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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

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Reference is made to the Prospectus under the section headed “Business – Connected Transactions” which disclosed that waivers have been obtained from the Stock Exchange from strict compliance with the announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of Existing Continuing Connected Transaction under the Starcorp Agreement.

Reference is also made to the announcement of the Company dated 22 February 2006 in relation to the revision of the annual caps for the Existing Continuing Connected Transactions.

In view of the continuous development of the Group and based on the internal forecasts of forthcoming demand, the Company entered into the Renewed Starcorp Agreement for a term of three years commencing from 1 January 2009 and expiring on 31 December 2011.

Starcorp is owned as to 70% by Sunbridge, a company in which Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company, indirectly controls more than 30% of the voting power at its general meeting. Sunbridge is therefore an associate of Mr. Zhu Zhangjin and a connected person of the Company. As Starcorp is a subsidiary of Sunbridge, it is also a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Renewed Starcorp Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that one of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules for the transactions under the Renewed Starcorp Agreement on an annual basis exceeds the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the transactions contemplated under the Renewed Starcorp Agreement will be subject to the reporting, announcement and Independent Shareholders’ approval requirements under Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and his associates will abstain from voting in the EGM to be convened for the approval of the Renewed Continuing Connected Transactions.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Starcorp Agreement and the relevant cap amounts under the Renewed Starcorp Agreement.

A circular containing, amongst other things, a notice convening the EGM and further details about the Renewed Starcorp Agreement and a letter from the independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders on the terms of the Renewed Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable.

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Background

The Company entered into the Existing Continuing Connected Transactions with Starcorp prior to the Global Offering (as defined in the Prospectus). The Existing Continuing Connected Transactions were continuing connected transactions of the Company under the Listing Rules, details of which were disclosed in the Prospectus under the section headed “Business – Connected Transactions”.

As disclosed in the Prospectus under the section headed “Business – Connected Transactions”, the Stock Exchange had granted waivers from strict compliance with the announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of Existing Continuing Connected Transactions under the Starcorp Agreement for a period of three financial years expiring on 31 December 2008.

Reference is also made to the announcement of the Company dated 22 February 2006 in relation to the revision of the annual caps for the Existing Continuing Connected Transactions.

The Board has been monitoring the Existing Continuing Connected Transactions. In view of the continuous development of the Group and based on the internal forecasts of forthcoming demand, the Board has decided to enter into the Renewed Starcorp Agreement.

RENEWED STARCORP AGREEMENT

As Starcorp intends to continue to purchase upholstered furniture from the Group, on 31 December 2008, the Company and Starcorp entered into the Renewed Starcorp Agreement on similar terms to the Starcorp Agreement. There is no other transaction between the Company and Starcorp, Mr. Zhu Zhangjin or any of their associates that should be subject to aggregation with the continuing connected transactions contemplated under the Renewed Starcorp Agreement in accordance with Rules 14A.25 to 14A.27 of the Listing Rules.

General Principles and Terms

Subject: Pursuant to the Renewed Starcorp Agreement, the Group and Starcorp will enter into various transactions as detailed under the paragraph headed “Non-Exempt Continuing Connected Transactions” below.

Term: The Renewed Starcorp Agreement has a fixed term of three financial years ending on 31 December 2011.

Price: The basis of determining the prices for the Renewed Continuing Connected Transactions will be in accordance with: (1) a comparable market price; or (2) 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 Renewed Starcorp Agreement is subject to approval by the Independent Shareholders.

Payment: Payment for Renewed Continuing Connected Transactions will be settled by way of telegraphic transfer at credit terms of 90 days in accordance with the normal term of supplies of the Company to third parties of similar sizes and volumes.

Non-Exempt Continuing Connected Transactions

Sale of upholstered furniture

On 31 December 2008, the Company entered into the Renewed Starcorp Agreement with Starcorp pursuant to which the Group will, amongst others, sell the upholstered furniture to Starcorp. The Renewed Starcorp Agreement has a fixed term of three financial years ending on 31 December 2011.

Cap Amount

Historical transaction values

Pursuant to the terms of the Starcorp Agreement, the aggregate cap amounts for the transactions contemplated under the Starcorp Agreement were RMB110 million and RMB150 million, respectively for each of the two years ended 31 December 2007 and would be RMB180 million for the year ending 31 December 2008. The historical transaction amounts between Starcorp and the Group for the two financial years ended 31 December 2007 and the 11 months ended 30 November 2008 are as follows:

	For the year ended 31 December 2006	For the year ended 31 December 2007	For the 11 months ended 30 November 2008
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sale of upholstered furniture	49.21	53.07	8.85

The actual sales to Starcorp for the two years ended 31 December 2007 was significantly lower than the caps set out in the Starcorp Agreement as the housing market in Australia has experienced a downturn which affect the sales of Starcorp and in turn its orders to the Group. The significant drop in sales in 2008 was due to the merger of Starcorp with another furniture retailer in Australia in mid-2007 and the resulting reduction in purchases from the Company for most of 2008. As the performance of the merged entity was not satisfactory, Sunbridge has resumed management of Starcorp in mid-2008 and it is expected that sales of upholstered furniture of the Company to Starcorp will increase.

