



To: Business Editor (For immediate release)

## **Kasen International Holdings Limited**

(Stock Code: 496)

**ANNOUNCES ITS ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005**

**TURNOVER UP 22% TO RMB 3,475,457,000**

**NET PROFIT UP 18% TO RMB 265,699,000**

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**REMARKABLE GROWTH IN CORE BUSINESS WITH ACTIVE MARKET EXPANSION**

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**LARGE SCALE MANUFACTURING CAPACITY DRIVES FUTURE GROWTH MOMENTUM**

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<b>Financial Highlights</b>	<b>For 12 months ended 31 December (RMB'000)</b>		
	<b>2005</b>	<b>2004</b>	<b>Change (%)</b>
<b>Turnover</b>	3,475,457	2,852,391	+21.84%
<b>Gross profit (Gross margin)</b>	548,263 (15.78%)	443,672 (15.55%)	+23.57%
<b>Net profit</b>	265,699	225,701	+17.72%
<b>Dividend per share</b>	7.86 Cents	-	N/A

(Hong Kong, 19 April 2006) – **Kasen International Holdings Ltd.** (“Kasen” or the “Group”) (Stock Code: 496), a leading upholstered furniture and leather products manufacturer, announces its annual results for the 12 months ended 31 December 2005 (the “Period”).

During the Period, Kasen achieved a turnover of RMB 3,475,457,000 (2004: RMB 2,852,391,000), representing an increase of 21.84% over the same period of last year. Gross profit for the Period rose to RMB 548,263,000 (2004: RMB 443,672,000), representing an increase of 23.57% over the same period of last year, and net profit for the Period rose to RMB 265,699,000 (2004: RMB 225,701,000), representing an increase of 17.72% over the same period of last year. Gross margin and net margin for the Period were 15.78% and 7.65% respectively. Basic earnings per share for the Period was RMB 41 cents. The Board of Directors has recommended a final dividend of RMB 7.86 cents (2004: nil).

The Group completed a successful listing on the Main Board of the Stock Exchange of Hong Kong Limited in October, 2005. Mainly due to the completion of its initial public offering in the Period, the Group’s gearing was significantly improved. Such ratios included: (1) bank borrowings to total assets, (2) bank borrowings to equity and (3) net debts to equity, dropped from 38.8%, 130.3% and 112.5% as at December 31, 2004 to 28.8%, 55.8% and 39.6% as at December 31, 2005, respectively.

Mr. Zhu Zhangjin, Chairman of Kasen, said, “This is the first annual results announcement since the Group was listed in October, 2005. I am pleased to announce that the Group’s core business, including upholstered furniture and furniture leather has again recorded remarkable growth in both turnover and profit mainly attributable to active market expansion, continuous capacity uplift, and rigorous cost control.”

“As we have forecasted in the previous year”, Mr. Zhu added, “the global trend of manufacturing outsourcing in the upholstered furniture industry will continue, as a result, the demand for the Group’s products will keep on a cheerful growth. In view of the current market conditions, the Group

believes that with its competitive cost structure, vertical integrated manufacturing capabilities, large scale operations, in-depth technology know-how, established customer base and highly devised marketing strategy, the growth momentum of the Group's sales will sustain throughout 2006."

### **Business Update and Growth Momentums**

#### *Product Diversification*

Upholstered furniture remained the core products of the Group, and its sales accounted for 79.3% of the total turnover in 2005. The Group's upholstered furniture operation was able to increase by 35.5% in 2005, among which, the fabric upholstered furniture operation grew especially fast, up by 54.0% and took up 13.7% of the total turnover (2004: 10.9%).

The furniture leather produced by the Group continued to be well received by overseas and domestic furniture producers, which contributed to a rapid growth in this operation in 2005. The external sales of the furniture leather operation managed to grow by 20.6% in 2005.

#### *Market Expansion*

In 2005, the Group continued to expand its markets in the US, Europe and Australia. In line with the ongoing outsourcing trend of consumption products in the regions, the Group's sale increased strongly in these markets. The Group's sales in the US, Europe and Australia increased by 24.4%, 33.5% and 166.3% respectively; and, as a percentage to the total sales, the turnovers in the US, Europe and Australia accounted for 68.6%, 3.4% and 5.4% respectively.

#### *Capacity Uplift*

The Group commenced to establish Higher Point Sofa Industrial Park in Haining city, Zhejiang province in 2004 to expand its production capacity. It was planned to include eight upholstered furniture factories after completion. For the year ended 31 December 2005, six factories in Higher Point Sofa Industrial Park formally commenced operation. The total sales amounted to RMB 925,916,000 in 2005 (2004: RMB 265,722,000), representing an increase of 248.5%.

Total gross floor area of 741,760 square meters of the Higher Point Project had been put into use, accounting for 58.0% of the total gross floor area of the Group's production space. The Group acquired the land for the Higher Point Project on rather favorable terms and most of the investments by the Group to increase production capacity completed in previous years up to 2004. The Higher Point Project enables the Group to expand its production capability at a rather low cost.

### **Future Prospect**

The year 2005 witnessed a fast growth in the Group's sale of fabric upholstered furniture to the US market, representing an increase of 54%. The Group will continue to develop more new lines of fabric upholstered furniture products. Moreover, the Group remains optimistic in the outlook for the automotive leather market, it anticipates that its automotive leather operation will experience a fast growth in future. Also, to make full use of Kasen's advantages in cutting and sewing and to improve the utilization of production facilities, the group will make further product diversification to outdoor leisure products.

European countries, Australia and other countries will also increase manufacture outsourcing to the PRC, which is evidenced by the fast growth in the Group's Europe and Australia businesses in 2005. The Group will put more efforts in these markets for faster growth.

In 2005, the Group's Higher Point Project achieved significant progress in turnover and gained several key customers. The Group anticipates that the sales amount of the companies in Higher Point Sofa Industrial Park will continue to grow rapidly in future and their profitability will improve significantly.

**About Kasen International Holdings Limited (Stock Code: 496)**

Kasen is a leading upholstered furniture and leather products manufacturer based in China. It purchases and processes raw cowhides and wet blues into finished leather and fully assembled upholstered furniture. Kasen's principal products are leather and fabric upholstered furniture, sofa covers, furniture leather, automotive leather, footwear leather, etc. As a producer featuring vertical integration, the Group's leading position in furniture and leather product industries allows it to win upholstered furniture customers' confidence with low costs, high quality and fast delivery schedule. The Group currently sustains markets in the US, Europe, Australia and Japan, and serves major customers of upholstered furniture including leading American furniture companies, such as Furniture Brands International Inc., Berkline/Benchcraft LLC, La-Z-Boy Incorporated, Bernhardt Furniture Company, American Signature Inc., Rooms To Go Inc. and other major international furniture companies.

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