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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)

**(1) RENEWAL OF
EXISTING CONTINUING CONNECTED TRANSACTION;
AND
(2) CONTINUING CONNECTED TRANSACTION**

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

2016 HAINING RENEWAL AGREEMENT

Reference is made to the announcement of the Company dated 7 November 2013 in relation to, among other things, the 2013 Haining Renewal Agreement entered into between the Company and Haining Yujie for the sale of certain production wastes by the Group to Haining Yujie.

As the 2013 Haining Renewal Agreement will expire on 31 December 2016, the 2016 Haining Renewal Agreement was entered into on 28 November 2016 (after trading hours of the Stock Exchange) to renew the 2013 Haining Renewal Agreement for a fixed term of two years commencing from 1 January 2017 to 31 December 2018 (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, an executive Director and the controlling Shareholder of the Company, directly and indirectly holds approximately 30% of the voting power in its general meeting. Haining Yujie is therefore an associate of Mr. Zhu, and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Haining Renewal Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual cap amount under the 2016 Haining Renewal Agreement are more than 0.1% but less than 5%, the transactions under the 2016 Haining 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.

CONTINUING CONNECTED TRANSACTION

2016 LINGJIA AGREEMENT

On 28 November 2016 (after trading hours of the Stock Exchange), the Company and Lingjia New Material entered into the 2016 Lingjia Agreement pursuant to which, among others, the Company agreed that it will, and will procure its subsidiaries to purchase from Lingjia New Material and its subsidiaries certain raw materials for production of upholstered furniture for a fixed term commencing from 28 November 2016 and ending on 31 December 2018 (both days inclusive).

As at the date of this announcement, Lingjia New Material is wholly-owned by Ms. Zhu Jiayun and Ms. Zhu Lingren, the daughters of Mr. Zhu, who is an executive Director and the controlling Shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are therefore associates of Mr. Zhu, and hence Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Materials are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Lingjia Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) for the annual cap amount under the 2016 Lingjia Agreement are more than 0.1% but less than 5%, the transactions under the 2016 Lingjia 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 TRANSACTION

2016 HAINING RENEWAL AGREEMENT

Reference is made to the announcement of the Company dated 7 November 2013 in relation to, among other things, the 2013 Haining Renewal Agreement entered into between the Company and Haining Yujie for the sale of certain production wastes by the Group to Haining Yujie.

As the 2013 Haining Renewal Agreement will expire on 31 December 2016, the 2016 Haining Renewal Agreement was entered into on 28 November 2016 to renew the 2013 Haining Renewal Agreement for a term of two years commencing from 1 January 2017 to 31 December 2018 (both days inclusive).

Details of the 2016 Haining Renewal Agreement are set out as follows:

Date

28 November 2016 (after trading hours of the Stock Exchange)

Parties

- (i) the Company
- (ii) Haining Yujie

Subject Matter

Pursuant to the 2016 Haining Renewal Agreement, the Company agreed that it 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**”) up to the amount of the annual caps and subject to the terms and conditions of the 2016 Haining Renewal Agreement.

The Company and Haining Yujie will enter into individual orders setting out specific terms of the Haining Yujie Transactions. The terms of the individual orders will be consistent with the principles and terms of the 2016 Haining Renewal Agreement. If there is any conflict between the terms of an individual order and the 2016 Haining Renewal Agreement, the latter shall prevail.

Term

The 2016 Haining Renewal Agreement has a fixed term of two years commencing from 1 January 2017 to 31 December 2018 (both days inclusive).

Pricing Policy

As a general principle, the price and terms of the individual orders in respect of the Haining Yujie Transactions will be on normal commercial terms, negotiated on an arm’s length basis, on similar basis as the Group transacts business with other independent third party customers and shall be on terms which are no less favourable to the Group than those provided to independent third party customers.

Given that no direct comparable price from the market is available, subject to the general principle disclosed above, the Group’s relevant personnel responsible for sales of production wastes will also take into account the following factors when determining the prices for the Haining Yujie Transactions: (i) the comparable market prices of the materials required for the Haining Yujie Transactions with reference to the type and weight of waste involved, in the case of cowhide, whether the cowhide are processed or not; and (ii) the expected costs to be incurred by the Group in providing such products.

