

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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 17 December 2007, the Company entered into the Agreements with Sleep City, Haining Yujie and the Northwestern Companies in respect of the Continuing Connected Transactions. Sleep City, Haining Yujie and the Northwestern Companies are connected persons of the Company. Accordingly, the entering into of the Agreements between the Company and each of the Sleep City, Haining Yujie and the Northwestern Companies, constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios in respect of the annual cap amounts for the transactions contemplated under the Haining Renewal Agreement are more than 0.1% but less than 2.5%, the Haining Yujie Transactions are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Appropriate disclosure will also be made in future annual reports in accordance with Rules 14A.37 and 14A.38 of the Listing Rules.

As the Percentage Ratios in respect of the annual cap amounts for each of the Sleep City Transactions and Northwestern Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Sleep City Transactions and Northwestern Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the Sleep City Transactions and the Northwestern Transactions and the relevant annual cap amounts.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting and further details about the Sleep City Transactions and Northwestern Transactions and a letter from the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant cap amounts will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

(1) SLEEP CITY AGREEMENT

Date:	17 December 2007
Parties:	The Company Sleep City and its subsidiaries
Subject:	Pursuant to the Sleep City Agreement, the Company will, and will procure its associates, to sell upholstered furniture to Sleep City (“ Sleep City Transactions ”).
Term:	The Sleep City Agreement has a fixed term of three financial years ending on 31 December 2010 .
Price:	The basis of determining the prices for the Sleep City Transactions will be in accordance with: (i) a comparable market price where the normal cost of billing of the furniture concerned will be taken into account; or (ii) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
Condition:	The Sleep City Agreement is subject to approval by the Independent Shareholders.
Payment:	Payment for Sleep City Transactions will be settled by way of telegraphic transfer at credit terms to be agreed by the parties in accordance with their respective normal term of supplies to third parties.

It is proposed that the cap amounts of the Sleep City Transactions for each of the financial years ending 31 December 2008, 2009 and 2010 will not exceed the followings:

	2008 <i>US\$’ million</i>	2009 <i>US\$’ million</i>	2010 <i>US\$’ million</i>
Sales of upholstered furniture	12	12	12

The cap amounts are determined with reference to the anticipated business volume of the Sleep City Group and the Group and the projected sales orders from Sleep City Group, taking into account of Sleep City Group’s recent launch of upholstered furniture as its new product line in Australia, for the three financial years ending 31 December 2010.

REASONS FOR THE SLEEP CITY TRANSACTIONS

The Sleep City Group is principally engaged in retail sales of upholstered furniture in Australia. Sleep City is one of Australia’s largest privately owned companies of specialty bedding stores and they are expanding their business to upholstered furnitures. Its demand for upholstered furnitures imported from China is big and continuous. The Directors consider that the Sleep City Transactions with the Sleep City Group are in the interest of the Shareholders because it would render regular sales to one of the largest privately owned companies of specialty bedding stores in Australia.

Sleep City is owned as to 35% by Sunbridge, a company in which Mr. Zhu Zhangjin, a Director and substantial shareholder of the Company, indirectly controls more than 30% of the voting power at its general meeting. Accordingly, transactions between the Group and Sleep City constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the annual amount of the Sleep City Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Sleep City Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the Sleep City Transactions.

(2) THE HAINING RENEWAL AGREEMENT

Date:	17 December 2007
Parties:	The Company Haining Yujie
Subject:	Pursuant to the Haining Renewal Agreement, the Company will, and will procure its associates, to sell certain production wastes (including materials such as residue leather, used tubs, hair and fat) to Haining Yujie (" Haining Yujie Transactions ").
Term:	The Haining Renewal Agreement has a fixed term of three financial years ending on 31 December 2010.
Price:	The basis of determining the prices for the Haining Yujie Transactions will be in accordance with: (i) a comparable market price based on the type of waste involved, in the case of cowhide, whether the cowhide are processed or not; or (ii) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
Payment:	Payment for Haining Yujie Transactions will be settled by way of bank transfer at credit terms to be agreed by the parties in accordance with their respective normal term of supplies to third parties.

It is proposed that the cap amounts of the Haining Yujie Transactions for each of the financial years ending 31 December 2008, 2009 and 2010 will not exceed the followings:

	2008 <i>RMB' million</i>	2009 <i>RMB' million</i>	2010 <i>RMB' million</i>
Sale of production wastes	19.5	19.5	19.5

The cap amounts are determined with reference to the historical transactional amounts between Haining Yujie and the Group for the two years ended 31 December 2006, and the 6 months ended 30 June 2007. The Group anticipated an increase in its transactions with Haining Yujie from 2008 owing to the increase in the estimated sales orders for production wastes by Haining Yujie between 2008 and 2010.

