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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

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 496)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF 50.5% EQUITY INTEREST IN HAINING OYI MAY

A notice of the EGM (as defined herein) to be held at 259, Qianjiang Road West, Haining, Zhejiang, China on 23 November 2007 at 9:30 a.m. is set out on pages 23 to 25 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 48 hours before the time appointed for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

8 November 2007

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of directors of the Company
“Cardina” or “Second Vendor”	Cardina International Company Limited (凱迪納國際有限公司), a company incorporated in the Cayman Islands with limited liability and an indirectly 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
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest under the Equity Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the acquisition of 4.92% equity interest in 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited*) (“ Haining Leather Market ”) (as mentioned in the connected transaction circular of the Company dated 29 October 2007) and the Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 8 October 2007 entered into between the Vendors, the Purchasers and the two existing shareholders of Haining Oyi May in relation to the sale and purchase of the Sale Interest
“Group”	the Company and its subsidiaries (which shall exclude, where the context requires, Haining Oyi May after completion of the Disposal)
“Haining”	Haining city, Zhejiang province, the PRC
“Haining Oyi May”	海寧歐意美沙發有限公司 (Haining Oyi May Sofa Company Limited*), a company incorporated in the PRC with limited liability and an indirectly owned subsidiary of the Company before completion of the Disposal

DEFINITIONS

“Haining Zhicun” or “First Purchaser”	海寧芝村皮業有限公司 (Haining Zhicun Leather Co., Ltd.*), a company incorporated in the PRC and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	independent third party(ies) 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
“Latest Practicable Date”	2 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchasers”	the First Purchaser and the Second Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	50.5% of the registered capital of Haining Oyi May
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) 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
“Top Fortune” or “Second Purchaser”	Top Fortune Asia Pacific Limited (益豐亞太有限公司), a company incorporated in Hong Kong and an Independent Third Party

DEFINITIONS

“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	the First Vendor and the Second Vendor
“Zhejiang Kasen Property” or “First Vendor”	浙江卡森置業有限公司 (Zhejiang Kasen Property Development Co., Ltd.*), (formerly known as 海寧高點投資發展有限公司 (Haining Higher Point Investment Development Company Limited*), a company incorporated in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhu Zhangjin (*Chairman*)

Mr. Zhou Xiaosong

Mr. Zhu Jianqi

Non-executive Director:

Mr. Li Hui

Independent non-executive Directors:

Mr. Lu Yungang

Mr. Chow Joseph

Mr. Zhang Huaqiao

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office:

259 Qianjing Road West

Haining City

Zhejiang Province 314400

China

Principal place of business

in Hong Kong:

Room 1605, Tai Tung Building

8 Fleming Road Wanchai

Hong Kong

8 November 2007

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
DISPOSAL OF 50.5% EQUITY INTEREST IN HAINING OYI MAY**

INTRODUCTION

On 8 October 2007, the Board announced that Zhejiang Kasen Property and Cardina entered into the Equity Transfer Agreement with, among others, Haining Zhicun and Top Fortune for the disposal of the Sale Interest as to 25.5% equity interest in Haining Oyi May from Zhejiang Kasen Property to Haining Zhicun and 25% equity interest in Haining Oyi May from Cardina to Top Fortune.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval requirements at the EGM.

LETTER FROM THE BOARD

The purposes of this circular are:

1. to provide you with the details of the Disposal; and
2. to give you notice of the EGM at which (a) an ordinary resolution will be proposed for the Shareholders to consider, and if thought fit, to approve the acquisition of 4.92% equity interest in Haining Leather Market (as mentioned in the connected transaction circular of the Company dated 29 October 2007), and (b) an ordinary resolution will be proposed for the Shareholders to consider, and if thought fit, to approve the Disposal.

THE EQUITY TRANSFER AGREEMENT

Date: 8 October 2007

Parties:

- (1) Zhejiang Kasen Property
- (2) Cardina
- (3) Haining Zhicun
- (4) Top Fortune
- (5) Two existing shareholders of Haining Oyi May

Pursuant to the Equity Transfer Agreement, Zhejiang Kasen Property will transfer 25.5% equity interest in Haining Oyi May to Haining Zhicun at a cash consideration of RMB11,480,000. Cardina will transfer 25% equity interest in Haining Oyi May to Top Fortune at a cash consideration of RMB13,027,500. The two existing shareholders of Haining Oyi May, which are corporate substantial shareholders of Haining Oyi May as to 28% and 21.5%, are connected persons of the Company before completion of the Disposal. They entered into the Equity Transfer Agreement to waive their respective right of first refusal in respect of the transfer of the Sale Interest under the Disposal.