The Group will evaluate and assess the scope of the relevant order and prepare a detailed cost calculation with reference to the cost of materials, products and labors. The evaluation and assessment of orders received and the preparation of costs calculations are mainly prepared by the Group’s relevant team of personnel responsible for sales of production wastes and subject to final approval by the head of the sales department. Upon the finalization of the costs calculations, the price for the Haining Yujie Transactions specified under individual purchase order will be determined with reference to the type and quantity of materials required by Haining Yujie. Further, given that the Group has entered into the Haining Yujie Transactions with Haining Yujie for many years, price movement will also be regularly monitored by the Group.

The above factors will be considered by the Group's relevant team of personnel responsible for sales of production wastes in determining the selling prices for all products under the Haining Yujie Transactions and will be subject to the final approval of the head of the sales department of the Group. The senior manager of the Group's internal audit department will also supervise and monitor to ensure that the Haining Yujie Transactions are conducted in accordance with such pricing policy.

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.

Proposed Cap and Historical Transaction Amount

It is proposed that the annual caps of the Haining Yujie Transactions for each of the financial years ending 31 December 2017 and 2018 will not exceed the following:

	For the financial year ending 31 December 2017 RMB' million	For the financial year ending 31 December 2018 RMB' million
Maximum amount of the sale of production wastes	5	5

The proposed annual caps of the Haining Yujie Transactions are determined with reference to (i) the historical transaction amounts between Haining Yujie and the Group for the two years ended 31 December 2015 and the ten months ended 31 October 2016; (ii) the anticipated business volume of the Group taking into account the anticipated increases in demand for production wastes; (iii) discussions between the management of the Company and Haining Yujie; and (iv) 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 two financial years ending 31 December 2018, 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 two financial years ending 31 December 2018.

The transactions under the 2013 Haining Renewal Agreement were disclosed in the announcement dated 7 November 2013. As the 2013 Haining Renewal Agreement is due to expire on 31 December 2016, it is proposed that the 2016 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 2015 and the ten months ended 31 October 2016 were as follows:

	For the financial year ended 31 December 2014 RMB' million	For the financial year ended 31 December 2015 RMB' million	For the ten months ended 31 October 2016* RMB' million
Maximum amount of the sale of production wastes	3.77	3.47	2.32

* *unaudited figures*

Reasons for the 2016 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. 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 (including the independent non-executive Directors) consider that the terms of the 2016 Haining Renewal Agreement (including the proposed annual caps) are entered into on normal commercial terms negotiated on an arm's length basis, and such terms are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, Haining Yujie is a subsidiary of Sunbridge, and Sunbridge is a company in which Mr. Zhu, an executive Director and a controlling Shareholder of the Company, who directly and indirectly holds approximately 30% of the voting power in its general meeting. Haining Yujie is therefore an associate of Mr. Zhu, and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Haining Renewal Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual cap amount under the 2016 Haining Renewal Agreement are more than 0.1% but less than 5%, the transactions under the 2016 Haining 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.

To the best knowledge, information and belief of the Company having made all reasonable enquiries, as at the date of this announcement, none of the Directors, save for Mr. Zhu and his associates, have any material interests in the 2016 Haining Renewal Agreement and the transactions contemplated thereunder. As such, no Director, save for Mr. Zhu and his associates, are required to abstain from voting on the relevant board resolutions to approve the 2016 Haining Renewal Agreement.

CONTINUING CONNECTED TRANSACTION

2016 LINGJIA AGREEMENT

Reference is made to the announcement of the Company dated 1 February 2016 and the circular of the Company dated 29 April 2016 in relation to the Disposal. Lingjia New Material is a company wholly-owned by the purchasers to the Disposal and the company established by Ms. Zhu Jiayun and Ms. Zhu Lingren as the nominee in acquiring the sale interest under the Disposal (excluding Haining Home Direct). Prior to the completion of the Disposal on 25 November 2016, the Company had been making inter-group purchases from the Disposal Group up till 31 October 2016.

On 28 November 2016 (after trading hours of the Stock Exchange), the Company and Lingjia New Material entered into the 2016 Lingjia Agreement pursuant to which, among others, the Company agreed that it will, and will procure its subsidiaries to purchase from Lingjia New Material and its subsidiaries certain raw materials for production of upholstered furniture for a fixed term commencing from 28 November 2016 to 31 December 2018 (both days inclusive).