Haining Yujie and the Company entered into an agreement for a fixed term of three financial years ending 31 December 2007 (the “**Haining Agreement**”). Details of the transactions contemplated under the Haining Agreement were disclosed in the Prospectus and the Company had obtained waivers from Stock Exchange from strict compliance with the announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the Haining Agreement is due to expire on 31 December 2007, it is proposed that the Haining Renewal Agreement be entered to govern the Haining Yujie Transactions.

The historical transaction amounts between the Haining Yujie and the Group for the two financial years ended 31 December 2006 and the six months ended 30 June 2007 were as follows:

	2005	2006	For the first six months ending 30 June 2007
	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>
Sale of production wastes	11.37	8.98	6.10

REASONS FOR THE HAINING YUJIE TRANSACTIONS

Haining Yujie is one of the largest recycling companies in Haining and is located near many of the Group’s production facilities (all within approximately 10 km). The Directors believe that by selling the Group’s wastes to Haining Yujie, the Group is able to achieve an efficient management of its disposal logistics, and an effective supervision of its employees in the sale of wastes.

Haining Yujie is owned by Sunbridge, a company which Mr. Zhu Zhangjin, a Director and substantial shareholder of the Company, indirectly controls more than 30% of the voting power at general meetings. Accordingly, transactions between the Group and Haining Yujie constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the Percentage Ratios for the annual cap amounts of the transactions contemplated under the Haining Renewal Agreement are more than 0.1% but less than 2.5%, the Haining Yujie Transactions are subject to the reporting and announcement requirements and are exempt from the independent shareholders’ approval requirements of Chapter 14A of the Listing Rules. Appropriate disclosure will also be made in future annual reports in accordance with Rules 14A.37 and 14A.38 of the Listing Rules.

(3) NORTHWESTERN RENEWAL AGREEMENT

Date: 17 December 2007

Parties: The Company
Northwestern Companies

Subject: Pursuant to the Northwestern Renewal Agreement, the Company will, and will procure its associates, to purchase wet blues from Northwestern Companies (“**Northwestern Transactions**”).

Term: The Northwestern Renewal Agreement has a fixed term of three financial years ending on 31 December 2010.

- Price:** The basis of determining the prices for the Northwestern Transactions will be in accordance with: (i) a comparable market price; or (ii) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference. In general, the Company would compare the quotations obtained from various potential suppliers and determine the price after taking into consideration the quality of the wet blues to be supplied by the relevant suppliers.
- Condition:** The Northwestern Renewal Agreement is subject to approval by the Independent Shareholders.
- Payment:** Payments for the Northwestern Transactions shall be in the manner as reasonably requested by the parties.

It is proposed that the cap amounts of the Northwestern Transactions for each of the financial years ending 31 December 2008, 2009 and 2010 will not exceed the followings:

	2008 <i>RMB' million</i>	2009 <i>RMB' million</i>	2010 <i>RMB' million</i>
Purchase of wet blues	212	212	212

The cap amounts are determined with reference to the historical transactional amounts between the Northwestern Companies and the Group for the two years ended 31 December 2006 and the 6 months ended 30 June 2007. The Group commenced retail sales of leather business in the PRC in October 2007 and for tax saving purposes, the Group increased the purchase of wet blues from suppliers in the PRC and reduced import sales from overseas suppliers. With the implementation of such business model and strategies, the Company anticipated an increase in the business volume of the Northwestern Companies and the Group for the three financial years ending 31 December 2010.

The Northwestern Companies and the Company entered into an agreement for a fixed term of three financial years ending 31 December 2007 (the “**Northwestern Agreement**”). Details of the transactions contemplated under the Northwestern Agreement were disclosed in the Prospectus and the Company had obtained waivers from Stock Exchange from strict compliance with the announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the Northwestern Agreement is due to expire on 31 December 2007, it is proposed that the Northwestern Renewal Agreement be entered to govern the Northwestern Transactions.

The historical transaction amounts between the Northwestern Companies and the Group for the two financial years ended 31 December 2006 and the six months ended 30 June 2007 were as follows:

	2005 <i>RMB' million</i>	2006 <i>RMB' million</i>	For the first six months ending 30 June 2007 <i>RMB' million</i>
Purchase of wet blues	293.18	163.32	66.77

REASONS FOR THE NORTHWESTERN TRANSACTIONS

The Northwestern Companies are the largest importer in Southern Xinjiang, Northern Xinjiang and Gansu Provinces which import raw cowhides purchased from Xinjiang, Gansu and Qinghai of Northwest China or neighboring countries, such as Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan, and process such raw cowhides into wet blues. Although the Group has wet blues processing capacity, its tannery facility in Haining did not produce sufficient wet blues for its production needs and the Group had to source wet blues externally from time to time. There would also be an advantage in saving transportation and handling costs for us if the processing and enhancement of raw cowhides into wet blues were performed near the place of origin of the raw cowhides.