Assets to be disposed of:

The Sale Interest represents 50.5% of the registered capital of Haining Oyi May.

Consideration and payment term:

The consideration for the Disposal is RMB24,507,500 and shall be paid as to RMB11,480,000 by Haining Zhicun and RMB13,027,500 by Top Fortune in cash on completion of the Disposal.

LETTER FROM THE BOARD

Basis of consideration:

The consideration was arrived at after arm's length negotiations between the Purchasers and the Vendors to the Equity Transfer Agreement with reference to Haining Oyi May's net asset value as at 31 August 2007. There are no PRC laws which require the consideration to be based on the percentage of equity interest for a transfer of interest in a sino-foreign enterprise. Haining Oyi May is a sino-foreign joint venture. Cardina, being a foreign investor, has not only made capital contributions to Haining Oyi May, but also helped in other aspects in the past, such as obtaining preferential tax treatment, introducing customers, assisting in setting up export trading arrangement, etc. Therefore, Top Fortune, being also a foreign investor, is willing to make additional compensation for Cardina's contribution in the past years. This has resulted in Cardina receiving a relatively higher consideration which was arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement.

The Directors consider the consideration to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions and completion:

The Equity Transfer Agreement is conditional upon (a) the passing by the Shareholders at the EGM of an ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder; and (b) the certificate of approval in respect of the Disposal having been granted by 海寧市對外貿易經濟合作局 (Bureau of Foreign Trade & Economic Cooperation, Haining Municipal Government).

Completion of the Disposal will take place when all of the above conditions are satisfied. Upon completion of the Disposal, the Group will not have any interest in Haining Oyi May which will accordingly cease to be a subsidiary of the Company.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

INFORMATION ON HAINING OYI MAY

Haining Oyi May is a company incorporated in the PRC with limited liability and is principally engaged in the manufacture and sale of sofas, dining chairs and home products. Haining Oyi May's registered capital is held as to 25.5%, 25% and 28% and 21.5% by Zhejiang Kasen Property, Cardina and the two existing shareholders of Haining Oyi May respectively.

LETTER FROM THE BOARD

The financial information of Haining Oyi May for the two financial years ended 31 December 2005 and 2006 and for the eight months ended 31 August 2007 are as follows:

	Eight months ended 31 August 2007 (Unaudited) RMB'000	Year ended 31 December 2006 (Audited) RMB'000	Year ended 31 December 2005 (Audited) RMB'000
Turnover	285,231	489,197	255,633
Profit before taxation (<i>Note 1</i>)	3,588	39,561	4,442
Profit after taxation (<i>Note 1</i>)	3,588	39,561	4,442
Net Assets/(liabilities)	35,688 (<i>Note 2</i>)	75,100	35,539

Notes:

- (1) Haining Oyi May was eligible for tax holidays and concessions and was exempted from PRC income taxes for 2005 and 2006 ("Tax Holidays"). The Tax Holidays is for 5 years starting from the first taxable profit year in 2005, where income taxes for the first two years are fully exempted and then for the subsequent three years are paid at half of normal tax rate.
- (2) The reason for the decrease in the net asset of the Haining Oyi May as at 31 August 2007 is the dividend distribution in the amount of RMB43 million in Haining Oyi May in July 2007.