Details of the 2016 Lingjia Agreement are set out as follows:

Date

28 November 2016

Parties

- (i) the Company
- (ii) Lingjia New Material

Subject Matter

Pursuant to the 2016 Lingjia Agreement, the Company agreed that it will, and will procure its subsidiaries to purchase from Lingjia New Material and its subsidiaries certain raw materials for production of upholstered furniture (including materials such as sofa leather, faux leather and decorative fabrics) (the “**Lingjia Transactions**”) up to the amount of the annual caps and subject to the terms and conditions of the 2016 Lingjia Agreement.

The Company and Lingjia New Material will enter into individual orders setting out specific terms of the Lingjia Transactions. The terms of the individual orders will be consistent with the principles and terms of the 2016 Lingjia Agreement. If there is any conflict between the terms of an individual order and the 2016 Lingjia Agreement, the latter shall prevail.

Term

The 2016 Lingjia Agreement has a fixed term commencing from 28 November 2016 and ending on 31 December 2018 (both days inclusive).

Pricing Policy

As a general principle, the price and terms of the individual orders in respect of the Lingjia Transactions will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party suppliers and shall be on terms which are no less favourable to the Group than those provided by independent third party suppliers.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the prices payable by the Group for the Lingjia Transactions: (i) the comparable market prices of similar products based on the raw materials or types of leather involved as well as information obtained through internal checks and research conducted by the Company; (ii) the quality and prices of the products offered by independent third party suppliers; and (iii) the expected costs to be incurred by Lingjia New Material in providing such products. In addition, the Group will also obtain market prices of the products through publicly available sources on an annual basis.

Given that none of the products under the 2016 Lingjia Agreement has a fixed unit price, in determining the purchase price for an individual order, the Group will invite quotations from at least one to two independent suppliers to get a reference on the prevailing market prices for the relevant products to be procured. Such quotations will be (i) reviewed and evaluated from both the technical and commercial perspectives by the Group's production and procurement departments and subject to the final approval by the Group's general manager of the production department; and (ii) compared against the quotation from Lingjia New Material to ensure that the products to be procured from Lingjia New Material are comparable to the prices for such products being offered by independent third parties. Upon receipt of the initial quotations from Lingjia New Material and the independent suppliers, the Group will then invite each of the suppliers to submit a revised offer based on preliminary feedback provided by the Group. The revised offers will then again be reviewed and evaluated from both the technical and commercial perspectives by the Group's production and procurement departments and compared with the offer of Lingjia New Material and purchases will only be made from Lingjia New Material if the price and terms offered are competitive and comparable and no less favourable to the Group than those offered by independent third party suppliers.

Payment

Payment for the Lingjia Transactions will be settled in such manner as reasonably agreed between the parties.

Proposed Cap and Historical Transaction Amount

It is proposed that the annual caps of the Lingjia Transactions for the period commencing from 28 November 2016 and ending on 31 December 2017 and 2018 will not exceed the following:

	For the period from 28 November 2016 to 31 December 2016 <i>RMB' million</i>	For the financial year ending 31 December 2017 <i>RMB' million</i>	For the financial year ending 31 December 2018 <i>RMB' million</i>
Maximum amount of raw materials to be purchased	15	70	70

The proposed annual caps of the Lingjia Transactions are determined with reference to (i) the original acquisition costs of such raw materials for Lingjia New Material and its subsidiaries; (ii) the anticipated business volume of the Group and the corresponding anticipated increases in demand for raw materials to carry out its businesses; and (iii) the discussions between the management of the Company and Lingjia New Material and its subsidiaries. The Company does not expect that there will be a significant increase in acquisition costs of the raw materials to be sold to the Company by Lingjia New Material and its subsidiaries for the period commencing from 28 November 2016 and ending on 31 December 2018.

As aforesaid, the Company had been making inter-company purchases from the Disposal Group up till 31 October 2016. The historical transaction amounts regarding the intra-group purchases from the Disposal Group (excluding Haining Home Direct) for the two years ended 31 December 2015 and for the period from 1 January 2016 to 31 October 2016 amount to approximately RMB9.51 million, RMB1.70 million and RMB13.70 million, respectively.

