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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 IN RELATION TO THE LEASE AND SALE OF THE PROPERTY ASSETS OF LA KASSA

On 5 July 2007, La Kassa, the Company and the Purchaser entered into a letter of intent for the Lease of the Property Assets of La Kassa and the Sale in relation to the entire equity interest in La Kassa. The Property Assets included in the Sale is priced at RMB102,310,000 (equivalent to approximately HK\$103,343,434). The principal terms of the Lease and the Sale are set out in this announcement.

The Sale constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, containing, among other things, further details on the Lease and the Sale, will be dispatched to the shareholders of the Company as soon as practicable and in any event within 21 days from the publication of this announcement in accordance with the Listing Rules.

On 5 July 2007, Shanghai La Kassa Furniture Co., Ltd. (“**La Kassa**”), Kasen International Holdings Limited (the “**Company**”) and Shanghai JCH Home Furnishings Co., Ltd. (the “**Purchaser**”) entered into a letter of intent for the Lease and the Sale.

A. DETAILS OF THE LEASE (the “Lease”)

Parties:

La Kassa as the landlord
the Purchaser as the tenant

Term of Lease:

Six (6) months commencing from 1 July 2007 (the “**Lease Commencement Date**”) to 31 December 2007.

Consideration and Payment Term:

The Purchaser should pay La Kassa RMB3,000,000 (equivalent to approximately HK\$3,030,303) up front on the Lease Commencement Date as rent for the Property Assets (as defined below) of La Kassa (the “**Prepaid Rent**”). Thereafter, the Purchaser is not required to pay any rent to La Kassa.

Properties under the Lease:

- (1) approximately 160,000 m² of land situated at 上海青浦區練塘鎮蘆潼路426號 (No. 426, Lutong Road, Liantang Town, Qingpu District, Shanghai, the People’s Republic of China (the “**PRC**”) (the “**Land**”); and
- (2) approximately 49,701.79 m² of a factory (the “**Factory**”) and approximately 3,301 m² of a workers’ dormitories (the “**Dormitories**”) situated at the Land (the Factory, the Dormitories, together with the Land, collectively, the “**Property Assets**”).

B. DETAILS OF THE SALE (the “Sale”)

Parties:

the Company as the seller
the Purchaser as the buyer

Transaction Date:

Expected to be within nine (9) months from the Lease Commencement Date

Particulars of the Sale:

100% equity interest in La Kassa, a company currently wholly-owned by the Company

Consideration and Payment Term:

The total amount of consideration (the “**Total Consideration**”) in respect of the Sale payable by the Purchaser in cash is the consideration of the Property Assets of RMB102,310,000 (equivalent to approximately HK\$103,343,434) representing a price comprising:

- (1) RMB59,750,000 as consideration for the Land;
- (2) RMB39,260,000 as consideration for the Factory; and
- (3) RMB3,300,000 as consideration for the Dormitories;

subject to adjustments in the amount of the total value of any other assets (save for the Property Assets) or liabilities on the balance sheet of La Kassa as at Transaction Date (as defined below). No cap has been determined in relation to the Total Consideration as at the date of this announcement. Further announcement will be made by the Company once the Total Consideration is determined in accordance with Chapter 14 of the Listing Rules, if necessary. If the Sale constitutes a different transaction type under Chapter 14 of the Listing Rules upon determination of the Total Consideration, the Company will comply with the relevant requirements of the Listing Rules accordingly.

Within two (2) months from the Lease Commencement Date, the Purchaser should pay La Kassa RMB30,000,000 (equivalent to approximately HK\$30,303,030) (the “**Prepaid Equity Cost**”). This is to be used by La Kassa to pay off its existing debts.

It is expected that within nine (9) months from the Lease Commencement Date, the Purchaser and the Company should complete the Sale by transferring the entire equity interest in La Kassa from the Company to the Purchaser and within 15 days from the date on which the equity interest transfer agreement is signed (the “**Transaction Date**”), the Purchaser should pay the Company the balance of the Total Consideration, after setting off (i) the Prepaid Rent; (ii) the Prepaid Equity Cost; and (iii) net liabilities on the balance sheet of La Kassa as at Transaction Date.

C. REASONS FOR AND BENEFITS OF THE SALE

Due to unfavorable market conditions and raising production costs, the Group has ceased its production at the La Kassa facilities since January 2007 and transferred its work force and customer orders to the Group’s other facilities. Following completion of the Sale, the Company will have disposed of its interest in La Kassa, enabling the Group to early realize the value of its interests in the La Kassa. Also, the Sale will help the Group to further concentrate its manufacturing resources and improve efficiency. The proceeds from the Sale will be used as general working capital of the Group and for other investment opportunities. Pursuant to the Sale, the Company would recognize a gain on disposal of approximately RMB58.7 million, representing the difference between the Total Consideration and the net asset value of La Kassa in the amount of approximately RMB43.6 million as at 31 December 2006. For the financial year ended 31 December 2005, La Kassa had a net profit before taxation and extraordinary items of approximately RMB8.9 million. For the financial year ended 31 December 2006, La Kassa had a net loss before taxation and extraordinary items of approximately RMB1.4 million due to increase in the price of raw materials, appreciation of RMB, intense competition in the industry and increase of labour cost. La Kassa was not subject to profits tax in both years. The net asset value of La Kassa as at 31 December 2006 was approximately RMB43.6 million.

The terms of the Lease and the Sale were determined after arm’s length negotiations between the parties based on the prevailing market rate as at 30 June 2007 obtainable by the board (the “**Board**”) of directors (the “**Directors**”) of the Company within the vicinity of the locations of the subject assets. The Directors believe that the prevailing market rate as estimated is fair and reasonable. The Directors also consider that the terms and conditions of the Lease and the Sale are made on normal commercial terms and they are fair and reasonable and the Lease and the Sale are in the interests of the Company and the shareholders of the Company as a whole.

D. INFORMATION ON THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products.

La Kassa is a company established in the PRC as a sino-foreign owned enterprise, and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the production and sale of upholstered furniture. Following completion of the Sale, La Kassa will cease to be a subsidiary of the Company.

The Purchaser is a company established in the PRC as a sino-foreign owned enterprise which carries on the business of furniture production. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd (the “**Listing Rules**”)).

E. LISTING RULES IMPLICATIONS

Based on the consideration of the Property Assets of RMB102,310,000 (equivalent to approximately HK\$103,343,434), certain relevant percentage ratio of the Sale is 5% or more but less than 25%. The Sale constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, containing, among other things, further details on the Lease and the Sale, will be dispatched to the shareholders of the Company as soon as practicable and in any event within 21 days from the publication of this announcement in accordance with the Listing Rules.

For the purpose of this announcement, the exchange rate of RMB0.99 to HK\$ 1.00 has been used for illustration purpose only.

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 of the Company 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, 5 July 2007

Website: www.irasia.com/listco/hk/kasen