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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)**

### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

#### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

Reference is made to (i) the announcement of the Company dated 8 December 2010 in relation to, among other things, the 2010 Haining Renewal Agreement entered into between the Company and Haining Yujie for the sale of certain production wastes by the Group to Haining Yujie and the 2010 Sunbridge Agreement entered into between the Company and Sunbridge in relation to the purchase by the Group of wooden products from the Sunbridge Group; and (ii) the announcement of the Company dated 19 December 2011 in relation to, among other things, the 2011 Sunbridge Master Agreement entered into between the Company and Sunbridge for the sale of upholstered furniture and leather to the Sunbridge Group.

As the 2010 Haining Renewal Agreement, the 2010 Sunbridge Agreement and the 2011 Sunbridge Master Agreement will expire on 31 December 2013, the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement were entered into, respectively on 7 November 2013 to renew the 2010 Haining Renewal Agreement, the 2010 Sunbridge Agreement and the 2011 Sunbridge Master Agreement for a term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).

As at the date of this announcement, Haining Yujie is a subsidiary of Sunbridge, and Sunbridge is a company in which Mr. Zhu Zhangjin, an executive Director and the controlling Shareholder of the Company, indirectly controls more than 30% of the voting power in its general meeting. Each of Haining Yujie and Sunbridge is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios (other than the profit ratio) for the annual cap amounts under each of the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement are more than 0.1% but less than 5%, the transactions under the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement will only be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

### Background

Reference is made to (i) the announcement of the Company dated 8 December 2010 in relation to, among other things, the 2010 Haining Renewal Agreement entered into between the Company and Haining Yujie for the sale of certain production wastes by the Group to Haining Yujie and the 2010 Sunbridge Agreement entered into between the Company and Sunbridge in relation to the purchase by the Group of wooden products from the Sunbridge Group; and (ii) the announcement of the Company dated 19 December 2011 in relation to, among other things, the 2011 Sunbridge Master Agreement entered into between the Company and Sunbridge for the sale of upholstered furniture and leather to the Sunbridge Group.

As the 2010 Haining Renewal Agreement, the 2010 Sunbridge Agreement and the 2011 Sunbridge Master Agreement will expire on 31 December 2013, the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement were entered into, respectively on 7 November 2013 to renew the 2010 Haining Renewal Agreement, the 2010 Sunbridge Agreement and the 2011 Sunbridge Master Agreement for a term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).

Details of the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement are set out as below:

### 2013 HAINING RENEWAL AGREEMENT

- Date: 7 November 2013
- Parties: the Company  
Haining Yujie
- Subject: Pursuant to the 2013 Haining Renewal Agreement, the Company will, and will procure its subsidiaries, to sell certain production wastes (including materials such as residue leather, used tubs, hair and fat) to Haining Yujie (the “**Haining Yujie Transactions**”).
- Term: The 2013 Haining Renewal Agreement has a fixed term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).
- 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 the 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 terms 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 2014, 2015 and 2016 will not exceed the following:

	<b>2014</b> <i>RMB' million</i>	<b>2015</b> <i>RMB' million</i>	<b>2016</b> <i>RMB' million</i>
Sales of production wastes	5.0	5.0	5.0

The cap amounts of the Haining Yujie Transactions are determined with reference to the historical transaction amounts between Haining Yujie and the Group for the two years ended 31 December 2012 and the nine months ended 30 September 2013, and the anticipated business volume of the Group taking into account the anticipated increases in demand for production wastes, and based on the discussions between the management of the Company and Haining Yujie, the anticipated increases in demand of production wastes to be used by Haining Yujie taking into account the production plan of Haining Yujie for the next three financial years ending 31 December 2016, as compared to the annual consumption of production wastes in the previous years. The Company does not expect that there will be a significant increase in unit price of the production wastes to be sold to Haining Yujie in the three financial years ending 31 December 2016.

The transactions under the 2010 Haining Renewal Agreement were disclosed in the announcement dated 8 December 2010. As the 2010 Haining Renewal Agreement is due to expire on 31 December 2013, it is proposed that the 2013 Haining Renewal Agreement be entered into to govern the Haining Yujie Transactions.

The historical transaction amounts between Haining Yujie and the Group for the two financial years ended 31 December 2012 and the nine months ended 30 September 2013 were as follows:

	<b>For the year ended 31 December 2011</b> <i>RMB' million</i>	<b>For the year ended 31 December 2012</b> <i>RMB' million</i>	<b>For the nine months ended 30 September 2013*</b> <i>RMB' million</i>
Sales of production wastes	3.7	3.3	3.0

\* *unaudited figures*

## REASONS FOR THE 2013 HAINING RENEWAL AGREEMENT

Haining Yujie is one of the largest recycling companies in Haining and is located near many of the Group's production facilities. The Directors believe that it is in the interests of the Company to continuously enter into the 2013 Haining Renewal Agreement. By continuing to sell the Group's wastes to Haining Yujie, the Group is able to maintain an efficient management of its disposal logistics, and an effective supervision of its employees in the sale of production wastes. The Directors consider that the 2013 Haining Yujie Transactions are entered into in the usual and ordinary course of business of the Group and will be conducted on an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the 2013 Haining Renewal Agreement are fair and reasonable and the entering into of the 2013 Haining Renewal Agreement is in the interest of the Group and the Shareholders as a whole.