Reasons for the 2016 Lingjia Agreement

Lingjia New Material is a company established under the laws of the PRC with limited liability. Its principal business is research and development of new material. Owing to the nature of business of the Group, the Group requires a reliable supply of raw materials in order to meet the Group's operation needs for production of upholstered furniture. In view of the above, the Directors are of the view that the 2016 Lingjia Agreement will help the Group secure a stable supply of raw materials, thereby maintaining stability of its operations. It is also anticipated that the 2016 Lingjia Agreement will help the Group save time and costs incurred to identify other suitable suppliers.

The Directors (including the independent non-executive Directors) consider that the terms of the 2016 Lingjia Agreement (including the proposed annual caps) are entered into on normal commercial terms negotiated on an arm's length basis, and such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, Lingjia New Material is wholly-owned by Ms. Zhu Jiayun and Ms. Zhu Lingren, the daughters of Mr. Zhu, an executive Director and the controlling Shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are therefore associates of Mr. Zhu, and hence Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Lingjia Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) for the annual cap amount under the 2016 Lingjia Agreement are more than 0.1% but less than 5%, the transactions under the 2016 Lingjia 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.

To the best knowledge, information and belief of the Company having made all reasonable enquiries, as at the date of this announcement, none of the Directors, save for Mr. Zhu and his associates, have any material interests in the 2016 Lingjia Agreement and the transactions contemplated thereunder. As such, no Director, save for Mr. Zhu and his associates, are required to abstain from voting on the relevant board resolutions to approve the 2016 Lingjia Agreement.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of (i) manufacturing of upholstered furniture; (ii) property development; and (iii) tourism resort-related business (comprising mainly tourism resort related operation, operation of restaurant and hotel and provision of travel-related services) in the PRC. As a result of the completion of disposal of the Disposal Group as set out in the announcement of the Company dated 25 November 2016, the Group is no longer engaged in the manufacturing of automotive and furniture leather business.

INTERNAL CONTROL FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by senior manager of the Group's internal audit department and the management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms, in accordance with the pricing policy of the Group for the relevant continuing connected transaction and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The senior manager of the Group's internal audit department and the management of the Group will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable. The independent non-executive Directors would continue to review the transactions contemplated under the relevant continuing connected transaction and its auditors would also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the relevant continuing connected transaction have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“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
“2016 Lingjia Agreement”	the agreement dated 28 November 2016 entered into between the Company and Lingjia New Material in relation to the purchase of certain raw materials for production of upholstered furniture by the Group from Lingjia New Material and its subsidiaries
“2016 Haining Renewal Agreement”	the agreement dated 28 November 2016 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“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
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire interest of the Disposal Group by the Group to Ms. Zhu Jiayun and Ms. Zhu Lingren

“Disposal Group”	collectively, 海寧卡森皮革有限公司(Haining Kasen Leather Company Limited*), 海寧森德皮革有限公司(Haining Schinder Leather Company Limited*), 海寧森美貿易有限公司(Haining Senmei Trading Company Limited*), 鹽城市大豐華盛皮革有限公司(Yancheng Dafeng Huasheng Leather Company Limited*), 海寧家值傢俬有限公司(Haining Home Direct Furniture Company Limited*), 無極卡森實業有限公司(Wuji Kasen Industrial Company Limited*) and 海寧卡森汽車內飾材料有限公司(Haining Kasen Automotive Interior Materials Company Limited*)
“Group”	the Company and its subsidiaries
“Haining Home Direct”	海寧家值傢俬有限公司(Haining Home Direct Furniture Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lingjia New Material”	海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Ms. Zhu Jiayun and Ms. Zhu Lingren
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Zhangjin, being a Director and a controlling Shareholder of the Company
“Ms. Zhu Jiayun”	Ms. Zhu Jiayun, being the elder daughter of Mr. Zhu
“Ms. Zhu Lingren”	Ms. Zhu Lingren, being the younger daughter of Mr. Zhu

“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
“%”	per cent.

* *The English name referred herein represents management’s best efforts at translating the Chinese name of the company, as no English name has been registered, thus it is for identification purposes only.*

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

PRC, 28 November 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Zhu Zhangjin, Mr. Sun Hongyang and Mr. Zhang Mingfa, Michael and the independent non-executive Directors are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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

In case of inconsistency, the English text of this announcement shall prevail over the Chinese text.