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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 AND CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

On 24 February 2010, Zhejiang Kasen, a wholly-owned subsidiary of the Company, and Zhejiang Zhongyu entered into the First Agreement pursuant to which Zhejiang Kasen has agreed to purchase from Zhejiang Zhongyu the Acquired Interest at a total consideration of RMB71,780,000 (approximately HK\$81,521,863). As at the date of this announcement, Hainan Hejia is held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Upon completion of the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% interests in Hainan Hejia.

On the same day, Haining Kasen, a wholly-owned subsidiary of the Company, Zhejiang Zhongyu and Hangzhou Anwei entered into the Second Agreement pursuant to which Haining Kasen has agreed to sell the Sale Interest to Zhejiang Zhongyu at a total consideration of RMB43,910,000 (approximately HK\$49,869,392). As at the date of this announcement, Hainan Boao is held as to 92% by Haining Kasen and as to 8% by Hangzhou Anwei. Upon completion of the Disposal, Haining Kasen, Hangzhou Anwei and Zhejiang Zhongyu will respectively hold 90%, 8% and 2% interests in Hainan Boao.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. In addition, as Zhejiang Zhongyu is a substantial shareholder of Hainan Hejia, a non-wholly owned subsidiary of the Company, Zhejiang Zhongyu is therefore a connected person of the Company for the purpose of the Listing Rules and both the Acquisition and the Disposal constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 2.5%, the Acquisition is therefore subject to the requirements of reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 0.1% but less than 2.5%, the Disposal will therefore be only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

A circular containing, among other things, further particulars of the Acquisition, the recommendations of the Independent Board Committee, a letter of advice from an independent financial adviser to the Independent Board Committee and the Shareholders will be despatched to the Shareholders as soon as practicable.

THE FIRST AGREEMENT

Date: 24 February 2010

Parties: (1) Zhejiang Kasen, a wholly-owned subsidiary of the Company, as the purchaser; and
(2) Zhejiang Zhongyu, as the vendor.

Zhejiang Kasen is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC. Zhejiang Zhongyu is a company incorporated in the PRC with limited liability and is principally engaged in trading and property development in the PRC. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, so far as the Directors are aware, Zhejiang Zhongyu and its ultimate beneficial owners are parties independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates.

Asset to be acquired

Pursuant to the First Agreement, Zhejiang Kasen will purchase from Zhejiang Zhongyu the Acquired Interest, representing 26% interest in Hainan Hejia.

As at the date of this announcement, Hainan Hejia is held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Upon completion of the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% interests in Hainan Hejia.

Consideration

The total consideration for the Acquisition is RMB71,780,000 (equivalent to approximately HK\$81,521,863). The consideration payable by Zhejiang Kasen to Zhejiang Zhongyu will be paid in the following manner:

- (1) a deposit payment of RMB14,356,000 (equivalent to approximately HK\$16,304,373) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days from the date of the First Agreement; and
- (2) a payment of RMB57,424,000 (equivalent to approximately HK\$65,217,490) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days upon the completion of all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition.

The consideration of the Acquisition was arrived at after arm's length negotiations between the parties to the First Agreement with reference to the unaudited net assets of Hainan Hejia as of 31 December 2009 of approximately RMB20,000,000 (equivalent to approximately HK\$22,714,367) and the market value of other land in close proximity of the Sanya Land.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from an independent financial adviser) are of the view that the consideration for the Acquisition is fair and reasonable.

The consideration for the Acquisition will be financed by the Group's internal resources.

Conditions Precedent

Completion of the Acquisition is conditional upon the fulfilment of the following conditions, among others:

- (a) if required by the Listing Rules, the passing by the Shareholders who are permitted to vote under the Listing Rules at a general meeting of the Company of resolutions to approve the First Agreement and other transactions contemplated under the First Agreement; and
- (b) all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition are completed.

In the event that the above conditions are not fulfilled on or before 30 June 2010 or such other date as Zhejiang Kasen and Zhejiang Zhongyu may agree in writing, Zhejiang Kasen has the right to terminate the First Agreement, and Zhejiang Zhongyu shall, within 3 days from the date of termination of the First Agreement, return the sum already paid by Zhejiang Kasen to Zhejiang Zhongyu (including the deposit payment), to Zhejiang Kasen.

Completion of the Acquisition

Completion of the Acquisition shall take place on the day on which the last condition precedent is fulfilled or such other date as Zhejiang Kasen and Zhejiang Zhongyu may agree, subject to the conditions precedent being fulfilled in accordance with the First Agreement.

Upon completion of the Acquisition, Hainan Hejia will continue to be a subsidiary of the Company.

