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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**

References are made to the announcement of the Company dated 17 December 2007 and the circular of the Company dated 7 January 2008 in respect of the Existing Bedding Concepts Agreement entered into between the Company and Bedding Concepts for the sale of upholstered furniture, and the Existing Haining Agreement entered into between the Company and Haining Yujie for the sale of production wastes.

As both the Existing Bedding Concepts Agreement and the Existing Haining Agreement will expire on 31 December 2010, the Company entered into the Bedding Concepts Renewal Agreement and the Haining Renewal Agreement with Bedding Concepts and Haining Yujie, respectively on 8 December 2010 to renew the term of the Existing Bedding Concepts Agreement and the Existing Haining Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

On 8 December 2010, the Company entered into the Sunbridge Agreement with Sunbridge pursuant to which the Company has agreed to purchase, and will procure its subsidiaries to purchase, wooden products from Sunbridge for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

As at the date of this announcement, each of Bedding Concepts and Haining Yujie is a subsidiary of Sunbridge, and Sunbridge is owned as to 30% by Mr. Zhu Zhangjin, an executive Director and substantial shareholder of the Company. Each of Bedding Concepts, Haining Yujie and Sunbridge is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company under the Listing Rules. Accordingly, transactions under each of the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

## BACKGROUND

References are made to the announcement of the Company dated 17 December 2007 and the circular of the Company dated 7 January 2008 in respect of the Existing Bedding Concepts Agreement entered into between the Company and Bedding Concepts for the sale of upholstered furniture, and the Existing Haining Agreement entered into between the Company and Haining Yujie for the sale of production wastes.

As both the Existing Bedding Concepts Agreement and the Existing Haining Agreement will expire on 31 December 2010, the Company entered into the Bedding Concepts Renewal Agreement and the Haining Renewal Agreement with Bedding Concepts and Haining Yujie, respectively on 8 December 2010 to renew the term of the Existing Bedding Concepts Agreement and the Existing Haining Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

On 8 December 2010, the Company entered into the Sunbridge Agreement with Sunbridge pursuant to which the Company has agreed to purchase, and will procure its subsidiaries to purchase, wooden products from Sunbridge for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

Details of the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement are set out below:

### (1) BEDDING CONCEPTS RENEWAL AGREEMENT

Date:	8 December 2010
Parties:	The Company Bedding Concepts
Subject:	Pursuant to the Bedding Concepts Renewal Agreement, the Company will, and will procure its subsidiaries, to sell upholstered furniture to Bedding Concepts and its subsidiaries (" <b>Bedding Concepts Transactions</b> ").
Term:	The Bedding Concepts Renewal Agreement has a fixed term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).
Price:	The basis of determining the prices for the Bedding Concepts Transactions will be in accordance with: (i) a comparable market price where the normal cost of billing of the furniture concerned will be taken into account; 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 Bedding Concepts 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 Bedding Concepts Transactions for each of the financial years ending 31 December 2011, 2012 and 2013 will not exceed the followings:

	<b>2011</b> <i>US\$' million</i>	<b>2012</b> <i>US\$' million</i>	<b>2013</b> <i>US\$' million</i>
Sales of upholstered furniture	11.0	11.0	11.0

The cap amounts of the Bedding Concepts Transactions are determined with reference to the historical transactional amounts between Bedding Concepts and its subsidiaries and the Group for the two years ended 31 December 2009, and the 10 months ended 31 October 2010, and the anticipated business volume of the Group taking into account the anticipated increases in demand for the upholstered furniture. It is expected that there will be an increase of between 30% and 40% in the Group's transactions with Bedding Concepts from 2011 owing to the continuous growth in demand for the upholstered furniture in recent years as a result of the recovery of the global economic downturn. The Company does not expect that there will be a significant increase in unit price of the upholstered furniture to be sold to Bedding Concepts in the three financial years ending 31 December 2013. The Company is of the view that with the improved overall global economic conditions, the increases in demand and the projected sales order for upholstered furniture from Bedding Concepts is in line with the anticipated market growth in Australia.

The transactions under the Existing Bedding Concepts Agreement were disclosed in the circular of the Company dated 7 January 2008 and were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 22 January 2008. As the Existing Bedding Concepts Agreement is due to expire on 31 December 2010, it is proposed that the Bedding Concepts Renewal Agreement be entered to govern the Bedding Concepts Transactions. The historical transaction amounts between Bedding Concepts and its subsidiaries and the Group for the two financial years ended 31 December 2009 and the 10 months ended 31 October 2010 were as follows:

	<b>For the year ended 31 December 2008 Amount <i>US\$' million</i></b>	<b>For the year ended 31 December 2009 Amount <i>US\$' million</i></b>	<b>For the 10 months ended 31 October 2010* Amount <i>US\$' million</i></b>
Sales of upholstered furniture	1.04	6.07	7.01

\* *unaudited figures*

## **REASONS FOR THE BEDDING CONCEPTS TRANSACTIONS**

Bedding Concepts and its subsidiaries are principally engaged in retail sales of upholstered furniture in Australia. Bedding Concepts is one of Australia's largest privately owned companies of specialty bedding stores and has expanded its business to upholstered furniture. Its demand for upholstered furniture imported from China is big and continuous. The Directors consider that the Bedding Concepts 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 Bedding Concepts Renewal Agreement are fair and reasonable and the entering into of the Bedding Concepts Renewal Agreement is in the interest of the Group and the independent Shareholders as a whole as it would enable the Group to render regular sales to one of the largest privately owned companies of specialty bedding stores in Australia.

