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If you have sold or transferred all your shares in **Kasen International Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or the transferee.

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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 496)

DISCLOSEABLE TRANSACTION
LEASE OF PROPERTY ASSETS OF LA KASSA
SALE OF ENTIRE EQUITY INTEREST IN LA KASSA

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DEFINITIONS

In this circular, the following expressions have the following meanings unless otherwise requires:

“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Dormitories”	approximately 3,301 m ² of workers’ dormitories situated at the Land
“Factory”	approximately 49,701.79 m ² of a factory situated at the Land
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawfully currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates
“La Kassa”	上海禾美傢具有限公司 (Shanghai La Kassa Furniture Co., Ltd.), a sino-foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Land”	approximately 160,000 m ² 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 PRC)
“Latest Practicable Date”	19 July 2007

DEFINITIONS

“Lease”	the lease of the Property Assets by La Kassa as landlord to the Purchaser as the tenant for the period from the Lease Commencement Date to 31 December 2007
“Lease Commencement Date”	1 July 2007
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Prepaid Equity Cost”	RMB30,000,000
“Prepaid Rent”	RMB3,000,000
“Property Assets”	the Land, the Factory and the Dormitories
“Purchaser”	上海捷恩傢具有限公司 (Shanghai JCH Home Furnishings Co., Ltd.), a sino-foreign owned enterprise established in the PRC, and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale”	the sale of 100% equity interest in La Kassa by the Company as seller to the Purchase as buyer
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	the total consideration payable by the Purchaser to the Company in respect of the Sale
“Transaction Date”	the date on which the equity interest transfer agreement is signed
“%”	per cent.

For illustration purposes, amounts in RMB in this circular have been translated into HK\$ at HK\$1.00 = RMB0.99.

LETTER FROM THE BOARD



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 496)

Executive Directors:

Mr. Zhu Zhangjin (*Chairman*)

Mr. Zhou Xiaosong

Mr. Zhu Jianqi

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Mr. Li Hui

Independent Non-executive Directors:

Mr. Lu Yungang

Mr. Chow Joseph

Mr. Zhang Huaqiao

23 July 2007

To the Shareholders

Dear Sir or Madam

**DISCLOSEABLE TRANSACTION
LEASE OF PROPERTY ASSETS OF LA KASSA
SALE OF ENTIRE EQUITY INTEREST IN LA KASSA**

On 5 July 2007, La Kassa, the Company and the Purchaser entered into a letter of intent for the Lease and the Sale.

A. DETAILS OF THE LEASE

Parties:

La Kassa as the landlord
the Purchaser as the tenant

Term of Lease:

Six (6) months commencing from the Lease Commencement Date to 31 December 2007.

LETTER FROM THE BOARD

Consideration and Payment Term:

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

Properties under the Lease:

The Property Assets.

B. DETAILS OF 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 Consideration in respect of the Sale payable by the Purchaser in cash is the consideration for 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,

LETTER FROM THE BOARD

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 the Prepaid Equity Cost of RMB30,000,000 (equivalent to approximately HK\$30,303,030). 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 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) the 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 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 prices 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. Upon completion of the Sale, since the assets and liabilities of La Kassa will cease to be consolidated into the Group's balance sheet, both the Group's assets and liabilities will decrease. The net assets of the Group will increase because the Total Consideration is more than the net asset value of La Kassa.

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 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 they are both in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 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.

Your attention is drawn to the general information set out in the appendix to this circular.

By Order of the Board
Kasen International Holdings Limited
Yiu Hoi Yan
Company Secretary

Hong Kong, 23 July 2007

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “Model Code”) were as follows:

(1) Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total number of shares interested	
Zhu Zhangjin	–	328,867,019 <i>(Note)</i>	328,867,019	33.22%
Zhou Xiaosong	8,173,912	–	8,173,912	0.83%
Zhu Jianqi	7,478,260	–	7,478,260	0.76%

Note: 328,867,019 shares are beneficially owned by Joyview Enterprises Limited, a company wholly-owned by Mr. Zhu Zhangjin

(2) Long positions in underlying shares of equity derivatives of the Company

Name or category of participant	Exercise price HK\$	Number of share options			Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at 1 January 2007	Granted from 1 January 2007 to the Latest Practicable Date	Cancelled from 1 January 2007 to the Latest Practicable Date				
<i>Directors</i>								
Zhu Zhangjin	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	1,3,4
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	2,3,4
Zhou Xiaosong	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	1,3,4
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	2,3,4
Zhu Jianqi	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	1,3,4
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	2,3,4
Lu Yungang	2.38	200,000	–	–	200,000	0.02%	1/1/2007 to 8/3/2016	1,3,4
	2.38	200,000	–	–	200,000	0.02%	1/1/2008 to 8/3/2016	2,3,4
Chow Joseph	2.38	200,000	–	–	200,000	0.02%	1/1/2007 to 8/3/2016	1,3,4
	2.38	200,000	–	–	200,000	0.02%	1/1/2008 to 8/3/2016	2,3,4

Notes:

- Pursuant to the share option scheme (the “Scheme”) adopted by a resolution of the Shareholders on 24 September 2005 and adopted by a resolution of the Board on 26 September 2005, these share options were granted on 9 March 2006 and are exercisable at HK\$2.38 per Share from 1 January 2007 to 8 March 2016.
- These share options were granted pursuant to the Scheme on 9 March 2006 and are exercisable at HK\$2.38 per Share from 1 January 2008 to 8 March 2016.
- These share options represent personal interest held by the relevant participants as beneficial owner.
- Except the cancelled share option stated above, up to the Latest Practicable Date, none of these share options were exercised nor lapsed.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors or the chief executives of the Company stated in “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures”) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(1) *Long positions in shares and underlying shares of the Company*

Name of Shareholder	Capacity	Short position	Long position	Number of issued shares held	Percentage of the Company’s issued share capital
Joyview Enterprises Limited ²	Beneficial owner	–	328,867,019	328,867,019	33.22%
Warburg Pincus & Co. ¹	Interest of controlled corporation	–	186,989,966	186,989,966	18.88%
Warburg Pincus Partners LLC ¹	Beneficial owner	–	186,989,966	186,989,966	18.88%

Name of Shareholder	Capacity	Short position	Long position	Number of issued shares held	Percentage of the Company's issued share capital
Warburg Pincus Private Equity VIII L.P. ¹	Beneficial owner	–	90,605,988	90,605,988	9.15%
Warburg Pincus International Partners L.P. ¹	Beneficial owner	–	89,616,811	89,616,811	9.05%
UBS AG	Beneficial owner	–	51,566,000	51,566,000	5.21%

Notes:

1. Warburg Pincus International Partners, L.P., and Warburg Pincus Private Equity VIII L.P. are part of the Warburg Pincus Funds. The general partner of the Warburg Pincus Funds is Warburg Pincus Partners LLC, which is a subsidiary of Warburg Pincus & Co. Each of Warburg Pincus Partners LLC and Warburg Pincus & Co. is therefore deemed to be interested in the shares held by the Warburg Pincus Funds, which includes Warburg Pincus International Partners, L.P. and Warburg Pincus Private Equity VIII L.P. as well as four other funds consisted in the Warburg Pincus Funds.
2. Joyview Enterprises Limited is a company beneficially owned as to 100% by Mr. Zhu Zhangjin. Mr. Zhu Zhangjin is the director of Joyview Enterprises Limited.

(2) *Long positions in shares and underlying shares of the subsidiaries of the Company*

Name of Shareholder	Subsidiary	Nature of interest	% of interest in subsidiaries
海寧歐諾雅進出口有限公司 (Haining Ounuoya Import & Export Co.,Ltd)	Haining Oyi May Sofa Co., Ltd ⁴	Beneficial	28%
許月蓮 (Xu Yuelian) ¹	Haining Oyi May Sofa Co., Ltd ⁴	Corporate	25.20%
海寧宏遠沙發配件經營部 (Haining Hongyuan Sofa Accessories Operation)	Haining Oyi May Sofa Co., Ltd ⁴	Beneficial	21.50%

Name of Shareholder	Subsidiary	Nature of interest	% of interest in subsidiaries
朱聖源 (Zhu Shenyuan) ²	Haining Oyi May Sofa Co., Ltd ⁴	Corporate	21.50%
岳娜有限責任公司 (Yuena Co., Ltd)	Zhejiang Liema Furniture Co., Ltd ⁵	Beneficial	25%
海寧強業針紡織貿易經營部 (Haining Qiangye Textile Trading Operation)	Zhejiang Liema Furniture Co., Ltd ⁵	Beneficial	15.15%
王益燁 (Wang Yiwei) ³	Zhejiang Liema Furniture Co., Ltd ⁵	Corporate	15.15%

Notes:

1. Haining Ounuoya Import & Export Co.,Ltd is a company 90% owned by Xu Yuelian. Therefore, Xu Yuelian is deemed to be interested in 25.2% of the registered capital of Haining Oyi May Sofa Co., Ltd.
2. Haining Hongyuan Sofa Accessories Operation is a private enterprise wholly-owned by Zhu Shenyuan. Therefore, Zhu Shenyuan is to be interested in 21.5% of the registered capital of Haining Oyi May Sofa Co., Ltd held by Haining Hongyuan Sofa Accessories Operation.
3. Haining Qiangye Textile Trading Operation is a private enterprise wholly-owned by Wang Yiwei. Therefore, Wang Yiwei is deemed to be interested in 15.15% of the registered capital of Zhejiang Liema Furniture Co., Ltd. held by Haining Qiangye Textile Trading Operation.
4. The Company has 50.5% indirect interest in Haining Oyimay Sofa Co., Ltd.
5. The Company has 50.5% indirect interest in Zhejiang Liema Furniture Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such share capital.

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

5. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities as from 1 January 2007 to the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. GENERAL

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) The qualified accountant and secretary of the Company is Ms Yiu Hoi Yan. Ms. Yiu is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Yiu has over ten years of experience in auditing and accounting.
- (c) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.
- (e) The branch share registrar of the Company is Computershare Hong Kong Investor Services Ltd.
- (f) The principal share registrar of the Company is Butterfield Fund Services (Cayman) Limited.
- (g) The English text of this circular will prevail over the Chinese text.