THE SECOND AGREEMENT

Date: 24 February 2010

- Parties:**
- (1) Haining Kasen, a wholly-owned subsidiary of the Company, as the vendor;
 - (2) Zhejiang Zhongyu, as the purchaser; and
 - (3) Hangzhou Anwei.

Haining Kasen is a company incorporated in the PRC with limited liability and is principally engaged in leather manufacturing in the PRC. Hangzhou Anwei is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, so far as the Directors are aware, Hangzhou Anwei and its ultimate beneficial owners are parties independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates.

Hangzhou Anwei was a party to the Second Agreement as the transfer of the Sale Interest is subject to the pre-emptive right under the PRC Companies Law. As such, Hangzhou Anwei entered into the Second Agreement to waive its right of first refusal in respect of the transfer of the Sale Interest under the Second Agreement.

Asset to be disposed of

Pursuant to the Second Agreement, Haining Kasen will sell the Sale Interest, representing 2% interest in Hainan Boao, to Zhejiang Zhongyu.

As at the date of this announcement, Hainan Boao is held as to 92% by Haining Kasen and as to 8% by Hangzhou Anwei. Upon completion of the Disposal, Haining Kasen, Hangzhou Anwei and Zhejiang Zhongyu will respectively hold 90%, 8% and 2% interests in Hainan Boao.

Consideration

The total consideration for the Disposal is RMB43,910,000 (approximately HK\$49,869,392). The consideration payable by Zhejiang Zhongyu to Haining Kasen will be paid in the following manner:

- (1) a deposit payment of RMB8,782,000 (equivalent to approximately HK\$9,973,878) will be made by Zhejiang Zhongyu to Haining Kasen within 10 Business Days from the date of the Second Agreement; and
- (2) a payment of RMB35,128,000 (equivalent to approximately HK\$39,895,514) will be made by Zhejiang Zhongyu to Haining Kasen within two months from the date of the Second Agreement.

The consideration of the Disposal was arrived at after arm's length negotiations between the parties to the Second Agreement with reference to the unaudited net assets of Hainan Boao as of 31 December 2009 of approximately RMB28,867,000 (equivalent to approximately HK\$32,784,781) and the market value of other land in close proximity of the Boao Land.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable.

All relevant filing and registration with the local state Administration for Industry and Commerce of the PRC in respect of the Disposal will be made upon the full payment of the consideration of the Disposal.

Conditions Precedent

Completion of the Disposal is conditional upon the passing by the Shareholders who are permitted to vote under the Listing Rules at a general meeting of the Company of resolutions to approve the Second Agreement and other transactions contemplated under the Second Agreement (if required by the Listing Rules).

If applicable, in the event that the above condition is not fulfilled on or before 30 June 2010 or such other date as Haining Kasen and Zhejiang Zhongyu may agree in writing or the relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Disposal fail to complete, the Second Agreement will be terminated, and Haining Kasen shall, within 3 days from the date of termination of the Second Agreement, return the sum already paid by Zhejiang Zhongyu to Haining Kasen (including the deposit payment), to Zhejiang Zhongyu.

Completion of the Disposal

Completion of the Disposal shall take place on the date of completion of the relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Disposal, subject to the condition precedent being fulfilled in accordance with the Second Agreement (if applicable).

Upon completion of the Disposal, Hainan Boao will continue to be a subsidiary of the Company.

INFORMATION ON HAINAN HEJIA

Hainan Hejia is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC.

The financial information of Hainan Hejia for the period from 11 September 2009 (being the date of incorporation of Hainan Hejia) to 31 December 2009 are as follows:

Period from 11 September 2009
(date of incorporation) to
31 December 2009
(unaudited)
RMB'000

Turnover	–
Loss before taxation	(5)
Loss after taxation	(5)
Net assets	20,000

The original purchase cost of the Acquired Interest to Zhejiang Zhongyu is approximately RMB71,780,000 (equivalent to approximately HK\$81,521,863).

INFORMATION ON HAINAN BOAO

Hainan Boao is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC. Hainan Boao holds the Boao Land which are situated at Seaside Tourism District, Wanquan River, Boao, Qionghai City, Hainan Province, the PRC and with a total site area of approximately 590,165 square meters. The Boao Land is currently under development and will be developed into residential and commercial buildings.

The financial information of Hainan Boao for the two years ended 31 December 2009 are as follows:

	For the year ended 31 December 2009 (unaudited) RMB'000	For the year ended 31 December 2008 (audited) RMB'000
Turnover	–	–
Loss before taxation	(493)	–
Loss after taxation	(493)	–
Net assets	28,867	10,000

The original purchase cost of the Sale Interest is approximately RMB4,008,662 (equivalent to approximately HK\$4,552,711) (inclusive of the capital injection by Haining Kasen subsequent to the initial purchase).