## 2013 SUNBRIDGE RENEWAL AGREEMENT

- Date: 7 November 2013
- Parties: The Company  
Sunbridge
- Subject: Pursuant to the 2013 Sunbridge Renewal Agreement, the Company will, and will procure its subsidiaries, to purchase wooden products from the Sunbridge Group (the "**Sunbridge Transactions**").
- Term: The 2013 Sunbridge Renewal Agreement has a fixed term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).
- Price: The basis of determining the prices for the Sunbridge 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 wooden products to be supplied by the relevant suppliers.
- Payment: Payments for the Sunbridge Transactions shall be in the manner as reasonably requested by the parties.

It is proposed that the cap amounts of the Sunbridge Transactions for each of the financial years ending 31 December 2014, 2015 and 2016 will not exceed the following:

	<b>2014</b> <i>RMB' million</i>	<b>2015</b> <i>RMB' million</i>	<b>2016</b> <i>RMB' million</i>
Purchases of wooden products	55.0	55.0	55.0

The cap amounts of the Sunbridge Transactions are determined with reference to (i) the anticipated business volume of the Group for the wooden products taking into account the projected purchase orders for wooden products from the Group for the three financial years ending 31 December 2016; and (ii) based on discussion between the management of the Company and Sunbridge, the anticipated increases in demand of wooden products to be used by the Group in its property development business for the period commencing from 2014 and 2016. It is expected that there will be an increase of between 35% to 40% in the Group's transactions with Sunbridge from 2014 owing to the expected growth in demand for wooden products in the upcoming years as a result of an anticipated increase in the demand for the development of the Group's real estate projects. The Company does not expect that there will be significant increase in unit price of the wooden products to be purchased from the Sunbridge Group in the three financial years ending 31 December 2016.

The transactions under the 2010 Sunbridge Agreement were disclosed in the announcement dated 8 December 2010. As the 2010 Sunbridge Agreement is due to expire on 31 December 2013, it is proposed that the 2013 Sunbridge Renewal Agreement be entered into to govern the Sunbridge Transactions.

The historical transaction amounts between the Sunbridge Group and the Group for the two years ended 31 December 2012, and the nine months ended 30 September 2013 were as follows:

	<b>For the year ended</b> <b>31 December 2011</b> <i>RMB' million</i>	<b>For the year ended</b> <b>31 December 2012</b> <i>RMB' million</i>	<b>For the nine months</b> <b>ended 30 September</b> <b>2013*</b> <i>RMB' million</i>
Purchases of wooden products	39.1	12.2	29.7

\* *unaudited figures*

## **REASONS FOR THE 2013 SUNBRIDGE RENEWAL AGREEMENT**

Sunbridge is principally engaged, through its various subsidiaries, in hardwood furniture manufacturing in China and furniture wholesales in Australia. Sunbridge has three production bases in the PRC. As the Company's property development business is growing rapidly, it is anticipated that the demand for wooden products, which are widely used in the development of residential projects and tourism-related properties, will increase substantially. Therefore, the Directors believe that it is in the interests of the Company to continuously enter into the 2013 Sunbridge Renewal Agreement which secures a steady supply of the wooden products from Sunbridge. The Directors consider that the Sunbridge Transactions are entered into in the usual and ordinary course of business of the Group and will be conducted on an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the 2013 Sunbridge Renewal Agreement are fair and reasonable and the entering into of the 2013 Sunbridge Renewal Agreement is in the interest of the Group and the Shareholders as a whole.

## 2013 SUNBRIDGE MASTER RENEWAL AGREEMENT

- Date: 7 November 2013
- Parties: The Company  
Sunbridge
- Subject: Pursuant to the 2013 Sunbridge Master Renewal Agreement, the Company will, and will procure its subsidiaries, to (i) sell upholstered furniture to the Sunbridge Group (the “**Sunbridge Furniture Sales Transactions**”), and (ii) sell leather to the Sunbridge Group (the “**Sunbridge Leather Sales Transactions**”).
- Term: The 2013 Sunbridge Master Renewal Agreement has a fixed term of three years commencing from 1 January 2014 to 31 December 2016 (both days inclusive).
- Price: The basis of determining the prices for the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions will be in accordance with: (i) a comparable market price where the normal cost of billing of the furniture concerned or the type of leather involved; 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 the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales 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 Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions for each of the financial years ending 31 December 2014, 2015 and 2016 will not exceed the following:

	<b>2014</b> <i>RMB' million</i>	<b>2015</b> <i>RMB' million</i>	<b>2016</b> <i>RMB' million</i>
Sunbridge Furniture Sales Transactions	5.0	5.0	5.0
Sunbridge Leather Sales Transactions	2.0	2.0	2.0

The cap amounts of the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions are determined with reference to the historical transaction amounts between the Sunbridge Group and the Group for the two years ended 31 December 2012 and the nine months ended 30 September 2013, and based on the discussion between the management of the Company and Sunbridge, (i) the anticipated business volume of the Group taking into account the projected purchase orders for upholstered furniture from the Sunbridge Group for the three financial years ending 31 December 2016, and (ii) the anticipated demand of leather to be used by members of the Sunbridge Group as assembly in the production of wooden furniture for the period commencing from 1 January 2014 to 31 December 2016, as compared to the annual consumption of leather by Sunbridge in the production of wooden furniture in the previous years.



