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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 8 October 2007.

Haining Oyi May, a company which ceased to be a subsidiary of the Company in January 2008, had sold wooden frames and scrapped leather to Haining Haipai in 2007. Haining Oyi May was a subsidiary of the Company at the time of the Oyi May Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Oyi May Transactions. Hence, the Oyi May Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Haining Oyi May had sub-contracted the manufacturing of leather sofa cover service to Haining Haipai in 2007. Haining Oyi May was a subsidiary of the Company at the time of the Sub-Contract Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Sub-Contract Transactions. Hence, the Sub-Contract Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Hengsen, a subsidiary of the Company, had sold wooden frames to Haining Haipai in 2007. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Hengsen Transactions. Hence, the Hengsen Transactions between Hengsen and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. It is expected that Hengsen will continue selling wooden frames to Haining Haipai. As Haining Haipai has ceased to be a connected person of the Company under the Listing Rules, any transactions to be entered into between Hengsen and Haining Haipai will not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company had announced the Disposal on 8 October 2007. However, due to inadvertent oversight on the part of the Company, Haining Oyi May was mistakenly believed to have ceased to be a subsidiary of the Company before completion of the Disposal and the Company had not made a timely disclosure of the Continuing Connected Transactions, which was subject to announcement requirements of the Listing Rules in 2007. After completion of the Disposal, Haining Oyi May is no longer part of the Group. Haining Ounuoya was considered a connected person under Chapter 14A of the Listing Rules only by reason of its 50.5% interest in Haining Haipai. After the Disposal, Haining Ounuoya would no longer constitute a connected person under Chapter 14A of the Listing Rules.

Given that the Hengsen Transactions and Oyi May Transactions are similar in nature and the aggregate annual amount of the Hengsen Transactions and Oyi May Transactions is less than 2.5% threshold, the Hengsen Transactions and Oyi May Transactions are only subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules and exempt from the requirement of independent Shareholders' approval.

As the Percentage Ratios for the Sub-Contract Transactions are less than 2.5%, the Sub-Contracts 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.

As Haining Oyi May has ceased to be the Company's subsidiary since January 2008, any transactions entered or to be entered into between the Company's subsidiaries and Haining Haipai after January 2008 will no longer constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As such, save for the annual reports for 2007 and 2008 of the Company, the Oyi May Transactions, the Sub-Contract Transactions, and Hengsen Transactions will not be disclosed in any future annual reports of the Company.

Reference is made to the announcement of the Company dated 8 October 2007.

(1) OYI MAY TRANSACTIONS

Haining Oyi May, a company which ceased to be a subsidiary of the Company in January 2008, had sold wooden frames and scrapped leather to Haining Haipai (the "Oyi May Transactions") in 2007. Haining Oyi May was a subsidiary of the Company at the time of the Oyi May Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Oyi May Transactions. Hence, the Oyi May Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Oyi May Transactions were contracted on a transaction-by-transaction basis starting from January 2007 and individual agreements have been signed between Haining Oyi May and Haining Haipai for each of these transactions. No master agreement has been entered into between Haining Oyi May and Haining Haipai. The aggregate consideration of the Oyi May Transactions is RMB6,985,000 (equivalent to HK\$7,576,000). The basis of determining the prices for the Oyi May Transactions was in accordance with: (i) a comparable market price where the normal cost of billing of the wooden frames and scrapped leather concerned was 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 was taken as a reference. Payment for the Oyi May Transactions was settled by way of bank transfer agreed by the parties in accordance with their respective normal term of supplies to third parties.

Although Haining Oyi May had started entering into transactions with Haining Haipai prior to the Disposal, such transactions only constituted de minimis transactions under the Listing Rules, given that the Percentage Ratios of such transactions did not exceed 0.1% and were exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the Oyi May Transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (or on terms no less favourable to the Group than terms available to or from independent third parties); and (iii) on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Oyi May Transactions constitute continuing connected transactions under Rule 14A.14 of the Listing Rules which ended upon the Disposal in January 2008.