REASONS FOR THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business. Zhejiang Kasen is principally engaged in property development in the PRC and Zhejiang Zhongyu is principally engaged in trading and property development in the PRC.

Hainan Hejia holds the Sanya Land which is located in Sanya, Hainan Province, the PRC and with a total site area of approximately 1,424,692 square meters. It is intended that the Sanya Land will be developed into residential buildings. The construction of the Sanya Land will commence in 2011 and the development of the Sanya Land will be completed at stages. The Directors consider that the Acquisition contemplated under the First Agreement is in line with the Group's property development activities and believe the Acquisition will provide valuable opportunity for the Company to further strengthen the Group's position in property development in Hainan, PRC.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from an independent financial adviser) consider that the terms of the First Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and after arm's length negotiations among the parties and 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.

REASONS FOR THE DISPOSAL

Zhejiang Zhongyu is principally engaged in trading and property development in the PRC. It has strong and extensive experience in the PRC property development sector. The Directors are of the view that the introduction of Zhejiang Zhongyu as a new investor to Hainan Boao will bring valuable experience and expertise in the development of the Boao Land. The Board considers the Disposal is beneficial to the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Second Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and after arm's length negotiations among the parties and 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 is estimated that there will be a gain in the amount of approximately RMB39,901,000 on the Disposal accrued to the consolidated accounts of the Group which is to be calculated by reference to the difference between the proportionate unaudited net asset value of Hainan Boao attributable to the Group as at 31 December 2009 and the sale consideration pursuant to the Second Agreement. The actual gain will depend on the net asset value of Hainan Boao attributable to the Group as at the date of completion of the Disposal and actual expenses to be incurred for the Disposal.

The Board intends to use the proceeds from the Disposal for general working capital purpose.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. In addition, as Zhejiang Zhongyu is a substantial shareholder of Hainan Hejia, a non-wholly owned subsidiary of the Company, Zhejiang Zhongyu is therefore a connected person of the Company for the purpose of the Listing Rules and both the Acquisition and the Disposal constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 2.5%, the Acquisition is therefore subject to the requirements of reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 0.1% but less than 2.5%, the Disposal will therefore be only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

A circular containing, among other things, further particulars of the Acquisition, the recommendations of the Independent Board Committee, a letter of advice from an independent financial adviser to the Independent Board Committee and the Shareholders 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:

“Acquired Interest”	the 26% interest in Hainan Hejia which is held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu prior to the completion of the Acquisition
“Acquisition”	the acquisition of the Acquired Interest as contemplated by the First Agreement

“Boao Land”	2 parcels of land located at Seaside Tourism District, Wanquan River, Boao, Qionghai City, Hainan Province, PRC (琼海市博鳌萬泉河口海濱旅遊區) with a total site area of 590,165 square metres
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for banking business in Hong Kong
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Disposal”	the disposal of the Sale Interest as contemplated by the Second Agreement
“First Agreement”	the equity transfer agreement dated 24 February 2010 entered into between Zhejiang Kasen and Zhejiang Zhongyu in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hainan Boao”	Hainan Boao Kasen Property Development Co., Ltd. (海南博鰲卡森置業有限公司), a company incorporated in the PRC with limited liability
“Hainan Hejia”	Hainan Hejia Property Development Co., Ltd. (海南合甲置業有限公司), a company incorporated in the PRC with limited liability
“Haining Kasen”	Haining Kasen Leather Co., Ltd. (海寧卡森皮革有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“Hangzhou Anwei”	Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司), a company incorporated in the PRC with limited liability and a third party independent of the Company and connected persons of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the committee of the Directors comprising the independent non-executive Directors which shall be formed to advise the Shareholders in respect of the connected transaction

“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 Interest”	the 2% interest in Hainan Boao which is held as to 92% by Haining Kasen and as to 8% by Hangzhou Anwei prior to the completion of the Disposal
“Sanya Land”	the land located at Group 15, Nanxin Farm, Sanya (三亞市南新農場15隊), Hainan Province, PRC, with a total site area of approximately 1,424,692 square meters
“Second Agreement”	the equity transfer agreement dated 24 February 2010 entered into between Haining Kasen, Zhejiang Zhongyu and Hangzhou Anwei in relation to the Disposal
“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
“US\$”	US dollars, the lawful currency of the United States of America
“Zhejiang Kasen”	Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“Zhejiang Zhongyu”	Zhejiang Zhongyu Trading Investment Development Co., Ltd. (浙江中宇經貿投資發展有限公司), a company incorporated in the PRC with limited liability
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.8805 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

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

PRC, 24 February 2010

As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive directors of the Company are Mr. Chow Joseph, Mr. Gu Mingchao and Dr. Li Qingyuan.

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