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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 ACQUISITION OF SHARES IN SOFAS UK

The Board announces that on 27 February 2009, Cardina International, a wholly-owned subsidiary of the Company, entered into the Agreement with Emporio Holdings, pursuant to which Emporio Holdings agreed to sell and Cardina International agreed to purchase the Sale Shares, representing the entire issued share capital of Sofas UK at a consideration of £1.00 (equivalent to approximately HK\$11.15).

As some of the applicable ratios under Rule 14.07 of the Listing Rules for the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

THE AGREEMENT

Date: 27 February 2009

Parties

- (1) Cardina International, as the purchaser; and
- (2) Emporio Holdings, as the seller.

Emporio Holdings is a company incorporated and registered in England, which is primarily engaged in furniture retailing business in the UK. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Emporio Holdings and its ultimate beneficial owners are independent third parties not connected with the Company or its connected persons.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of Sofas UK. Pursuant to the Agreement, Emporio Holdings has agreed to sell the Sale Shares to Cardina International and/or its nominee at a consideration of £1.00 (equivalent to approximately HK\$11.15).

Upon completion of the Agreement, Sofas UK will become a subsidiary of the Company.

Consideration

The consideration for the Acquisition is £1.00 (equivalent to approximately HK\$11.15) to be paid in cash upon Completion. It was determined after arm's length negotiations between the parties with reference to the unaudited net assets of Sofas UK as of 31 December 2008 of approximately £52,236 (equivalent to approximately HK\$582,431). The Directors consider the consideration for the Acquisition is fair and reasonable so far as the Company and the Shareholders are concerned.

Cardina International will assume all the liabilities of Sofas UK (including rental liabilities arising from the conduct or operation of Sofas UK, trade creditors, deposits received from customers and other accruals provisions) in a total amount of £10,785,704 (equivalent to approximately HK\$120,260,600) as of 31 January 2009 (the “Assumed Liabilities”).

Save for the Assumed Liabilities, Sofas UK has no other liabilities, whether existing or contingent liabilities, which will be assumed by Cardina International upon Completion.

Conditions precedent

Completion shall be conditional upon the fulfilment (or waiver, as the case may be) of the following conditions, among others:

- (a) Cardina International being satisfied with the results of the due diligence review on, among others, the assets, operations, financial positions, business prospects and other affairs of Sofas UK;
- (b) Cardina International having obtained the duly executed non-competition undertaking from the directors and senior management of Sofas UK in the form and substance satisfactory to Cardina International;
- (c) Cardina International having received an English legal opinion from an English law firm dated as of the Completion Date and addressed to Cardina International, in relation to, among other things, the legal status, ownership, shareholding structure and share capital of Sofas UK and any other matters which Cardina International considers relevant or desirable in connection with the transactions contemplated therein, in form and substance to the satisfaction of Cardina International;
- (d) the obtaining of all licences, consents, approvals, notices, filings, registrations, authorisations, permissions, waivers, orders or exemptions with any government authority or regulatory authority or third party which are necessary or desirable in connection with the execution and performance of the Agreement and any transaction contemplated therein pursuant to any applicable laws;
- (e) if required under the Listing Rules, the passing of resolutions by its shareholders at a duly convened and held extraordinary general meeting of the Company to approve the Agreement and the transactions contemplated thereunder; and
- (f) all the representations, warranties and undertakings contained in the Agreement remain true, accurate and not misleading in all respects.

Save for conditions precedent (e) and (f) above, all the above conditions can be waived by Cardina International. The conditions precedent are required to be fulfilled or waived (as the case may be) on or before 30 April 2009 or such other date as Cardina International and Emporio Holdings may agree in writing. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the date aforesaid, the Agreement shall cease and terminate, provided that the rights and liabilities of the parties to the Agreement which have accrued prior to termination shall subsist. As at the date of this announcement, none of the conditions precedent above has been fulfilled or waived.

Completion

Completion of the Agreement shall take place on the first Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as Cardina International and Emporio Holdings may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Agreement.

Reasons for and benefits of the Acquisition

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.