INFORMATION ON THE PURCHASERS UNDER THE EQUITY TRANSFER AGREEMENT

Haining Zhicun is a company incorporated in the PRC with limited liability and is principally engaged in the manufacture and processing of handbags, wallets and card wallets. Top Fortune is a company incorporated in Hong Kong with limited liability and is principally engaged in investment and trade business. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, so far as the Directors are aware:

- (a) Haining Zhicun and Top Fortune and their ultimate beneficial owners are Independent Third Parties;
- (b) Haining Zhicun and Top Fortune are independent of and not connected with each other; and
- (c) Haining Zhicun and Top Fortune are not connected with any substantial shareholders of Haining Oyi May, which is a subsidiary of the Company.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

Since 2006, the Group's core businesses, i.e. leather processing and upholstered furniture manufacturing, have been under severe pressure due to (1) the appreciation of the RMB; (2) the reduced demand in the US household furniture sector as a result of the downturn in the US housing market; (3) the purchase price increase in the Group's major raw material, namely, raw cowhides; and (4) the change in government policies for exports in terms of value-added tax rebates reduction or elimination. As announced in the Group's interim announcement on 17 September 2007, the Group is taking initiatives to consolidate its assets by disposing certain manufacturing facilities.

Haining Oyi May is one of the Group's subsidiaries in which the Group holds an aggregate of 50.5% equity interest before completion of the Disposal. It is engaged in the manufacturing of low end upholstered furniture products and its major customers are furniture wholesalers or importers from the United States. After recording a good growth in the first two years since its commencement of operation in 2004, its businesses are experiencing difficulties due to the factors described above. The Group is not optimistic about Haining Oyi May's future financial performance. The Disposal will enable the Group to realize the value of its interests in Haining Oyi May. Also, it will help the Group to further concentrate on its manufacturing resources and improve efficiency.

The Directors, including the independent non-executive Directors, consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are entered into upon normal commercial terms following arm's length negotiations among the parties and the terms 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 EFFECT OF THE DISPOSAL

It was estimated that there would be a gain in the amount of approximately RMB6 million on the Disposal accrued to the consolidated accounts of the Group which is to be calculated by reference to the net proceeds from the Disposal and the proportionate net asset value of Haining Oyi May attributable to the Group as at 31 August 2007. The actual gain will depend on the net asset value of Haining Oyi May attributable to the Group as at the date of completion of the Disposal.

According to the IFRS, it is expected that the consolidated total assets of the Group will be decreased by approximately RMB245 million and the consolidated total liabilities of the Group will be decreased by approximately RMB234 million. As such, it is expected that the consolidated net assets value of the Group will be decreased by approximately RMB11 million as a result of the Disposal. (This decrease of net assets represent the reversal of minority interest in Haining Oyi May net of the gain on disposal of Haining Oyi May).

The Board intends to apply the sale proceeds of RMB24,507,500 as general working capital for the Group.

LETTER FROM THE BOARD

As a result of the Disposal, the Group's overall production capacity for upholstered furniture will be reduced. In addition, certain key customers in the lower-end product categories will be lost. However, the Group still has five upholstered furniture factories with adequate capability to satisfy the needs from customers. After the Disposal, the Directors believe that the Group will continue to maintain its leading position as China's major leather producer and a major OEM for upholstery furniture. At the same time, the Group will be looking for new business opportunities to diversify its sources of income. At the moment, the Group has made substantial investment in commercial property development. The Company will continue to manufacture "low end upholstered furniture products" through its subsidiaries but the quantities of such products will be reduced. In the future, the Company will allocate more manufacturing resources to the production of medium-high end products which may bring more profits to the Group.

LISTING RULES IMPLICATION

The Disposal constitutes a major transaction on the part of the Company under the Listing Rules. The Equity Transfer Agreement will be subject to the Shareholders' approval at the EGM to be convened and held by the Company.

INFORMATION ON THE GROUP

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. The Group is in the process of entering into property investment and development business.

Zhejiang Kasen Property is an indirectly wholly owned subsidiary of the Company whose principal activities are investment holding and property development.

EGM

A notice of the EGM to be held at 259, Qianjiang Road West, Haining, Zhejiang, China on 23 November 2007 at 9:30 a.m. is set out on pages 23 to 25 of this circular. At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, to approve the acquisition of 4.92% equity interest in Haining Leather Market (as mentioned in the connected transaction circular of the Company dated 29 October 2007) and the Disposal respectively.

The ordinary resolution to be proposed at the EGM to approve the Disposal will be determined by way of poll by the Shareholders in accordance with the Listing Rules.

As none of the Shareholders of the Company has a material interest in the Disposal, no Shareholders shall abstain from voting in relation to the ordinary resolution approving the Disposal at the EGM.

