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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)

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 7 November 2013 in relation to the 2013 Sunbridge Master Renewal Agreement.

On 27 November 2014, the Company and Sunbridge entered into the Supplemental Agreement to increase the annual caps for the Sunbridge Leather Sales Transactions under the 2013 Sunbridge Master Renewal Agreement to take into account of the ongoing transactions with Homepoint Furniture for the years ending 31 December 2014, 2015 and 2016, respectively.

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the revised annual caps under the Supplemental Agreement is more than 0.1% but less than 5% on an annual basis for the years ending 31 December 2014, 2015 and 2016, respectively, the revisions to the annual caps for the Revised Sunbridge Leather Sales Transactions are subject to the reporting and announcement requirements set out in Rule 14A.54 of the Listing Rules and are exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 November 2013 in relation to the 2013 Sunbridge Master Renewal Agreement.

2013 SUNBRIDGE MASTER RENEWAL AGREEMENT

On 7 November 2013, the Company and Sunbridge entered into the 2013 Sunbridge Master Renewal Agreement pursuant to which, the Company will, and will procure its subsidiaries, to (i) sell upholstered furniture to the Sunbridge Group, and (ii) sell leather to the Sunbridge Group.

Set out below is a summary of the principal terms of the 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 was/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 was/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.

REVISION OF ANNUAL CAPS

The 2013 Sunbridge Master Renewal Agreement has a term of three financial years ending 31 December 2016, subject to, among other things, 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 not exceeding the following:

	2014 <i>RMB' million</i>	2015 <i>RMB' million</i>	2016 <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 total transaction amount for the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions for the period from 1 January 2014 to 30 September 2014 amounted to approximately RMB32,400 and RMB7,000, respectively. The Directors confirm that the annual caps for the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions under the 2013 Sunbridge Master Renewal Agreement for the year ending 31 December 2014 have not been exceeded up to the date of this announcement.

Reasons for the revision of annual caps

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 part of its ordinary course of business, the Company will, and will procure its subsidiaries, to sell leather to different customers, including the Sunbridge Group. In addition to the Sunbridge Group, the Group has also been selling leather to Homepoint Furniture since 2011. Homepoint Furniture is a company established in the PRC and principally engaged in production of furniture business in the PRC and one of the major customers of the Group, and is particularly important to the business of the Group. For the year ended 31 December 2013 and the nine-month period ended 30 September 2014, the total transaction amount from the sales of leather to Homepoint Furniture amounted to approximately RMB37.0 million and RMB25.9 million, respectively.

In early November 2014, the Company was informed by Sunbridge that it had acquired 75% interest in Homepoint Furniture, pursuant to which Homepoint Furniture has become a non-wholly owned subsidiary of Sunbridge after the acquisition. Sunbridge is a company in which Mr. Zhu Zhangjin, an executive Director and the controlling shareholder of the Company, indirectly controls 30% of the voting power in its general meeting. 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, Homepoint Furniture becomes a connected person of the Company under the Listing Rules after the acquisition by Sunbridge. As a result, transactions with Homepoint Furniture constitute as continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Based on the foregoing, the Directors expect that the transaction amount for the Sunbridge Leather Sales Transactions under the 2013 Sunbridge Master Renewal Agreement when taking into account of the transaction amounts for the transactions with Homepoint Furniture will exceed the annual caps provided under the 2013 Sunbridge Master Renewal Agreement for the years ending 31 December 2014, 2015 and 2016.

Revised annual caps

On 27 November 2014, the Company and Sunbridge entered into the Supplemental Agreement to increase the annual caps for the Sunbridge Leather Sales Transactions under the 2013 Sunbridge Master Renewal Agreement to take into account of the ongoing transactions with Homepoint Furniture (the “**Revised Sunbridge Leather Sales Transactions**”) for the years ending 31 December 2014, 2015 and 2016 as follows:

Year ending 31 December	Revised annual caps for the Revised Sunbridge Leather Sales Transactions <i>RMB' million</i>
2014	13
2015	42
2016	42

The prices for the Revised Sunbridge Leather Sales Transactions under the Supplemental Agreement for the years ending 31 December 2014, 2015 and 2016, will be determined after arm's length negotiation between the Company and Sunbridge, in accordance with: (i) a comparable market price of similar products available to other customers where the normal cost of billing of the type of leather involved; and (ii) the raw material costs and production costs to be incurred by the Group and the profit margin, which is expected to be comparable with the level of profits derived from the Group's sales to independent customers.

The increase of the annual caps for the Revised Sunbridge Leather Sales Transactions was determined by reference to (i) the actual transaction amounts for the Sunbridge Leather Sales Transactions under the 2013 Sunbridge Master Renewal Agreement; and (ii) the historical transaction amounts of sales to Homepoint Furniture for the years ended 31 December 2011, 2012 and 2013; (iii) the projected purchases of leather that Homepoint Furniture would purchase from the Group for the three months ending 31 December 2014, taking into account the purchase orders which Homepoint Furniture have placed with the Group as at the date of this announcement; (iv) the projected purchases of leather that Homepoint Furniture would purchase from the Group for the years ending 31 December 2015 and 2016, taking into account the historical transaction amount of sales to Homepoint Furniture for the years ended 31 December 2011, 2012 and 2013 and the production volume of Homepoint Furniture of its products involving the use of the Group's products based on preliminary discussion with Homepoint Furniture. Payment for the Revised 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.

The Directors (including the independent non-executive Directors) consider that the Revised Sunbridge Leather Sales Transactions under the Supplemental Agreement are entered into in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms between the Company and Sunbridge, the increase of the annual caps for the Revised Sunbridge Leather Sales Transactions under the Supplemental Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the revised annual caps under the Supplemental Agreement is more than 0.1% but less than 5% on an annual basis for the years ending 31 December 2014, 2015 and 2016, respectively, the revisions to the annual caps for the Revised Sunbridge Leather Sales Transactions are subject to the reporting and announcement requirements set out in Rule 14A.54 of the Listing Rules and are exempted from independent shareholders' approval 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.

Sunbridge is an investment holding company and principally engaged, through its various subsidiaries, in furniture manufacturing in China.

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 Supplemental Agreement, he has abstained from attending the board meeting and/or voting on the board resolution to approve the Supplemental Agreement.

The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules governing connected transactions in the event that the total amount of the transactions under the Supplemental Agreement exceeds 5% for each of the percentage ratios (other than the profit ratio), or that there is any material amendment to its terms.

DEFINITIONS

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

“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
“Board”	the board of Directors
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Homepoint Furniture”	Haining Homepoint Furniture Co., Ltd. (海寧家典家具有限公司), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Supplemental Agreement”	the supplemental agreement dated 27 November 2014 entered into between the Company and Sunbridge in relation to the revision to the annual caps for the years ending 31 December 2014, 2015 and 2016 for the Sunbridge Leather Sales Transactions contemplated under the 2013 Sunbridge Master Renewal Agreement
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.7924 = HK\$1.00 has 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\$ have been, could have been or may be converted at such rate.

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

PRC, 27 November 2014

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

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