

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

Financial adviser to the Company



CONTINUING CONNECTED TRANSACTIONS –

1. REVISION OF ANNUAL CAPS IN RESPECT OF

CONTINUING CONNECTED TRANSACTIONS WITH STARCORP

2. CONTINUING CONNECTED TRANSACTIONS WITH NORTH POLE

As disclosed in the Prospectus, the Company has obtained connected transactions waivers from the Stock Exchange from strict compliance with the announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Company and connected persons.

Reference is also made to the announcement of the Company dated 22 December 2005 in relation to the total value of sales of upholstered furniture by the Group to Starcorp for the year ended 31 December 2005 was expected to exceed the estimated annual cap of 2005. The revised sales estimate of RMB58 million for the year ended 31 December 2005 is less than 2.5% of each of the percentage ratio (other than the profits ratio) on an annual basis under Rule 14A.34 of the Listing Rules, but exceed the annual cap granted by the Stock Exchange at the time of listing. Pursuant to the requirement of Rule 14A.36, the Company made an announcement on 22 December 2005 to re-comply with Rules 14A.35(3). Due to the rapid growth in the Group's sales of upholstered furniture in Australia, the Directors consider that the annual cap amounts in respect of transactions with Starcorp are no longer sufficient.

Given the above, the Group entered into the Starcorp Agreement on 22 February 2006 in respect of transactions for the period from 1 January 2006 to 31 December 2008 and has set or revised, where applicable, the annual caps for the three years ending 31 December 2008. Pursuant to Rules 14A.36(1) and (2) of the Listing Rules, the Company is required to comply with Rules 14A.35(3) and (4) of the Listing Rules. Transactions with Starcorp constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements of the Listing Rules.

Also, the Board announces that, on 22 February 2006, the Group has entered into the North Pole Agreements in respect of the sale of outdoor leisure products to North Pole Limited and North Pole (China) Limited, being connected persons of the Company, for a term from 1 March 2006 to 31 December 2008.

As Starcorp, North Pole Limited and North Pole (China) Limited are connected persons of the Company, the transactions between (a) the Group and Starcorp; and (b) the Group and North Pole Limited and North Pole (China) Limited constitute continuing connected transactions for the Company. Furthermore, the continuing connected transactions constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.48 of the Listing Rules. Assuming the approval of the Non-exempt Continuing Connected Transactions by the independent Shareholders be forthcoming, the Company will also need to comply with the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

Mr. Zhu and his associates will abstain from voting in relation to the resolution to be proposed at the EGM to approve the non-exempt continuing connected transactions in respect of Starcorp Agreement and the Starcorp Annual Caps. Warburg Pincus Funds and their respective associates will abstain from voting in relation to the resolution to be proposed at the EGM to approve the non-exempt continuing connected transactions in respect of North Pole Agreements and the North Pole Annual Caps. The votes of the independent Shareholders at the EGM will be taken by poll.

The Board has appointed an Independent Board Committee to consider and advise the independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto. The Independent Board Committee comprises of the independent non-executive Directors of the Company. The Company has appointed Tai Fook Capital Limited as an independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions.

A circular containing, among other things, details of the Non-exempt Continuing Connected Transactions, the recommendations of the Independent Board Committee and the letter of advice from Tai Fook Capital Limited to the Independent Board Committee and the independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions, together with a notice to convene the EGM of the Company to approve the Non-exempt Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

Starcorp Agreement

As disclosed in the Prospectus, the Company has obtained connected transactions waivers from the Stock Exchange from strict compliance with the announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Company and connected persons.

Reference is also made to the announcement of the Company dated 22 December 2005 in relation to 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 was expected to exceed the estimated annual cap of RMB50 million as approved by the Stock Exchange at the time of listing. The revised sales estimate of RMB58 million for the year ended 31 December 2005 is less than 2.5% of each of the percentage ratio (other than the profits ratio) on an annual basis under Rule 14A.34 of the Listing Rules, but exceed the annual cap granted by the Stock Exchange at the time of listing. Pursuant to the requirement of Rule 14A.36, the Company made an announcement on 22 December 2005 to re-comply with Rules 14A.35(3). Due to the rapid growth in the Group's sales of upholstered furniture in Australia, the Directors consider that the annual cap amounts in respect of transactions with Starcorp are no longer sufficient. Given the above, the Company entered into the Starcorp Agreement, details of which are set out below:

Date	:	22 February 2006
Parties	:	The Group and Starcorp
Services to be provided	:	Sale of upholstered furniture
Pricing	:	Transactions will be conducted on terms determined by reference to the prevailing market prices at any given time. The prices paid by Starcorp to the Group will be negotiated in each sale and will be no less favourable than independent third parties for similar products.
Term	:	From 1 January 2006 to 31 December 2008 (subject to independent Shareholders' approval at the EGM)

The Group began selling upholstered furniture to Starcorp in 2004. Since the Group's sales to Starcorp started in 2004 and were only on a trial basis, the Group did not foresee the strong demand for the Company's products in Australia at the time of listing. During the year ended 31 December 2005, the unaudited sales value with Starcorp was approximately RMB57.1 million which exceeded the annual cap of RMB50 million as approved by the Stock Exchange at the time of listing.