LETTER FROM THE BOARD

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 48 hours before the time appointed for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Under the articles of association of the Company, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or is demanded before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting;
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting;
- (c) by one or more Shareholder(s) present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by one or more Shareholder(s) present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the Listing Rules, by an Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five percent. (5%) or more of the total voting rights at such meeting.

RECOMMENDATION

The Directors (including all independent non-executive Directors) consider that the terms and conditions of the Disposal under the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to approve the Disposal at the EGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

On behalf of the Board
Kasen International Holdings Limited
Zhu Zhangjin
Chairman

Haining, the People's Republic of China

1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months ended 30 June 2007, the Group recorded a consolidated turnover of RMB1,770.5 million (six months ended 30 June 2006: RMB2,044.8 million), representing a decrease of 13.4%. The Group's upholstered furniture sales experienced a decrease of 15.4%, from RMB1,661.3 million in the first half of 2006 to RMB1,405.3 million in the current period. And the Group's external sales of furniture leather decreased by 32.8%. On the other hand, the automotive leather operation, although achieved an increase of 128.5% in turnover, continued to underperform market. During the period under review, the Group's sales to the US market declined by 21.1%, and the percentage of US sales to the Group's total turnover reduced to 68.5%, representing a 6.7 percentage point drop as compared to the corresponding period of last year. For the first half of 2007, the Group was able to grow its European business by 36.1%, and this segment accounted for 8.3% of the Group's total turnover. The Group's sales to the PRC domestic market mainly involved furniture leather and automotive leather, the turnover of which represented 18.7% of its total sales. Business in this segment increased by 3.8% during the first half of 2007 as the Group gave priority to its own needs of furniture leather amid raw material price increase.

The Group's gross profit for the first half of 2007 was RMB223.7 million (six months ended 30 June 2006: RMB245.1 million) with gross profit margin of 12.6%, representing a decrease of 8.7% in gross profit when compared with that of the corresponding period in 2006. The profit attributable to equity holders of the Company for the first half of 2007 was RMB46.5 million (six months ended 30 June 2006: RMB77.9 million), representing a decrease of approximately 40.4% when compared with that of the corresponding period in 2006.

As at 30 June 2007, the net assets of the Group were RMB2,232 million (as at 31 December 2006: 2,183 million). As at 30 June 2007, the Group had cash and cash equivalent of RMB562.8 million (as at 31 December 2006: RMB381.0 million) and a total borrowings of RMB1,608.4 million (as at 31 December 2006: RMB1,257.1 million). This represents a gearing ratio of 71.6% (as at 31 December 2006: 57.1%) and a net debt-to-equity ratio of 46.4% (as at 31 December 2006: 39.7%).

As at 30 June 2007, the Group employs a total of approximately 14,200 full time employees. The Group's emolument policies are formulated on the performance of individual employees, which will be reviewed regularly every year.

Despite unfavorable market conditions, the Group remains committed to improve its business performance and to increase shareholders' value. Going forward, the Group will make every effort to strengthen its position as China's leading manufacturer of leather products and upholstered furniture. However, the Group is cautious about its performance and profitability in its core businesses for the second half of Year 2007 due to the challenging environments.

The Group's aggressive expansion prior to 2006 has resulted in relatively low level capacity utilization. As the industry wide over capacity is unlikely to abate soon, the Group has taken initiatives to consolidate its production capabilities while realizing returns arising from asset value appreciation. In July 2007, the Group has reached an agreement with a third party to dispose its entire interest in Shanghai La Kassa Furniture Co., Ltd. The Group is also considering disposing or renting out other facilities if there are reasonable offers. Cash generated from the asset consolidation initiatives will be used to finance new business development projects.

In order to capitalize the growth of China's domestic consumption sector, the Group is exploring new business opportunities. The Kasen Home Furnishing Store projects will introduce Kasen's quality furniture products to domestic retail customers.

The Group is also entering into the commercial real estate sector through the development of specialized leather product and furniture retail malls in major Chinese cities. In addition, the Group is also assessing the opportunities in China's residential property sector. The Group is well aware of the risks in its new business development and will ensure that these new projects would bring in added value to its shareholders.

