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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 (i) the announcement of the Company dated 31 December 2008 and the circular of the Company dated 21 January 2009 in respect of the Renewed Starcorp Agreement entered into between the Company and Starcorp for the sale of upholstered furniture by the Group to Starcorp; and (ii) the announcement of the Company dated 9 March 2009 and the circular of the Company dated 26 March 2009 in respect of the Starcorp Agreement entered into between the Company and Starcorp for the sale of leather by the Group to Starcorp.

Reference is also made to the announcement of the Company dated 8 December 2010 in respect of the Bedding Concepts Renewal Agreement entered into between the Company and Bedding Concepts for the sale of upholstered furniture by the Group to Bedding Concepts and its subsidiaries for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

As the Renewed Starcorp Agreement and the Starcorp Agreement will expire on 31 December 2011 and for the purpose of consolidating all existing and future transactions between members of the Group and members of the Sunbridge Group (including Starcorp and Bedding Concepts) in relation to the purchase of upholstered furniture by the Sunbridge Group and the purchase of leather by the Sunbridge Group, the Company entered into the Sunbridge Master Agreement with Sunbridge on 19 December 2011 pursuant to which the Company has agreed to (i) sell, and will procure its subsidiaries to sell, upholstered furniture to the Sunbridge Group, and (ii) sell, and will procure its subsidiaries to sell leather to the Sunbridge Group for a term of two years commencing from 1 January 2012 to 31 December 2013 (both days inclusive). Accordingly, the parties have agreed to terminate the Bedding Concepts Renewal Agreement by mutual consent upon the taking effect of the Sunbridge Master Agreement. The Directors confirm that neither Bedding Concepts nor the Company has to pay the other party any compensation as a result of the termination of the Bedding Concepts Renewal Agreement, and that the termination of the Bedding Concepts Renewal Agreement will not cause any material adverse impact to the Group due to the entering into of the Sunbridge Master Agreement.

As at the date of this announcement, each of Starcorp and Bedding Concepts is owned respectively as to 95% and 100% by Sunbridge, a company in which Mr. Zhu Zhangjin, an executive Director and a substantial 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 hence a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Sunbridge Master 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 the Sunbridge Master Agreement are more than 0.1% but less than 5%, the transactions under the Sunbridge Master 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 (i) the announcement of the Company dated 31 December 2008 and the circular of the Company dated 21 January 2009 in respect of the Renewed Starcorp Agreement entered into between the Company and Starcorp for the sale of upholstered furniture by the Group to Starcorp; and (ii) the announcement of the Company dated 9 March 2009 and the circular of the Company dated 26 March 2009 in respect of the Starcorp Agreement entered into between the Company and Starcorp for the sale of leather by the Group to Starcorp.

Reference is also made to the announcement of the Company dated 8 December 2010 in respect of the Bedding Concepts Renewal Agreement entered into between the Company and Bedding Concepts for the sale of upholstered furniture by the Group to Bedding Concepts and its subsidiaries for a term of three years commencing from 1 January 2011 to 31 December 2013 (both days inclusive).

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Details of the Sunbridge Master Agreement are set out below:

### SUNBRIDGE MASTER AGREEMENT

Date: 19 December 2011

Parties: The Company  
Sunbridge

Subject: Pursuant to the Sunbridge Master 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 Sunbridge Master Agreement has a fixed term of two years commencing from 1 January 2012 to 31 December 2013 (both days inclusive).

**Price:** The basis of determining the prices for the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions 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 (as the case may be) 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 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 2012 and 2013 will not exceed the followings:

	<b>2012</b>	<b>2013</b>
	<i>RMB' million</i>	<i>RMB' million</i>
Sunbridge Furniture Sales Transactions	20	20
Sunbridge Leather Sales Transactions	3	3

The cap amounts of the Continuing Connected Transactions are determined with reference to the historical transaction amounts between the Sunbridge Group (including Starcorp and Bedding Concepts) and the Group for the two years ended 31 December 2010, and the 10 months ended 31 October 2011, and based on discussion between the management of the Company and Sunbridge, (i) the anticipated business volume of the Group taking into account the projected purchase orders for upholstered furniture from the Group for the two financial years ending 31 December 2013, and (ii) the anticipated demand of leather to be used by members of the Sunbridge Group as assembly in the production of wooden furniture for the period commencing from 1 January 2011 to 31 December 2013, as compared to the annual consumption of leather by Sunbridge in the production of wooden furniture in the previous years.

The historical transaction amounts between the Sunbridge Group (including Starcorp and Bedding Concepts) and the Group for the two years ended 31 December 2010, and the 10 months ended 31 October 2011 were as follows:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the 10 months ended 31 October 2011*</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Sunbridge Furniture Sales Transactions	48.14	71.98	43.37
Sunbridge Leather Sales Transactions	2.10	1.17	0.54

\* *unaudited figures*

## **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.

Sunbridge is principally engaged, through its various subsidiaries, in hardwood furniture manufacturing in the PRC and furniture retailing in Australia. Sunbridge has three production bases in the PRC. It also operates more than 70 retail stores in Australia. Given the Sunbridge Group's furniture manufacturing and retailing businesses are growing rapidly, its demand for upholstered furniture and leather imported from the PRC is continuous.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected 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 Master Agreement are fair and reasonable and the entering into of the Sunbridge Master 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 Starcorp and Bedding Concepts is owned respectively as to 95% and 100% by Sunbridge, a company in which Mr. Zhu Zhangjin, an executive Director and a substantial 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 hence a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Sunbridge Master 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 the Sunbridge Master Agreement are more than 0.1% but less than 5%, the transactions under the Sunbridge Master 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 44.36% 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, 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 Transactions”	the transactions contemplated under the Sunbridge Master Agreement, including the Sunbridge Furniture Sales Transactions and the Sunbridge Leather Sales Transactions
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Renewed Starcorp Agreement”	the agreement dated 31 December 2008 entered into between the Company and Starcorp 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
“Starcorp”	Starcorp Corporation Pty. Ltd., a company incorporated under the laws of Australia
“Starcorp Agreement”	the master agreement dated 9 March 2009 entered into between the Company and Starcorp in relation to the sale of leather by the Group to Starcorp
“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 Group”	Sunbridge and its subsidiaries
“Sunbridge Master Agreement”	the agreement dated 19 December 2011 entered into between the Company and Sunbridge in relation to the sale of upholstered furniture and leather by the Group to the Sunbridge Group
“%”	per cent.

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

PRC, 19 December 2011

*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. Sun Steve Xiaodi, Dr. Li Qingyuan and Mr. Zhou Lingqiang.*

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