REASONS FOR THE OYI MAY TRANSACTIONS

Haining Haipai is principally engaged in the production of leather bags and upholstered furniture. Haining Oyi May is principally engaged in production and sale of upholstered furniture. The Directors consider that the Oyi May Transactions with the Haining Haipai are in the interest of the Shareholders because Haining Oyi May had redundant scrapped leather and wooden frame from its production process.

Haining Oyi May was a subsidiary of the Company at the time of the Oyi May Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Oyi May Transactions. Hence, the Oyi May Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Hengsen Transactions and Oyi May Transactions are similar in nature and the aggregate annual amount of the Hengsen Transactions and Oyi May Transactions is less than 2.5% threshold, the Hengsen Transactions and Oyi May Transactions are only subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules and exempted from the requirement of independent Shareholders' approval.

(2) SUB-CONTRACT TRANSACTIONS

Haining Oyi May had sub-contracted the manufacturing of leather sofa cover service to Haining Haipai (the "**Sub-Contract Transactions**") in 2007. Haining Oyi May was a subsidiary of the Company at the time of the Sub-Contract Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Sub-Contract Transactions. Hence, the Sub-Contract Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Sub-Contract Transactions were contracted on a transaction-by-transaction basis starting from December 2007 and individual agreements have been signed between Haining Oyi May

and Haining Haipai for each of these transactions. No master agreement has been entered into between Haining Oyi May and Haining Haipai. The aggregate consideration of the Sub-Contract Transactions is RMB1,956,000 (equivalent to HK\$2,121,000). The basis of determining the prices for the Sub-Contract Transactions was in accordance with: (i) a comparable market price where the normal cost of billing of the leather sofa cover was 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 was taken as a reference. Payment for the Sub-Contract Transactions was settled by way of bank transfer agreed by the parties in accordance with their respective normal term of supplies to third parties.

The Directors (including the independent non-executive Directors) are of the opinion that the Sub-Contract Transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (or on terms no less favourable to the Group than terms available to or from independent third parties); and (iii) on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Sub-Contract Transactions constitute continuing connected transactions under Rule 14A.14 of the Listing Rules which ended upon the Disposal in January 2008.

REASONS FOR THE SUB-CONTRACT TRANSACTIONS

The Directors consider that the Sub-Contract Transactions with Haining Haipai are in the interest of the Shareholders because Haining Oyi May's capacity for manufacturing sofa covers was inadequate at that time due to its need to meet an urgent sales order.

Haining Oyi May was a subsidiary of the Company at the time of the Sub-Contract Transactions. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Sub-Contract Transactions. Hence, the Sub-Contract Transactions between Haining Oyi May and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios for the Sub-Contract Transactions are less than 2.5%, the Sub-Contract 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.

(3) HENGSEN TRANSACTIONS

Hengsen, a subsidiary of the Company, had sold wooden frames to Haining Haipai (the "**Hengsen Transactions**") in 2007. As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Hengsen Transactions. Hence, the Hengsen Transactions between Hengsen and Haining Haipai constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Hengsen Transactions were contracted on a transaction-by-transaction basis starting from January 2007 and individual agreements have been signed between Haining Haipai and Hengsen

for each of these transactions. No master agreement has been entered into between Hengsen and Haining Haipai. The aggregate consideration of the Hengsen Transactions is RMB623,000 (equivalent to HK\$675,000). The basis of determining the prices for the Hengsen Transactions was in accordance with: (i) a comparable market price where the normal cost of billing of the wooden frames concerned was 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 was taken as a reference. Payment for the Hengsen Transactions would be settled by way of bank transfer to be agreed by the parties in accordance with their respective normal term of supplies to third parties.

The Directors (including the independent non-executive Directors) are of the opinion that the Hengsen Transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (or on terms no less favourable to the Group than terms available to or from independent third parties); and (iii) on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Hengsen Transactions constitute continuing connected transactions under Rule 14A.14 of the Listing Rules which ended upon the Disposal in January 2008.

It is expected that Hengsen will continue selling wooden frames to Haining Haipai. As Haining Haipai has ceased to be a connected person of the Company under the Listing Rules, any transactions to be entered into between Hengsen and Haining Haipai will not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

REASONS FOR THE HANGSENG TRANSACTIONS

Hengsen is principally engaged in the production of wooden frames and other accessories for upholstered furniture. The Directors consider that the Hengsen Transactions with the Haining Haipai are in the interest of the Shareholders because Hengsen's production capacity was under utilized and its customer base could be broaden by entering into the Hengsen Transactions with Haining Haipai.