Sofas UK is a company incorporated and registered in England and is principally engaged in the sale of home furniture. As at the date of this announcement, Sofas UK operates 21 retail stores in the southern area of the UK. Sofas UK trades under the name of “Easyliving Furniture”, a furniture brand with gaining popularity in the UK. It also owns a trademark registered in the UK, namely “Easyliving Furniture”.

In 2007, the Group began its home furniture retail business in the PRC and as at the date of this announcement, the Group has opened 3 specialty stores in the PRC which sell home furniture under different brands, including “Easyliving Furniture”. It is expected that the Group will continue expanding its home furniture retail business not only in the PRC but in other overseas countries and by acquiring Sofas UK, the Group will be able to make use of the existing 21 retail stores of Sofas UK for promoting the brand “Easyliving Furniture” with a view to gaining more popularity both in the UK and the PRC.

Due to the recent global financial turmoil which has seriously affected the retail sector and the property market in the UK, the rental of retail stores in the UK has reduced substantially. In view of the lower rental of the retail space in the UK, the Board considers that the Acquisition offers a good opportunity for the Group to expand its home furniture retail business in the UK. It is expected that the retail market in the UK will turn better in the coming years. In line with its expansion plan, the Board believes that by acquiring Sofas UK, the Group will be able to take immediate control of the operation of the existing 21 retail stores of Sofas UK and open new stores which will trade under an established brand name of “Easyliving Furniture” at a lower rental rate.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Acquisition has been made on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Information on Sofas UK

The financial information of Sofas UK for the two financial years ended 30 April 2008 and eight months ended 31 December 2008 are as follows (being translated from £ to HK\$):

	Eight months ended 31 December 2008 (<i>unaudited</i>) HK\$	Year ended 30 April 2008 (<i>audited</i>) HK\$	Year ended 30 April 2007 (<i>audited</i>) HK\$
Revenue	98,203,831	129,540,689	121,233,694
Loss before taxation	(20,014,066)	(14,747,068)	(22,607,829)
Loss after taxation	(20,014,066)	(14,747,068)	(22,607,829)
Net assets/(liabilities)	582,431	(66,373,497)	(51,626,429)

As at 30 April 2008, Sofas UK had net liabilities of HK\$66,373,497. In September and December 2008, Sofas UK capitalised the shareholders' loans of £6,600,000 (equivalent to approximately HK\$73,590,000) and £1,200,000 (equivalent to approximately HK\$13,380,000), respectively, owed by Sofas UK to Emporio Holdings and allotted 6,600,000 and 1,200,000 ordinary shares of £1.00 each in the share capital of Sofas UK to Emporio Holdings on 30 September 2008 and 19 December 2008, respectively. As a result, Sofas UK recorded net assets of HK\$582,431 as at 31 December 2008.

General

As some of the applicable ratios under Rule 14.07 of the Listing Rules for the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

Definitions

Unless otherwise stated, the terms in this announcement have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by Cardina International pursuant to the Agreement
“Agreement”	a sale and purchase agreement dated 27 February 2009 entered into between Cardina International and Emporio Holdings in relation to the Acquisition
“Assumed Liabilities”	the liabilities to be assumed by Cardina International under the Agreement, details of which are set out in the sub-section entitled “Consideration” under the section entitled “The Agreement” in this announcement
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no.8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong and the UK are open for business
“Cardina International”	Cardina International Company Limited, an exempted company incorporated in the Cayman Islands and is a wholly-owned subsidiary of the Company

“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 Acquisition
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Emporio Holdings”	Emporio Holdings Plc, a company incorporated and registered in England
“England”	England and Wales
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Sale Shares”	7,930,000 ordinary shares of £1.00 each in the issued share capital of Sofas UK, representing the entire issued share capital of Sofas UK
“Shareholders”	shareholders of the Company
“Sofas UK”	Sofas UK Plc, a company incorporated and registered in England with an issued share capital of 7,930,000 ordinary shares of £1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UK”	United Kingdom
“%”	per cent
“£”	pound sterling, the lawful currency of England

For the purpose of this announcement, the exchange rate of £1.00 = HK\$11.15 has been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in £ or HK\$ have been, could have been or may be converted at such rates.

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

PRC, 27 February 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>