## (2) THE HAINING RENEWAL AGREEMENT

- Date: 8 December 2010
- Parties: The Company  
Haining Yujie
- Subject: Pursuant to the 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 (“**Haining Yujie Transactions**”).
- Term: The Haining Renewal Agreement has a fixed term of three years commencing from 1 January 2011 to 31 December 2013 (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 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 term 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 2011, 2012 and 2013 will not exceed the followings:

	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sales of production wastes	8	8	8

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 three years ended 31 December 2009, and the 10 months ended 31 October 2010, 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 2013, 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 2013.

The transactions under the Existing Haining Agreement were disclosed in the announcement dated 17 December 2007. As the Haining Agreement is due to expire on 31 December 2010, it is proposed that the Haining Renewal Agreement be entered to govern the Haining Yujie Transactions.

The historical transaction amounts between Haining Yujie and the Group for the three financial years ended 31 December 2009 and the 10 months ended 31 October 2010 were as follows:

	<b>For the year ended 31 December 2007 Amount RMB' million</b>	<b>For the year ended 31 December 2008 Amount RMB' million</b>	<b>For the year ended 31 December 2009 Amount RMB' million</b>	<b>For the 10 months ended 31 October 2010* Amount RMB' million</b>
Sales of production wastes	11.0	5.0	5.1	3.3

\* *unaudited figures*

## **REASONS FOR THE HAINING YUJIE TRANSACTIONS**

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 by selling the Group's wastes to Haining Yujie, the Group is able to achieve 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 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 Haining Renewal Agreement are fair and reasonable and the entering into of the Haining Renewal Agreement is in the interest of the Group and the independent Shareholders as a whole.

### **(3) THE SUNBRIDGE AGREEMENT**

Date:	8 December 2010
Parties:	The Company  Sunbridge
Subject:	Pursuant to the Sunbridge Agreement, the Company will, and will procure its subsidiaries, to purchase wooden products from Sunbridge and its subsidiaries (" <b>Sunbridge Transactions</b> ").
Term:	The Sunbridge Agreement has a fixed term of three years commencing from 1 January 2011 to 31 December 2013.
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 2011, 2012 and 2013 will not exceed the followings:

	<b>2011</b> <i>RMB' million</i>	<b>2012</b> <i>RMB' million</i>	<b>2013</b> <i>RMB' million</i>
Purchases of wooden products	74	74	74

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 2013; 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 2011 to 2013. There were no historical transactions in respect of the purchase of wooden products from Sunbridge prior to the date of this announcement.

## **REASONS FOR THE SUNBRIDGE TRANSACTIONS**

Sunbridge is principally engaged, through its various subsidiaries, in hardwood furniture manufacturing in China and furniture retailing in Australia. Sunbridge has four production bases in the PRC. It also operates more than 170 retail stores in Australia. 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. 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 Sunbridge Agreement are fair and reasonable and the entering into of the Sunbridge Agreement is in the interest of the Group and the independent Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, each of Bedding Concepts and Haining Yujie is a subsidiary of Sunbridge, and Sunbridge is owned as to 30% by Mr. Zhu Zhangjin, an executive Director and substantial shareholder of the Company. Each of Bedding Concepts, Haining Yujie and Sunbridge is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company under the Listing Rules. Accordingly, transactions under each of the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios for the annual cap amounts under each of the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement are more than 0.1% but less than 5%, the transactions under the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement will only be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements 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 44.57% 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 Continuing Connected Transactions, he has abstained from attending the board meeting and/or voting on the board resolution to approve the Continuing Connected Transactions.

## DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Bedding Concepts”	Furniture and Bedding Concepts Limited (“Bedding Concepts”) (formerly known as Sleep City Holdings Limited), a company incorporated in Australia
“Bedding Concepts Renewal Agreement”	the agreement dated 8 December 2010 entered into between the Company and Bedding Concepts in relation to the sale of upholstered furniture by the Group to Bedding Concepts and its subsidiaries
“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 meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the transactions contemplated under the Bedding Concepts Renewal Agreement, the Haining Renewal Agreement and the Sunbridge Agreement
“Directors”	directors of the Company
“Existing Bedding Concepts Agreement”	the agreement dated 17 December 2007 entered into between the Company and Bedding Concepts in relation to the sale of upholstered furniture by the Group to Bedding Concepts and its subsidiaries
“Existing Haining Agreement”	the agreement dated 17 December 2007 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“Group”	the Company and its subsidiaries
“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
“Haining Yujie”	Haining Yujie Material Recycling Company Limited, a company established in the PRC (海寧宇潔物資回收有限公司)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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 Agreement”	the agreement dated 8 December 2010 entered into between the Company and Sunbridge in relation to the purchase of wooden products by the Group from Sunbridge and its subsidiaries
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this announcement, the exchange rates of RMB0.8583 = HK\$1.00 and US\$1.00 = RMB6.6589 have 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\$ or US\$ 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, 8 December 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive directors of the Company are Mr. Chow Joseph, Dr. Li Qingyuan and Mr. Gu Mingchao.*

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