Proposed Annual Cap

It is proposed that the cap amounts of the Renewed Continuing Connected Transactions for each of the financial years ending 31 December 2011 will not exceed the followings:

	2009	2010	2011
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sale of upholstered furniture	30	50	80

The cap amounts are determined with reference to the historical transactional amounts between Starcorp and the Group for the two years ended 31 December 2007 and the 11 months ended 30 November 2008, and the anticipated business volume of Starcorp and the Group for the three financial years ending 31 December 2011. The Group expected an increase of between 20% and 30% in its transactions with Starcorp from 2009 owing to the anticipated increase in demand of the upholstered furniture in the Australian market in the coming three years, which is principally sold through Starcorp. The Company does not expect that there would be a significant increase in unit price of the furniture to be sold to Starcorp in the three financial years ending 31 December 2011.

REASONS FOR THE RENEWED CONTINUING CONNECTED TRANSACTIONS

The Group is a leading upholstered furniture and leather products manufacturer based in the PRC. It manufactures upholstered furniture products in accordance with the designs of its customers. Starcorp's core business is retail sales of wooden and other upholstered furniture in Australia. Its demand for upholstered furniture imported from the PRC is big and continuous. The Directors consider that the Renewed Starcorp Transactions with Starcorp are in the interest of the Shareholders because it would render regular sales to Australia, which has strong demand in upholstered furniture, through Starcorp.

Listing Rule Implications

Starcorp's core business is retail sales of wooden and other upholstered furniture in Australia. Starcorp is owned as to 70% by Sunbridge, a company in which Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company, indirectly controls more than 30% of the voting power at its general meeting. Sunbridge is therefore an associate of Mr. Zhu Zhangjin and a connected person of the Company. As Starcorp is a subsidiary of Sunbridge, it is also a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Renewed Starcorp Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that one of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules for the transactions under the Renewed Starcorp Agreement on an annual basis exceeds the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the transactions contemplated thereunder will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and his associates will abstain from voting in the EGM to be convened for the approval of the Renewed Continuing Connected Transactions.

GENERAL

The Renewed Starcorp Agreement was entered into on normal commercial terms and one of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules for the transactions under the Renewed Starcorp Agreement on an annual basis exceeds the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the transactions contemplated thereunder will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Mr. Zhu Zhangjin and his associates will abstain from voting in the EGM to be convened for the approval of the Renewed Continuing Connected Transactions.

The Renewed Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) consider that the terms of the Renewed Starcorp Agreement have been negotiated on an arm's length basis and the Renewed Continuing Connected Transactions will be conducted on normal commercial terms, between the Group and Starcorp and are fair and reasonable and in the interests of the Shareholders as a whole. The Directors (excluding the independent non-executive Directors) are also of the view that the annual caps of the Renewed Continuing Connected Transactions are fair and reasonable.

EXTRAORDINARY GENERAL MEETING

An EGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions. The voting at the EGM will be by poll and Mr. Zhu Zhangjin and his associates will abstain from voting for the resolutions to be proposed at the EGM to approve the Renewed Starcorp Agreement and the relevant annual cap amounts for the Renewed Continuing Connected Transactions.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Starcorp Agreement and the relevant cap amounts under the Renewed Starcorp Agreement.

The Circular containing, amongst other things, further information on the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Renewed Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Shareholders in relation to the Renewed Continuing Connected Transactions, and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular to be despatched to the Shareholders regarding the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions
“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
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Renewed Starcorp Agreement and the relevant cap amounts in relation to the Renewed Continuing Connected Transactions, or any adjournment thereof
“Existing Continuing Connected Transactions”	the transactions contemplated under the Starcorp Agreement
“Group”	the Company and its subsidiaries

“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Renewed Continuing Connected Transactions
“Independent Shareholders”	the shareholders of the Company other than Mr. Zhu Zhangjin and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 10 October 2005
“Renewed Continuing Connected Transactions”	the transactions contemplated under the Renewed Starcorp Agreement
“Renewed Starcorp Agreement”	the agreement entered into between the Company and Starcorp on 31 December 2008
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Starcorp”	Starcorp Corporation Pty. Ltd., a company incorporated under the laws of Australia which is owned, among others, as to 70% by Sunbridge, a company in which Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company, indirectly controls more than 30% of the voting power at its general meeting
“Starcorp Agreement”	an agreement dated 22 February 2006 entered into between Starcorp and the Company in respect of the sale and purchase of upholstered furniture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunbridge”	Zhejiang Sunbridge Industrial (Group) Co., Ltd., a company established in the PRC and in which Mr. Zhu Zhangjin indirectly controls more than 30% of the voting power at the general meeting
“%”	per cent.

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

PRC, 31 December 2008

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive Directors are Mr. Lu Yungang, Mr. Chow Joseph and Mr. Gu Mingchao.

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