As the Northwestern Companies are subsidiaries of Sunbridge, a company which Mr. Zhu Zhangjin, a Director and substantial shareholder of the Company, indirectly controls more than 30% of the voting power at general meetings. Accordingly, transactions between the Group and Northwestern Companies constitute connected transactions for the Company under the Listing Rules. As the Percentage Ratios of the annual cap amounts of the Northwestern Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Northwestern Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the Northwestern Transactions.

GENERAL

The Company is principally engaged in the manufacturing of upholstered furniture and leather products.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group and the terms of the Continuing Connected Transactions have been negotiated and will be conducted on an arm's length basis and on normal commercial terms, between the Group and each of Sleep City, Haining Yujie and Northwestern Companies. The Directors (including the independent non-executive Directors) are of the view that as far as the Independent Shareholders are concerned, the terms of the Agreements are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Sleep City Agreement and the Northwestern Renewal Agreement and the relevant annual cap amounts respectively pursuant to Rules 14A.37 to 14A.41 of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Sleep City Agreement and Northwestern Renewal Agreement and the relevant annual cap amounts. The voting at the Extraordinary General Meeting will be by poll. As at the date of this announcement, Mr. Zhu Zhangjin, through Joyview Enterprises Limited, held 328,867,019 shares in the Company. Mr. Zhu Zhangjin and its associates will abstain from voting for the resolutions to be proposed at the Extraordinary General Meeting to approve the Sleep City Agreement and Northwestern Renewal Agreement and the relevant annual cap amounts.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts.

The Circular containing, amongst other things, further information in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts, the recommendation of the Independent Board Committee to the Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant cap amounts, and the notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Agreements”	the Sleep City Agreement, the Haining Renewal Agreement and the Northwestern Renewal Agreement
“associates”	the term bearing the meanings ascribed to it under the Listing Rules
“Baiyin Kasen”	Baiyin Kasen Leather Co., Ltd, a company established in the PRC and a subsidiary of Sunbridge
“Board”	the board of Directors
“Circular”	the circular to be despatched by the Company in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares (stock code: 496) of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the transactions contemplated under the Agreements
“Directors”	directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts, or any adjournment thereof
“Group”	the Company and its subsidiaries

“Haining Renewal Agreement”	the agreement entered into between the Group and Haining Yujie on 17 December 2007 regarding the sale of production waste from the Group to Haining Yujie
“Haining Yujie”	Haining Yujie Material Recycling Company Limited, a company established in the PRC and is principally engaged in recycle business
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, which will be appointed by the Board to advise the Independent Shareholders in respect of the Sleep City Transactions and Northwestern Transactions and the relevant annual cap amounts
“Independent Shareholders”	the shareholders of the Company other than Mr. Zhu Zhangjin and its associates
“Kezilesu Xinrong”	Kezilesu Xinrong Leather Co., Ltd, a limited liability company established in the PRC and a subsidiary of Sunbridge
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Northwestern Companies”	Kezilesu Xinrong, Yili Horgos and Baiyin Kasen Leather Co., Ltd
“Northwestern Renewal Agreement”	the agreement entered into between the Group and the Northwestern Companies on 17 December 2007 regarding the purchase of wet blues by the Group from the Northwestern Companies
“Percentage Ratios”	the percentage ratios as stipulated under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus dated 10 October 2005 issued by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares with a par value of US\$0.00015 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sleep City”	Sleep City Holdings Limited, a company incorporated in Australia and an associate of Mr. Zhu Zhangjin
“Sleep City Agreement”	the agreement entered into between the Group and Sleep City on 17 December 2007 regarding the sale of upholstered furniture from the Group to Sleep City

“Sleep City Group”	Sleep City and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Sunbridge”	Zhejiang Sunbridge Industrial (Group) Co., Ltd., a company incorporated in PRC and in which Mr. Zhu Zhangjin indirectly controls more than 30% of the voting power at the general meeting
“US\$”	US dollars, the lawful currency of the United States of America
“Yili Horgos”	Yili Horgos Leather Co., Ltd., a company incorporated in the PRC and a subsidiary of Sunbridge
“%”	per cent.

For the purpose of this announcement, the exchange rates of RMB0.951 = HK\$1.00 and US\$1.00 = RMB7.4094 have been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ or US\$ have been, could have been or may be converted at such rate.

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

Hong Kong, 17 December 2007

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhu Jianqi; the non-executive Director is Mr. Li Hui; and the independent non-executive Directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Zhang Huaqiao.

Website : <http://www.irasia.com/listco/hk/kasen/index.htm>