



## KASEN INTERNATIONAL HOLDINGS LIMITED

(卡森國際控股有限公司)

*(Incorporated in the Cayman Islands with Limited Liability)*

**(Stock Code: 496)**

### ANNOUNCEMENT

This announcement is made pursuant to paragraph 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 22 February 2006 and the circular of the Company dated 16 March 2006 in relation to 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. The Board wishes to announce that the Group will cease its sales of outdoor leisure products under the North Pole Agreements from 1 March 2007.

This announcement is made pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Cessation of the sales of outdoor leisure products under the North Pole Agreements**

The board of directors of the Company (the “**Board**”) announced on 22 February 2006 that the Company and its subsidiaries (the “**Group**”) entered into an agreement dated 22 February 2006 and a supplemental agreement dated 22 February 2006 with North Pole Limited and North Pole (China) Limited (the “**North Pole Agreements**”), being connected persons of the Company, in relation to the sales of outdoor leisure products by the Group to North Pole Limited and North Pole (China) Limited for a term from 1 March 2006 to 31 December 2008.

At an extraordinary general meeting of the Company held on 31 March 2006 (the “**EGM**”), the shareholders of the Company passed a resolution and approved the North Pole Agreements, with the maximum aggregate annual value of goods sold or to be sold by the Group to North Pole Limited and North Pole (China) Limited for the three years ending 31 December 2008 being RMB250 million, RMB500 million and RMB800 million, respectively. Pursuant to the North Pole Agreements, there is no minimum sales order agreed to be placed by North Pole Limited and North Pole (China) Limited to the Group during the three years ending 31 December 2008. The Company has decided to cease the sales of outdoor leisure products under the North Pole Agreements from 1 March 2007.

## **Reason for the Cessation**

The Group commenced trial production of outdoor leisure products in May 2006 and has since started selling outdoor leisure products to North Pole Limited and North Pole (China) Limited. After three months of trial production, the Group found that the transaction did not generate the expected economic benefits. The Group has been in negotiation with North Pole Limited and North Pole (China) Limited over the past few months on certain commercial terms in respect of the future sales by the Group, including the prices of the sales of the outdoor leisure products. However, an agreement was not reached. As a result, the Directors consider that the sales of outdoor leisure products by the Group to North Pole Limited and North Pole (China) Limited would not achieve the level of economic benefits as originally contemplated. The Directors are of the view that the Group's production capacities can be better utilized on the production of the Group's core products, such as upholstered furniture, and that it is in the best interests of the shareholders of the Company and the Group as a whole to cease its sales of outdoor leisure products under the North Pole Agreements, unless further and better terms are reached.

## **Effect on the Group**

The Board considers that the cessation of its sales of outdoor leisure products under the North Pole Agreements is a commercial decision for the benefit of the Group. The amount of outdoor leisure products purchased by North Pole Limited and North Pole (China) Limited from the Group for the year ended 31 December 2006 was approximately RMB10,829,851, which represented approximately 4.3% of the annual cap of RMB250 million as approved by the shareholders of the Company at the EGM. The Board believes that the decision to cease its sales of outdoor leisure products under the North Pole Agreements will not have any material adverse effect on the results of operations of the Group.

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

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

Hong Kong, 12 February 2007

Website: [www.kasen.com.cn](http://www.kasen.com.cn)  
[www.irasia.com/listco/hk/kasen](http://www.irasia.com/listco/hk/kasen)