The Company proposes that the maximum amounts of the Starcorp Agreement for the three years ended 31 December 2008 will be RMB110 million, RMB150 million and RMB180 million respectively. The Starcorp Annual Caps are determined with reference to projections of the Company taking into consideration of the following factors:

- (1) historical growth rates of the sales to Starcorp and the values of the transactions. The Company's sales to Starcorp started in 2004 on a trial basis and amounted to only approximately RMB3.3 million for the year ended 31 December 2004. The unaudited value of sales by the Group to Starcorp rose to approximately RMB57.1 million for the year ended 31 December 2005, representing an annual growth rate of approximately 1,630%. The revised sales estimate of RMB58 million for the year ended 31 December 2005 is 16% higher than the RMB50 million annual cap granted by the Stock Exchange at the time of listing;
- (2) management expects strong demand for the Group's upholstered furniture in the Australian market in the coming three years, which is principally done through Starcorp; and
- (3) the Group's similar experience in launching products with new customers in the past three years. Once the Group's products are shown to be acceptable to a particular customer during the trial stage, the Group's sales generally pick up significantly in the coming few years.

Set out below is a comparison of the Original Caps as approved by the Stock Exchange at the time of listing and the proposed Starcorp Annual Caps:

For the year ending	Original Caps (RMB)	Starcorp Annual Caps (RMB)
2006	96,000,000	110,000,000
2007	128,000,000	150,000,000
2008	N/A	180,000,000

North Pole Agreements

Date	:	22 February 2006
Parties	:	The Group, North Pole Limited and North Pole (China) Limited, the wholly-owned subsidiary of North Pole Limited
Services to be provided	:	Sale of outdoor leisure products
Pricing	:	Transactions will be conducted on terms determined by reference to the prevailing market prices at any given time. The prices paid by North Pole Limited and North Pole (China) Limited to the Group will be negotiated in each sale and will be no less favourable than independent third parties for similar products.
Term	:	From 1 March 2006 to 31 December 2008 (subject to independent Shareholders' approval at the EGM)

The Company proposes that the maximum amounts of the North Pole Agreements for the three years ended 31 December 2008 will be RMB250 million, RMB500 million and RMB800 million respectively. The North Pole Annual Caps are determined with reference to the projections of the Company taking into consideration of the following factors:

- (1) North Pole Limited and North Pole (China) Limited will continue to purchase outdoor leisure products from the Group for a term from 1 March 2006 to 31 December 2008;
- (2) management expects strong growth of outdoor leisure products market; and
- (3) More orders will be placed gradually to the Group as indicated by North Pole Limited and North Pole (China) Limited for a term from 1 March 2006 to 31 December 2008.

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group is a leading upholstered furniture and leather products manufacturer based in China. It primarily manufactures upholstered furniture products in accordance with the designs of their customers.

Starcorp's core business is retail sales of wooden and other upholstered furniture in Australia. Whilst the Group also sells products to other independent retailers in Australia, the Group began selling to Starcorp in 2004. With a rapidly expanding retail network in Australia, Starcorp sells a variety of upholstered furniture mainly imported from China. In order to increase sales of upholstered furniture in the Australian market, the Group plans to increase its sales of upholstered furniture to Starcorp.

North Pole Limited is a leading manufacturer of outdoor leisure products such as camping tents, furniture, and sleeping bags with its sourcing and manufacturing operations mainly in the PRC and its commercial operations in North America. Its customers include the world's leading retail companies such as Wal-Mart, Kmart, the Home Depot, Canadian Tire, Dick's and Target, etc. North Pole Limited currently outsources some of the above products to several small to medium sized manufacturers in the PRC. North Pole Limited intends to consolidate its supplier base by engaging a large scale and reliable manufacturer for its outsourced products. Taking into account that the products of the North Pole Agreements mainly requires similar cut-and-sew capabilities, the Directors consider that the Group has the ability to produce such products. In particular, as the upholstered furniture business of the Group has seasonality, the Group intends to utilize its existing capacities (such as cut-and-sew facilities and workforce) for manufacturing alternative products in non-peak seasons of upholstered furniture which can generate an additional source of revenue.

The Directors are of the view that the Non-exempt Continuing Connected Transactions are conducted in the usual and ordinary course of business of the Group and are based on normal commercial terms. The Directors consider that the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES REQUIREMENTS

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 Sunbridge which is 33% held on trust for 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.

North Pole Limited, is owned, among others, as to 46.1% by North Pole Holdings Ltd. and 46.1% by North Pole International Holdings Ltd. which are wholly owned by Warburg Pincus Funds. North Pole (China) Limited is a wholly-owned subsidiary of North Pole Limited. As Warburg Pincus Funds holds 18.44% of shareholding of the Company, North Pole Limited and North Pole (China) Limited are also connected persons of the Company.