2. INDEBTEDNESS

Borrowings

The borrowings are denominated principally in Renminbi. As at 30 September 2007, being the latest practicable date prior to the printing of this document for the purpose of this indebtedness statement, the Group had the following outstanding bank and other borrowings:

	30 September 2007
	<i>RMB'000</i>
Short term bank borrowings <i>(repayable within one year or on demand)</i>	1,580,364
Other borrowings <i>(repayable after one year)</i>	<u>10,400</u>
	<u><u>1,590,764</u></u>
Analysed as:	
Secured	512,880
Unsecured	<u>1,077,884</u>
	<u><u>1,590,764</u></u>

Pledge of assets

At the close of business on 30 September 2007, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the assets of the Group at the 30 September 2007 is as follows:

	As at 30 September 2007 RMB'000
Buildings	312,340
Prepaid lease payments	158,790
Bank deposits	41,750
	<hr/>
	512,880
	<hr/> <hr/>

Contingent liabilities

As at 30 September 2007, no contingent liabilities were noted by the directors of the Company.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, and overdrafts, loans debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 30 September 2007.

The Directors have confirmed that there has not been any material change in the indebtedness of the Group since 30 September 2007.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group (including its internally generated funds), the remaining Group after the Disposal will have sufficient working capital to satisfy its present requirements and the requirements in the next 12 months.

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2006, being the date at which the latest audited financial statements of the Group were made up.

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

(a) Directors and Chief Executive

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 SFO) which 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 Directors	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	328,867,019	33.22%
		(Note)		
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 of Director	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				
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.

(b) 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 Mr. Zhu Zhangjin 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%
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%

Notes:

- 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.
- 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	Percentage of interest in subsidiaries
海寧歐諾雅進出口有限公司 (Haining Ounuoya Import & Export Co., Ltd*)	海寧歐意美沙發有限公司 ⁴ (Haining Oyi May Sofa Co., Ltd*)	Beneficial	28%
許月蓮 ¹ (Xu Yuelian)	海寧歐意美沙發有限公司 ⁴ (Haining Oyi May Sofa Co., Ltd*)	Corporate	25.20%
海寧宏遠沙發配件經營部 (Haining Hongyuan Sofa Accessories Operation*)	海寧歐意美沙發有限公司 ⁴ (Haining Oyi May Sofa Co., Ltd*)	Beneficial	21.50%
朱聖源 ² (Zhu Shenyuan)	海寧歐意美沙發有限公司 ⁴ (Haining Oyi May Sofa Co., Ltd*)	Corporate	21.50%
岳娜有限責任公司 (Yuena Co., Ltd*)	浙江獵馬傢俬有限公司 ⁵ (Zhejiang Liema Furniture Co., Ltd*)	Beneficial	25%
海寧強業針紡織貿易經營部 (Haining Qiangye Textile Trading Operation*)	浙江獵馬傢俬有限公司 ⁵ (Zhejiang Liema Furniture Co., Ltd*)	Beneficial	15.15%
王益焯 ³ (Wang Yiwei)	浙江獵馬傢俬有限公司 ⁵ (Zhejiang Liema Furniture Co., Ltd*)	Corporate	15.15%
海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited*)	海寧皮革產業投資開發有限公司 ⁶ (Haining Leather Industry Investment and Development Co., Ltd.*)	Beneficial	25%

Notes:

1. 海寧歐諾雅進出口有限公司 (Haining Ounuoya Import & Export Co.,Ltd*) is a company 90% owned by Xu Yuelian. Therefore, Xu Yuelian is deemed to be interested in the 25.2% of the registered capital of 海寧歐意美沙發有限公司 (Haining Oyi May Sofa Co., Ltd.*).
2. 海寧宏遠沙發配件經營部 (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 海寧歐意美沙發有限公司 (Haining Oyi May Sofa Co., Ltd.*) held by 海寧宏遠沙發配件經營部 (Haining Hongyuan Sofa Accessories Operation*).
3. 海寧強業針紡織貿易經營部 (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 浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*) held by 海寧強業針紡織貿易經營部 (Haining Qiangye Textile Trading Operation*).
4. The Company has 50.5% indirect interest in 海寧歐意美沙發有限公司 (Haining Oyimay Sofa Co., Ltd.*).
5. The Company has 50.5% indirect interest in 浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*).
6. The Company has 60% indirect interest in 海寧浙江皮革服裝城投資開發有限公司 (Haining Leather Industry Investment and Development Co., Ltd.*).

3. MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the date of this circular and are or may be material:

- (i) The wansheng agreement dated 25 March 2006 and entered into among 海寧億盛電子有限公司 (Haining Yisheng Electronic Co., Ltd.*), 海寧億盛國際集團有限公司 (Yisheng International Group (Hongkong) Co., Ltd.) and the Group in relation to the sale of entire equity interest in 海寧萬盛沙發有限公司 (Haining Wansheng Sofa Co., Ltd.*), a non-wholly owned subsidiary of the Group for a cash consideration of US\$2,525,000;
- (ii) the hainix agreement dated 1 June 2006 and entered into among 海寧志遠皮革輔料經營部 (Haining Zhiyuan Leather Supplementary Material Operation*), 海寧天可沙發配件經營部 (Haining Tianke Sofa Accessories Operation*), 海寧浙吉物資經營部 (Haining Zheji Material Operation*) and 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*) in relation to acquisition of further interest 44.55% paid up capital in 海寧漢林沙發有限公司 (Haining Hainix Sofa Co., Ltd.*) for a cash consideration of RMB34,200,000;
- (iii) the hidea agreement dated 1 June 2006 and entered into among 海寧慧騰服裝面料經營部 (Haining Huiteng Garments Material Operation*), 海寧良達沙發配件經營部 (Haining Liangda Sofa Accessories Operation*) and 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*) in relation to acquisition of further interests 49.5% paid up capital in 海寧慧達傢俱有限公司 (Haining Hidea Furniture Co. Ltd.*) for a cash consideration of RMB15,700,000;

- (iv) the home craft agreement dated 29 January 2007 among the Group, 海寧中誠貿易有限公司 (Haining Zhongchen Trading Co., Ltd.*) and Global Furniture Pty. Ltd. in relation to the sale of entire equity interest in 海寧家藝傢俱有限公司 (Haining Home Craft Furniture Co., Ltd.*), a wholly owned subsidiary of the Group for a cash consideration of RMB41,460,000;
- (v) the land use right granting contract dated 29 January 2007 and entered into between Changsha Municipal Bureau of State Land and Resources (長沙市國土資源局) and 湖南高點—海寧中國皮革城投資有限公司 (Hunan Higher Point Haining China Leather City Investment Co., Ltd.*), a non-wholly owned subsidiary of the Group, in relation to acquisition of land in Changsha for a cash consideration of RMB250,000,000;
- (vi) the joint venture agreement dated 15 March 2007 and the revised oral agreement dated 29 June 2007 and entered into among 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Co., Ltd.*), the Group and 海寧正揚貿易有限公司 (Haining Zhengyang Trading Co., Ltd.*) in relation to the formation of 海寧皮革產業投資開發有限公司 (Haining Leather Industry Investment & Development Co., Ltd.*). The capital contribution from the Group will be RMB249,240,000;
- (vii) the letter of intent dated 5 July 2007 and entered into among 上海禾美傢俱有限公司 (Shanghai La Kassa Furniture Co., Ltd.*) (“La Kassa”), a wholly owned subsidiary of the Group, the Company and 上海捷恩家具有限公司 (Shanghai JCH Furnishing Co., Ltd.*) for the lease of the property assets of La Kassa, and the Sale of the entire equity interest in La Kassa. The Group will receive RMB3,000,000 as consideration for the lease and RMB102,310,000 as consideration for the sale respectively;
- (viii) the home point agreement dated 3 August 2007 entered into among the Group, 海寧華達紡織有限公司 (Haining Huada Textile Co., Ltd.*) and Global Furniture Pty. Ltd. in relation to the sale of entire equity interest in 海寧家典傢俱有限公司 (Haining Home Point Furniture Co., Ltd.*), a wholly owned subsidiary of the Group for a cash consideration of RMB41,500,000;
- (ix) the future foam agreement dated 7 August 2007 entered into between 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*) and Future Foam Inc. in relation to the sale of entire equity interest in 海寧美景海綿有限公司 (Haining Future Foam Co., Ltd.*) for a cash consideration of RMB12,000,000;
- (x) the capital increase agreement dated 30 September 2007 entered into amongst 海寧市資產經營公司 (Haining City Assets Operation Company Limited*), 海寧市市場開發服務中心 (Haining City Market Development Services Centre*), 浙江宏達經編股份有限公司 (Zhejiang Hongda Warp Knitting Co. Ltd.*), 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co. Ltd.*) (“Zhejiang Kasen

