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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that on 9 March 2009, the Company entered into the Starcorp Agreement with Starcorp in respect of the Continuing Connected Transactions.

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 Starcorp Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 31 December 2008 in relation to the Previous Continuing Connected Transactions between the Group and Starcorp. The Previous Continuing Connected Transactions were subject to Independent Shareholders' approval and had been approved by the Independent Shareholders in an extraordinary general meeting of the Company held on 10 February 2009.

The Previous Continuing Connected Transactions and the Starcorp Purchases Continuing Connected Transactions are regarded as a series of continuing connected transactions which will be aggregated pursuant to Rule 14A.25 of the Listing Rules. As the aggregate annual amounts of the Previous Continuing Connected Transactions and the Starcorp Purchases Continuing Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Starcorp Purchases Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

As the annual amounts of the Starcorp Sales Continuing Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Starcorp Sales Continuing Connected Transactions 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 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 Starcorp Agreement and the relevant annual cap amounts in relation to the 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 Starcorp Agreement and the relevant annual cap amounts under the Starcorp Agreement.

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

## STARCORP AGREEMENT

- Date: 9 March 2009
- Parties: The Company  
Starcorp
- Subject: Pursuant to the Starcorp Agreement, the Group will purchase wooden furniture from Starcorp (“**Starcorp Sales**”) and the Group will in turn supply leather to Starcorp (“**Starcorp Purchases**”).
- Term: The Starcorp Agreement has a fixed term commencing from 9 March 2009 to 31 December 2011, which shall be subject to the approval of the Independent Shareholders. Pending the Independent Shareholders’ approval of the Continuing Connected Transactions at the EGM, the Company will take close and regular monitor of the transaction amounts of the Starcorp Sales to ensure that the total transaction amounts of Starcorp Sales to be entered into between the Group and Starcorp will not exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules. The Company will only commence the Starcorp Purchases after approval of the Independent Shareholders is obtained by the Company at the EGM.
- Price: The basis for determining the prices for the Continuing Connected Transactions will be in accordance with (a) a comparable market price; or (b) by agreement between the parties based on prices no less favourable than that to/from third parties or as reasonably agreed between the parties, if no comparable market price may be taken as a reference.
- Condition: The Starcorp Agreement is subject to the approval of the Independent Shareholders.
- Payment: Payment for the Continuing Connected 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 Continuing Connected Transactions for each of the financial years ending 31 December 2009, 2010 and 2011 will not exceed the followings:

	<b>2009</b> <i>RMB' million</i>	<b>2010</b> <i>RMB' million</i>	<b>2011</b> <i>RMB' million</i>
Starcorp Sales	119	158	198
Starcorp Purchases	5	5	5

The cap amounts are determined with reference to the anticipated business volume of the Group for the three financial years ending 31 December 2011 and the projected sales and purchase orders to/from Starcorp, taking into account (i) the historical transaction amount of US\$5.4 million (equivalent to approximately RMB37 million) for the purchase of wooden furniture for the one financial year ended 31 December 2008 between Sofas UK, a company which has purchased wooden furniture from Starcorp prior to the completion of the acquisition of the entire issued share capital of Sofas UK by a subsidiary of the Company, which took place on 2 March 2009 and as at the date of this announcement, a wholly-owned subsidiary of the Company, and Starcorp. Sofas UK has been purchasing wooden furniture from Starcorp since 2004. As there was a significant decrease in purchase of wooden furniture by Sofas UK from Starcorp since 2008 due to the global economic downturn and given the current market conditions, no reference was therefore made to the historical transaction amounts prior to 2008 when determining the cap amounts; (ii) the anticipated retail sales plan of the Group (including Sofas UK) for the period commencing from 9 March 2009 to 31 December 2011; and (iii) based on discussion between the management of the Company and Starcorp, the anticipated increase in demand of leather to be used by Starcorp as assembly in the production of wooden furniture for the period commencing from 9 March 2009 to 31 December 2011, as compared to the annual consumption of leather by Starcorp in the production of wooden furniture in the previous years.

## **REASONS FOR THE 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 manufacture of wooden furniture, and retail sales of wooden and other upholstered furniture in Australia. Its demand for leather imported from the PRC is big and continuous. The Directors consider that the Continuing Connected Transactions with Starcorp are in the interests of the Shareholders as it would guarantee a stable source of supply of wooden furniture and regular sales of leather to Australia, through Starcorp.

## **LISTING RULES IMPLICATIONS**

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 Starcorp Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 31 December 2008 in relation to the Previous Continuing Connected Transactions between the Group and Starcorp. The Previous Continuing Connected Transactions were subject to Independent Shareholders' approval and had been approved by the Independent Shareholders in an extraordinary general meeting of the Company held on 10 February 2009.

The Previous Continuing Connected Transactions and the Starcorp Purchases Connected Transactions are regarded as a series of continuing connected transactions which will be aggregated pursuant to Rule 14A.25 of the Listing Rules. As the aggregate annual amounts of the Previous Continuing Connected Transactions and the Starcorp Purchases Continuing Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Starcorp Purchases Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

As the annual amounts of the Starcorp Sales Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Starcorp Sales Continuing Connected Transactions 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 Continuing Connected Transactions.

## **GENERAL**

The Starcorp Agreement was entered into on normal commercial terms. The 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 Starcorp Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and have been negotiated on an arm's length basis. The Continuing Connected Transactions between the Group and Starcorp will be conducted on normal commercial terms. The Directors (excluding the independent non-executive Directors) are also of the view that the relevant annual cap amounts under the Starcorp Agreement are fair and reasonable.

## **EGM**

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

A circular containing, amongst other things, a notice convening the EGM and further details about the Starcorp Agreement and a letter from the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions 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 meaning 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, the issued Shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the Starcorp Purchases Continuing Connected Transactions and the Starcorp Sales Continuing Connected Transactions;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Starcorp Agreement and the relevant annual cap amounts in relation to the Continuing Connected Transactions, or any adjournment thereof;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, appointed by the Board to advise the Independent Shareholders on the Continuing Connected Transactions;
“Independent Shareholders”	the Shareholders 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;
“Previous Continuing Connected Transactions”	the continuing connected transactions between the Group and Starcorp as contemplated under the Renewed Starcorp Agreement;
“Renewed Starcorp Agreement”	the agreement entered into between the Company and Starcorp on 31 December 2008 in relation to the sale of upholstered furniture by the Group to Starcorp;
“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;
“Sofas UK”	Sofas UK PLC, a limited liability company incorporated in the United Kingdom and a wholly-owned subsidiary of the Company as at the date of this announcement;
“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”	the master agreement entered into between the Company and Starcorp on 9 March 2009;
“Starcorp Purchases Continuing Connected Transactions”	the Starcorp Purchases contemplated under the Starcorp Agreement;
“Starcorp Sales Continuing Connected Transactions”	the Starcorp Sales contemplated under the Starcorp Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunbridge”	Zhejiang Sunbridge Industrial (Group) Co., Ltd., a company incorporated in the PRC and 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;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*For the purpose of this announcement, the exchange rate of US\$1.00 = RMB6.84 has been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in US\$ or RMB have been, could have been or may be converted at such rates.*

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

PRC, 9 March 2009

*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>