As Haining Ounuoya is a substantial shareholder of Haining Oyi May, Haining Ounuoya was therefore a connected person of the Company under the Listing Rules and Haining Haipai was an associate of Haining Ounuoya by reason of Haining Ounuoya's 50.5% interest in Haining Haipai at the time of the Hengsen Transactions. Hence, the Hengsen Transactions between Hengsen and Haining Haipai constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. It is expected that Hengsen will continue selling wooden frames to Haining Haipai. As Haining Haipai has ceased to be a connected person of the Company under the Listing Rules, any transactions to be entered into between Hengsen and Haining Haipai will not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Hengsen Transactions and Oyi May Transactions are similar in nature and the aggregate annual amount of the Hengsen Transactions and Oyi May Transactions is less than 2.5% threshold, the Hengsen Transactions and Oyi May Transactions are only subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules and exempted from the requirement of independent Shareholders' approval.

MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE

In order to avoid any similar events in the future, the Directors and senior management of the Company will closely monitor and regularly review all the agreements to be entered into by any member of the Group to ensure that all possible connected transactions are identified. The Company has taken necessary measures to strengthen the reporting and documentation system and internal control procedures of the Company and its subsidiaries including to increase training and communications to all managerial staff in the future.

GENERAL

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

The Company had announced the Disposal on 8 October 2007. However, due to inadvertent oversight on the part of the Company, Haining Oyi May was mistakenly believed to have ceased to be a subsidiary of the Company before completion of the Disposal and the Company had not made a timely disclosure of the Continuing Connected Transactions, which was subject to announcement requirements of the Listing Rules in 2007. In the course of preparing the annual report for the year ended 31 December 2007, the Company became aware that the completion of the Disposal only took place in January 2008 and that the Continuing Connected Transactions fell within the ambit of Rule 14A.34 of the Listing Rules and were subject to the reporting and announcement requirements. After completion of the Disposal, Haining Oyi May is no longer part of the Group.

As a result of the above inadvertent oversight, the Company has also not made a timely disclosure of the Hengsen Transactions since the Percentage Ratios of Hengsen Transactions, standing alone and not in aggregation with the Oyi May Transactions, are less than 0.1% and are exempt from the reporting, announcement and the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

As Haining Oyi May is no longer part of the Group, any transactions entered or to be entered into between the Company's subsidiaries and Haining Haipai after January 2008 will no longer constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As such, save for the annual reports for 2007 and 2008 of the Company, the Oyi May Transactions, Sub-contract Transactions, and Hengsen Transactions will not be disclosed in any future annual reports of the Company.

DEFINITIONS

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

“associates”	the term bearing the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 Transactions”	the Oyi May Transactions, the Sub-Contract Transactions and the Hengsen Transactions
“Directors”	directors of the Company
“Disposal”	the disposal of 50.5% of the registered capital of Haining Oyi May to Haining Zhicun Leather Co., Ltd and Top Fortune Asia Pacific Limited, independent third parties
“Group”	the Company and its subsidiaries
“Haining Haipai”	Haining Haipai Leather Co., Ltd (海寧海派皮業有限公司), a company established in the PRC and was an associate of Haining Ounuoya before completion of the Disposal and as at the date of this announcement, an independent third party of the Company
“Haining Ounuoya”	Haining Ounuoya Import & Export Co., Ltd, a company established in the PRC and was a connected person of the Company before completion of the Disposal and as at the date of this announcement, an independent third party of the Company
“Haining Oyi May”	Haining Oyi May Sofa Company Limited, a company established in the PRC and was an indirect subsidiary of the Company before completion of the Disposal
“Hengsen”	Haining Hengsen Furniture Company Limited, a company established in the PRC and a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$” US dollars, the lawful currency of the United States of America
“%” per cent.

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

Hong Kong, 6 March, 2008

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.

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1.00 = HK\$0.922; and amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1.00 = HK\$7.798.

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