The transactions under the 2011 Sunbridge Master Agreement were disclosed in the announcement dated 19 December 2011. As the 2011 Sunbridge Master Agreement is due to expire on 31 December 2013, it is proposed that the 2013 Sunbridge Master Renewal Agreement be entered into to govern the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions.

The historical transaction amounts between the Sunbridge Group and the Group for the two years ended 31 December 2012, and the nine months ended 30 September 2013 were as follows:

	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>	<b>For the nine months ended 30 September 2013*</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sunbridge Furniture Sales Transactions	46.7 <i>(Note)</i>	2.0	0.4
Sunbridge Leather Sales Transactions	0.7	0.4	0.2

\* *unaudited figures*

*Note: This transaction amount represents the aggregated sales of upholstered furniture to two subsidiaries of Sunbridge Group (the "Sunbridge Subsidiaries") such that the annual cap for the year 2011 was made in respect to such Sunbridge Subsidiaries only.*

## **REASONS FOR THE 2013 SUNBRIDGE MASTER RENEWAL AGREEMENT**

Sunbridge is principally engaged, through its various subsidiaries, in hardwood furniture manufacturing in the PRC and furniture wholesales in Australia. Sunbridge has three production bases in the PRC. Given the Sunbridge Group's furniture manufacturing and wholesales businesses are growing rapidly, its demand for upholstered furniture and leather imported from the PRC is continuous.

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to continuously enter into the 2013 Sunbridge Master Renewal Agreement. By continuing to sell the Group's upholstered furniture and leather to Sunbridge, the Group is able to enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole. Accordingly, the Directors consider that the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions is entered into in the usual and ordinary course of business of the Group and will be conducted on an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the 2013 Sunbridge Master Renewal Agreement are fair and reasonable and the entering into of the 2013 Sunbridge Master Renewal Agreement is in the interest of the Group and the Shareholders as a whole.

## **LISTING RULE IMPLICATIONS**

As at the date of this announcement, Haining Yujie is a subsidiary of Sunbridge, and Sunbridge is a company in which Mr. Zhu Zhangjin, an executive Director and the controlling Shareholder of the Company, indirectly controls more than 30% of the voting power in its general meeting. Each of Haining Yujie and Sunbridge is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios (other than the profit ratio) for the annual cap amounts under each of the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement are more than 0.1% but less than 5%, the transactions under the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement will only be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company is an investment holding company and its subsidiaries are principally engaged in the production of finished leather or fully assembled leather products and property development business.

As at the date of this announcement, Mr. Zhu Zhangjin and his associates hold in aggregate 45.35% of the total issued share capital of the Company. Mr. Zhu Zhangjin is also an executive Director of the Company. As Mr. Zhu Zhangjin has a material interest in the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement, he has abstained from attending the board meeting and/or voting on the board resolution to approve the 2013 Haining Renewal Agreement, the 2013 Sunbridge Renewal Agreement and the 2013 Sunbridge Master Renewal Agreement, respectively.



## DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“2010 Haining Renewal Agreement”	the agreement dated 8 December 2010 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“2010 Sunbridge Agreement”	the agreement dated 8 December 2010 entered into between the Company and Sunbridge in relation to the purchase by the Group of wooden products from the Sunbridge Group
“2011 Sunbridge Master Agreement”	the agreement dated 19 December 2011 entered into between the Company and Sunbridge in relation to the sale of upholstered furniture and leather by the Group to the Sunbridge Group
“2013 Haining Renewal Agreement”	the agreement dated 7 November 2013 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“2013 Sunbridge Renewal Agreement”	the agreement dated 7 November 2013 entered into between the Company and Sunbridge in relation to the purchase by the Group of wooden products from the Sunbridge Group
“2013 Sunbridge Master Renewal Agreement”	the agreement dated 7 November 2013 entered into between the Company and Sunbridge in relation to the sale of upholstered furniture and leather by the Group to the Sunbridge Group
“associate”	has the same meaning as given 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 of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Haining Yujie”	Haining Yujie Material Recycling Company Limited (海寧宇潔物資回收有限公司), a company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Percentage Ratios”	the percentage ratios (other than the profits ratio) 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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunbridge”	Zhejiang Sunbridge Industrial (Group) Co., Ltd. (浙江聖邦實業集團有限公司), a company incorporated in the PRC
“Sunbridge Group”	Sunbridge and its subsidiaries
“%”	per cent.

By Order of the Board  
**Kasen International Holdings Limited**  
**Zhu Zhangjin**  
*Chairman*

PRC, 7 November 2013

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; the non-executive Director is Mr. Qiu Jian Ping and the independent non-executive Directors are Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.*

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