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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 AND RESUMPTION OF TRADING

The Board announces that on 31 December 2008, the Kasen Subsidiaries entered into the Agreement with Haining Development Company, pursuant to which the Kasen Subsidiaries will surrender the Land to Haining Development Company for a compensation of RMB503,498,885.

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.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 2 January 2009 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 January 2009.

THE AGREEMENT

Date

31 December 2008

(as supplemented by a supplemental agreement dated 7 January 2009)

Parties

Vendor: the Kasen Subsidiaries

Purchaser: Haining Development Company, the nominee of the Local Government, which is primarily engaged in the business of property development. 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 as at the date of this announcement, and there are no other transactions between Haining Development Company and the Kasen Subsidiaries that need to be aggregated with the Disposal in accordance with Rule 14.22 of the Listing Rules.

Assets to be disposed

Pursuant to the Agreement, the Kasen Subsidiaries will surrender the Land to Haining Development Company to facilitate the urban development of the Xieqiao Town of Haining City, Zhejiang Province, the PRC. The Land comprises 9 parcels of land located at the southern side of Xin Xia Xie Road (新硤斜公路) and the northern side of Huafeng Road (華豐大道) and 2 parcels of land located at Nos. 2 to 6 Dangli (蕩里), Huafeng Village, Xieqiao Town, Haining City, Zhejiang Province, the PRC (中國浙江省海寧市斜橋鎮華豐村) with an aggregate area of approximately 424,786 sq. m. where the Kasen Subsidiaries have erected factories and other structures with an aggregate gross floor area of approximately 280,000 sq. m. for the production of leather.

Owing to the global economic downturn, the demand for furniture leather that is currently being produced by the Kasen Subsidiaries has been substantially reduced. With the Disposal, the Company intends to relocate the Group's furniture leather and 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 the Kasen Subsidiaries surrendering the Land, Haining Development Company will pay a compensation of RMB503,498,885. The Compensation will be payable in cash in the following manner:

- (1) RMB5,000,000 will be payable to the Kasen Subsidiaries within 45 days upon the Agreement becoming effective.
- (2) Upon the delivery of the Land by the Kasen Subsidiaries to Haining Development Company, it will transfer the Land to the relevant land administration authority which will offer the Land for sale as either commercial or residential estate. If the Land could be sold before the end of 2009, the balance of the Compensation will be paid to the Kasen Subsidiaries within 5 working days upon Haining Development Company receiving the payment for the sale of Land from the relevant local treasury department.
- (3) If the Land could not be sold by the end of 2009, 50% of the Compensation will be paid to the Kasen Subsidiaries on or before 31 December 2009, with the balance to be paid on or before 30 June 2010.

The Compensation was arrived at after arm's length negotiations between the Kasen Subsidiaries and Haining Development Company with reference to the valuation of the Land as at 31 October 2008 conducted by Jones Lang LaSalle Sallmanns Limited, a professional valuer independent of the Group and its connected person (as defined in the Listing Rules), in the amount of RMB344,976,000. 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.

Conditions precedent

The Disposal is subject to approval by the Shareholders at the EGM of the Agreement and the transaction contemplated thereunder.

Other terms of the Agreement

Pursuant to the Agreement, Haining Development Company has also undertaken to dispose of certain pre-agreed inventories of the Kasen Subsidiaries at their book value (before impairment provision) RMB43,389,435. Haining Development Company has further undertaken to either acquire from Kasen Subsidiaries or help Kasen Subsidiaries to dispose of any other inventories of the Kasen Subsidiaries that are not wanted and have not been included in the pre-agreed inventories list to any third party at their book value (before impairment provision), subject to a maximum of RMB80 million in total. Payment for such inventories will be within 6 months from the delivery of such inventories by the Kasen Subsidiaries.

Delivery of the Land

Within 6 months from the execution of the Agreement, the Kasen Subsidiaries will complete the removal of the equipment and deliver the Land to Haining Development Company.

REASONS FOR THE DISPOSAL

The Group is a leading upholstered furniture and leather products manufacturer based in the PRC. It is engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products.

The Local Government has recently implemented an urban redevelopment plan which include the re-zoning of certain industrial land in the urban area of Xieqiao for commercial and residential purposes. Under this redevelopment plan, the Local Government, through Haining Development Company, 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, the Kasen Subsidiaries have been offered to surrender the Land to Haining Development Company.

Since the Kasen Subsidiaries 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 the Kasen Subsidiaries 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 Zhejiang Kasen Industrial. Part of the Land and the factory building erected on the Land are currently leased by Zhejiang Kasen Industrial to Kasen Subsidiaries (other than Zhejiang Kasen Industrial) for their production of upholstered furniture and the remaining part of the Land and the factory building erected on the Land are currently used by Zhejiang Kasen Industrial for its own production of furniture leather.

The net book value of the Land and the factory building erected on the Land as shown in the Company's latest unaudited management accounts as at 31 December 2008 was RMB214,203,697 (which is approximately 42.54% of the Compensation), representing approximately 5.17% of the total assets of the Group as at 31 December 2007, being the Company's last audited financial year end date. The value of the Land as at 31 October 2008 as determined by an independent professional valuer was RMB344,976,000 (which is approximately 68.52% of the Compensation). The net profit before and after taxation attributable to the Land for the year ended 31 December 2006 was approximately RMB60,589,000 and RMB46,461,000 and the net profit before and after taxation attributable to the Land for the year ended 31 December 2007 was approximately RMB16,340,000 and RMB8,121,000, comprising the net profit generating from the production facilities on the Land by the Kasen Subsidiaries.

As Kasen Subsidiaries intend to continue their production of furniture leather and 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 RMB229,828,175 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 31 December 2008 and the estimated relocation costs and other related expenses of the Kasen Subsidiaries. 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 and the amortization of the Land and depreciation of the factory building erected on the Land for the period from 1 January 2009 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 gain as a result of the Disposal is expected to amount to approximately RMB229,828,175, and 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.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 2 January 2009 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 January 2009.

DEFINITIONS

“Agreement”	a conditional sale and purchase agreement dated 31 December 2008 (as supplemented by a supplemental agreement dated 7 January 2009) entered into between the Kasen Subsidiaries 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 Development Company to the Kasen Subsidiaries 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 the Kasen Subsidiaries 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”	海寧市斜橋鎮城鎮建設開發有限公司 (Haining City Xieqiao Town Construction and Development Company Limited), the nominee of the Local Government

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kasen Subsidiaries”	five wholly-owned subsidiaries of the Company: Zhejiang Kasen Industrial, 海寧家美家具有限公司 (Haining Home Impression Furniture Company Limited), 海寧恒森家具有限公司 (Haining Hengsen Furniture Company Limited), 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited) and 海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited)
“Land”	9 parcels of land located at the southern side of Xin Xia Xie Road (新硤斜公路) and the northern side of Huafeng Road (華豐大道) and 2 parcels of land located at Nos. 2 to 6 Dangli (蕩里), Huafeng Village, Xieqiao Town, Haining City, Zhejiang Province, the PRC (中國浙江省海寧市斜橋鎮華豐村) with an aggregate area of approximately 424,786 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Local Government”	海寧市斜橋鎮人民政府 (Haining City Xieqiao Town People’s Government), the local People’s Government for Xieqiao Town, Haining City, Zhejiang Province, the PRC
“PRC”	the People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Kasen Industrial”	浙江卡森實業有限公司 (Zhejiang Kasen Industrial Company Limited), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“%”	per cent.

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

PRC, 7 January 2009

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive Directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Gu Mingchao.

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