the Joint Venture Partners have entered into the Supplemental Agreement, pursuant to which Haining Zhengyang Trading has agreed to transfer its 5% equity interest in the Joint Venture to Zhejiang Kasen Property (formerly known as Haining Higher Point) and Haining Kasen at nil consideration and Zhejiang Kasen Property and Haining Kasen have agreed to take up Haining Zhengyang Trading's capital contribution obligation under the joint venture agreement. Accordingly, Haining Zhengyang Trading is released from its obligation to make capital contribution including the Additional Contribution to the Joint Venture under the joint venture agreement and the total capital contribution to be made by the Group is revised to RMB270 million, and the Group's percentage of equity interest in the Joint Venture will be adjusted to 75%.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

Reference is made to the announcement of the Company dated 16 March 2007 (the "**First Announcement**"), the circular of the Company dated 4 April 2007 (the "**Circular**") and the announcements of the Company dated 13 April 2007 and 4 July 2007 (the "**Announcements**") in relation to the Acquisition of the Land and the formation of the Joint Venture which formed a series of transactions and upon aggregation with the present transaction, these transactions constitute discloseable transactions of the Company under Rule 14.06 of the Listing Rules. Unless otherwise stated herein, terms used in this announcement shall have the same meanings as defined in the First Announcement, the Announcements and the Circular.

## **Changes in capital contributions to and percentages of equity interest in the Joint Venture**

The Board announced that on 17 September 2008, the Joint Venture Partners have entered into a supplemental agreement (the “Supplemental Agreement”), pursuant to which Haining Zhengyang Trading has agreed to transfer its 5% equity interest in the Joint Venture to Zhejiang Kasen Property Development Co., Ltd (formerly known as Haining Higher Point) (“Zhejiang Kasen Property”), an indirect wholly-owned subsidiary of the Company, and Haining Kasen Leather Co., Ltd. (“Haining Kasen”), an indirect wholly-owned subsidiary of the Company, at nil consideration and Zhejiang Kasen Property and Haining Kasen have agreed to take up Haining Zhengyang Trading’s capital contribution obligation under the joint venture agreement. The total capital contribution to be made by the Group will be increased from RMB249.24 million to RMB270.00 million, of which the additional contribution from the Group will be increased by RMB20.76 million. The Group will satisfy its capital contribution obligation from internal resources. As at the date of this announcement, the Group has made a total capital contribution of RMB72.10 million and the outstanding capital contribution to be made by the Group pursuant to the joint venture agreement (as supplemented by an oral agreement on 4 July 2007 and the Supplemental Agreement) is RMB197.90 million.

Pursuant to the Supplemental Agreement, the Additional Contributions arrangement under the joint venture agreement will be cancelled and the percentage of equity interest held by the Joint Venture Partners (excluding Haining Zhengyang Trading) in the Joint Venture will be adjusted in accordance with their respective committed or revised capital contributions under the joint venture agreement (as supplemented by an oral agreement on 4 July 2007 and the Supplemental Agreement). The percentage of equity interest held by the Group in the Joint Venture upon completion of the capital contribution will be increased from 60% to 75%. Haining Zhengyang Trading’s obligation under the joint venture agreement to make capital contribution including the Additional Contribution to the Joint Venture will be released accordingly. The director of the Joint Venture nominated by Haining Zhengyang Trading will resign and a new director nominated by Zhejiang Kasen Property will be appointed instead. Upon completion of the Supplemental Agreement, the board of directors of the Joint Venture shall comprise 9 directors, 5 out of which will be appointed by Zhejiang Kasen Property and Haining Kasen, and the remaining 4 will be appointed by Haining Leather Market.

The total capital contribution to be made by Haining Leather Market will remain to be RMB90 million and upon completion of the capital contribution, the percentage of equity interest held by it in the Joint Venture will be adjusted from 35% to 25%.

The audited net profit before and after taxation of the Joint Venture for the year ended 31 December 2007 were approximately RMB26,000 and RMB21,000, respectively. The unaudited net asset value of the Joint Venture as at 30 June 2008 was approximately RMB117,096,000.

The Joint Venture is an investment holding company and its sole asset is its 100% interest in the registered capital of Hunan Kasen Property Development Co., Ltd. (湖南卡森置業有限公司) (“Hunan Kasen Property”). Hunan Kasen Property is formed to hold and develop a piece of land located in Changsha Province, PRC as a leather product retail mall. It is expected that the development of Changsha retail mall project will commence by the end of year 2008.

The audited consolidated net loss before and after taxation of the Joint Venture and Hunan Kasen Property for the year ended 31 December 2007 were approximately RMB1,690,000 and RMB1,694,000, respectively, primarily as a result of the incur of the preliminary set-up and administrative costs. The unaudited consolidated net asset value of the Joint Venture and Hunan Kasen Property as at 30 June 2008 was approximately RMB109,206,000.

## **Reasons for the changes**

The Board believes that the formation of the Joint Venture, in particular with Haining Leather Market, will provide the Group with extraordinary business potentials and abundant opportunities to develop and operate leather product retail malls in the PRC. In order to maximize the Group's influence in and future benefit from the Joint Venture, the Group has been in negotiation with Haining Zhengyang Trading in relation to the formation and the governance structure of the Joint Venture. After due consideration, Haining Zhengyang Trading agreed to transfer its entire equity interest in the Joint Venture to the Group and its obligation under the joint venture agreement to make capital contribution is released accordingly. Haining Zhengyang Trading's equity interest in the Joint Venture will be taken up by the Group. This arrangement will enable the Group to assert more influence in the Joint Venture's decision making process by having majority control in terms of both share ownership and board membership.

The Directors (including the independent non-executive Directors) consider that the Supplemental Agreement in relation to the formation of the Joint Venture has been made on normal commercial terms and that such revised terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the formation of the Joint Venture on such revised terms are in the interest of the Company and the Shareholders as a whole.

## **Effect on the Group**

The Board considers that revised terms of the formation of the Joint Venture pursuant to the Supplemental Agreement between the Joint Venture Partners will not have any material adverse effect on the results of operation of the Group.

*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, 17 September 2008