As Starcorp, North Pole Limited and North Pole (China) Limited are connected persons of the Company, the transactions between (a) the Group and Starcorp; and (b) the Group and North Pole Limited and North Pole (China) Limited constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, the continuing connected transactions constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.48 of the Listing Rules. Assuming the approval of the Non-exempt Continuing Connected Transactions by the independent Shareholders be forthcoming, the Company will also need to comply with the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

The independent Shareholders will be asked to consider and, if thought fit, approve by poll the Non-exempt Continuing Connected Transactions and the annual caps relating thereto at the EGM.

The Board has appointed an Independent Board Committee to consider and advise the independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto. The Company has appointed Tai Fook Capital Limited as an independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions. Mr. Zhu and his associates will abstain from voting in relation to the resolution to be proposed at the EGM to approve the non-exempt continuing connected transactions in respect of Starcorp Agreement and the Starcorp Annual Caps. Warburg Pincus Funds and their respective associates will abstain from voting in relation to the resolution to be proposed at the EGM to approve the non-exempt continuing connected transactions in respect of North Pole Agreements and the North Pole Annual Caps.

A circular containing, among other things, details of the Non-exempt Continuing Connected Transactions, the recommendations of the Independent Board Committee and the letter of advice from Tai Fook Capital Limited to the Independent Board Committee and the independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions, together with a notice to convene the EGM of the Company to approve the Non-exempt Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

The independent non-executive Directors and the auditors of the Company will review and confirm their respective views on the Non-exempt Continuing Connected Transactions in the annual report of the Company during the respective terms of the Non-exempt Continuing Connected Transactions in accordance with Rules 14A.37 and 14A.38 of the Listing Rules. The Company will comply with Rules 14A.39 in relation to the provision of sufficient access of accounting records to auditors of the Company. The Company will also comply with Rules 14A.40 in relation to the relevant reporting, announcement and/or independent Shareholders' approval requirements.

The Company will re-comply with Rules 14A.35(3) and (4) (as applicable) of the Listing Rules, as required under Rule 14A.36 of the Listing Rules, if the relevant estimated annual cap for any of the Non-exempt Continuing Connected Transactions is exceeded, the agreement is renewed, or there is a material change to the terms of the agreement.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions and the annual caps relating thereto
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising of the independent non-executive Directors of the Company constituted to make recommendations to the independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Zhu”	Zhu Zhangjin, the chairman, chief executive officer and founder of the Group
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions between (a) the Group and Starcorp; and (b) the Group and North Pole Limited and North Pole (China) Limited
“North Pole Agreements”	an agreement dated 22 February 2006 and a supplemental agreement dated 22 February 2006 entered into among North Pole Limited, North Pole (China) Limited and the Group in respect of selling of outdoor leisure products
“North Pole Annual Caps”	the proposed annual caps for the continuing connected transactions between North Pole Limited, North Pole (China) Limited and the Group as detailed in the section headed “North Pole Agreements”
“North Pole (China) Limited”	North Pole (China) Limited, a company incorporated in the PRC with limited liability on 3 November 1988 and a wholly-owned subsidiary of North Pole Limited
“North Pole Limited”	North Pole Limited, a company incorporated in Hong Kong on 27 November 1998 and is owned, among others, as to 46.1% by North Pole Holdings Ltd and 46.1% by North Pole International Holdings Ltd which are wholly owned by Warburg Pincus Funds.
“Original Caps”	the original caps for the continuing connected transactions between Zhejiang Kasen Industrial Co., Ltd and Starcorp as approved by the Stock Exchange at the time of the Company’s listing
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 10 October 2005

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the issued capital of the Company
“Starcorp”	Starcorp Corporation Pty. Ltd., a company incorporated under the laws of Australia which is owned, among others, as to 70% by Zhejiang Sunbridge Industrial (Group) Co., Ltd. which is 33% held on trust for Mr. Zhu, and its subsidiaries
“Starcorp Agreement”	an agreement dated 22 February 2006 entered into between Starcorp and the Group in respect of selling of upholstered furniture, which replaces the original agreement entered into between the Zhejiang Kasen Industrial Co., Ltd. and Starcorp on 1 January 2005
“Starcorp Annual Caps”	the proposed annual caps for the continuing connected transactions between the Group and Starcorp as detailed in the section headed “Starcorp Agreement”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunbridge”	Zhejiang Sunbridge Industrial (Group) Co., Ltd. is owned as to 66% by Li Shilun, 33% of which is held on trust for Mr. Zhu, and the remaining 34% is held by Yu Jintang.
“Warburg Pincus Funds”	(i) Warburg Pincus International Partners, L.P. (“WPIP”), (ii) Warburg Pincus Netherlands Private Equity VIII I, C.V. (“WPNPE I”), (iii) Warburg Pincus Netherlands International Partners I, C.V. (“WPNIP I”), (iv) Warburg Pincus Germany Private Equity VIII K.G. (“WPGPE”), (v) Warburg Pincus Private Equity VIII L.P (“WPPE”), and (vi) Warburg Pincus Germany International Partners, K.G. (“WPGIP”)
“%”	per cent.

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 February 2006

*Please also refer to the published version of this announcement in
The Standard and Sing Tao Daily.*