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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)

TRANSACTION VALUE EXPECTED TO EXCEED 2005 ANNUAL CAP — CONTINUING CONNECTED TRANSACTIONS WITH STARCORP

Summary

The total value of the sales of upholstered furniture by the Group to Starcorp, a connected person of the Company, for the year ended 31 December 2005 is expected to exceed the estimated annual cap of RMB50 million for the purpose of the connected transaction waiver granted by the Stock Exchange at the time of listing. The Revised Sales Estimate for 2005 is RMB58 million. The Company makes this announcement pursuant to the requirements of Rule 14A.34 of the Listing Rules.

The estimated sales to Starcorp for the two years ended 31 December 2007 may or may not exceed the estimated annual cap of RMB96 million and RMB128 million, respectively. If the annual caps for the next two years ended 31 December 2007 will be exceeded, appropriate disclosure and/or approval from shareholders will be made in accordance with the Listing Rules as and when appropriate.

The board of directors (the “**Directors**”) of Kasen International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that the estimated annual sales of upholstered furniture by the Group to Starcorp Corporation Pty. Ltd. (“**Starcorp**”) are expected to be around RMB58 million (the “**Revised Sales Estimate**”) for the year ended 31 December 2005, which will exceed the annual cap of RMB50 million for the year ended 31 December 2005 for the purpose of the connected transaction waiver granted by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at the time of the Company’s listing. The Revised Sales Estimate is expected to be less than 2.5% of each of the percentage ratios (other than the profits ratio) on an annual basis under Rule 14A.34 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Starcorp has entered into an agreement with Zhejiang Kasen Industrial Co., Ltd. which will expire on 31 December 2007 and automatically renewable for 3 year terms thereafter. Pursuant to this agreement, Zhejiang Kasen Industrial Co., Ltd. will through its subsidiaries (including Haining Home Impression Furniture Co., Ltd., Haining Kareno Furniture Co., Ltd. and Haining Home Point Furniture Co., Ltd.) sell upholstered furniture to Starcorp. Pricing is determined based on arm's length negotiation between Starcorp and the Group with reference to prevailing market price from time to time, and shall be no less favorable to the Group than what the Group charges independent third party purchasers. The renewable terms will comply with the relevant Listing Rules.

The Company is a leading upholstered furniture and leather products manufacturer based in China. Starcorp's core business is retail sales of wooden and other upholstered furniture in Australia, while Sunbridge is principally engaged, through its various subsidiaries, in hardwood furniture manufacturing in China and furniture retailing in Australia. Starcorp is 70% owned by Zhejiang Sunbridge Industrial (Group) Co., Ltd. ("**Sunbridge**") which is 33% held on trust for Mr. Zhu Zhangjin ("**Mr. Zhu**"), the controlling shareholder of the Company. Sunbridge is an associate of Mr. Zhu, and therefore a connected person of the Company. As Starcorp is a subsidiary of Sunbridge, it is also a connected person of the Company for the purpose of the Listing Rules.

For the purpose of the connected transaction waiver granted by the Stock Exchange at the time of listing, the particulars of which are disclosed in the prospectus of the Company dated 10 October 2005 ("**Prospectus**"), the annual cap of the sales by the Group to Starcorp for each of the three years ended 31 December 2007 is RMB50 million, RMB96 million and RMB128 million, respectively. The Revised Sales Estimate of RMB58 million for the year ended 31 December 2005 therefore exceeds the annual cap of RMB50 million. As disclosed in the Prospectus, the sales of upholstered furniture by the Group to Starcorp amounted to RMB37,583,000 for the eight months ended 31 August 2005. Subsequent to that, the fast growing Australian upholstered furniture market has been contributing to the increased sales to Starcorp in the remaining months of 2005. According to the management accounts of the Company, the relevant unaudited value of sales of upholstered furniture by the Group to Starcorp amounted to approximately RMB48 million for the ten months ended 31 October 2005. Based on this unaudited value of sales and the strong demand of the Group's upholstered furniture in Australia, the Directors became aware of the fact that total sales of upholstered furniture by the Group to Starcorp for the year ended 31 December 2005 will exceed the approved annual cap of RMB50 million in late November. Since the Company's sales to Starcorp started in 2004 and were only on a trial basis, the Company did not foresee the strong demand for the Company's products in Australia at the time of listing. The Directors (including the Independent Non-executive Directors) are of the view that the revised annual cap of the transaction for the year ended 31 December 2005 with Starcorp is fair and reasonable, in the interests of the shareholders as a whole, and in accordance with the requirements of the Listing Rules.

The estimated sales to Starcorp for the two years ended 31 December 2007 may or may not exceed the estimated annual cap of RMB96 million and RMB128 million, respectively. If the annual caps for the next two years ended 31 December 2007 will be exceeded, disclosure and/or approval from shareholders will be made in accordance with the Listing Rules as and when appropriate.

As at the date hereof, the Executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhu Jianqi. The Non-executive Director is Mr. Sun Qiang Chang. The Independent Non-executive Directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Shi Zhengfu.

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

Haining, the People's Republic of China
22 December 2005