Industrial”), a wholly owned subsidiary of the Company, and 海寧浙江皮革服裝城投資開發有限公司管理層入股聯合體 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited Management Share Association*) in relation to the acquisition of 4.92% equity interest in 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited*) (“Haining Leather Market”) by Zhejiang Kasen Industrial for a cash consideration of RMB42,333,400; and

(xi) the Equity Transfer Agreement.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, 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.

5. 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 business of the Group as required to be disclosed pursuant to the Listing Rules.

6. EXPERT QUALIFICATION AND CONSENT

No expert or professional adviser has given opinion or advice contained in this circular.

Since no expert or professional adviser has given opinion or advice contained in this circular, no consent is given.

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) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of or leased to any member of the Group or was proposed to be so acquired or disposed of by or leased by any member of the Group since 31 December 2006, being the date at which the latest published audited financial statements of the Company were made up.
- (b) None of the Directors had any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to any member of the Group.

- (c) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group, which was subsisting at the date of this circular.
- (d) The qualified accountant and company 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.
- (e) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The principal place of business of the Company in Hong Kong is at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.
- (g) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Ltd.
- (h) The principal share registrar of the Company is Butterfield Fund Services (Cayman) Limited.
- (i) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Equity Transfer Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the two years ended 31 December 2006;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” in Appendix II;
- (e) this circular;
- (f) the circular of the Company dated 23 July 2007 in relation to the lease of property assets of La Kassa and the Sale of the entire property interest in La Kassa; and
- (g) the circular of the Company dated 29 October 2007 in relation to the acquisition of 4.92% equity interest in Haining Leather Market.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Kasen International Holdings Limited (the “Company”) will be held at 259, Qianjiang Road West, Haining, Zhejiang, China on 23 November 2007 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the terms of the agreement dated 30 September 2007 entered into amongst 海寧市資產經營公司 (Haining City Assets Operation Company Limited*), 海寧市市場開發服務中心 (Haining City Market Development Services Centre*), 浙江宏達經編股份有限公司 (Zhejiang Hongda Warp Knitting Co. Ltd.*), 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co. Ltd.*) (“Zhejiang Kasen Industrial”) and 海寧浙江皮革服裝城投資開發有限公司管理層入股聯合體 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited Management Share Association*) in relation to the acquisition of 4.92% equity interest in 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Company Limited*) by Zhejiang Kasen Industrial (the “Capital Increase Agreement”, a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute further documents which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Capital Increase Agreement and the transactions contemplated thereunder.”

NOTICE OF THE EGM

2. “**THAT:**

- (a) the terms of the agreement dated 8 October 2007 and entered into amongst 浙江卡森置業有限公司 (Zhejiang Kasen Property Development Company Limited*) (“Zhejiang Kasen Property”), 凱迪納國際有限公司 (Cardina International Company Limited) (“Cardina”), 海寧芝村皮業有限公司 (Haining Zhicun Leather Co., Ltd.*) (“Haining Zhicun”), Top Fortune Asia Pacific Limited (益豐亞太有限公司) (“Top Fortune”) and the two existing shareholders of 海寧歐意美沙發有限公司 (Haining Oyi May Sofa Company Limited*) (“Haining Oyi May”) in relation to the sale and purchase of 50.5% of the registered capital in Haining Oyi May as to 25.5% equity interest in Haining Oyi May from Zhejiang Kasen Property to Haining Zhicun and 25% equity interest in Haining Oyi May from Cardina to Top Fortune (the “Equity Transfer Agreement”, a copy of which has been produced to this meeting marked “B” and initialled by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute further documents which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 8 November 2007

* *For identification purpose only.*

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf in accordance with the articles of association of the Company. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

NOTICE OF THE EGM

3. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she so desires. If a Shareholder attends the EGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.
5. Voting of the ordinary resolutions as set out in this notice will be by poll.