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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) MAJOR TRANSACTION IN RELATION TO
THE 2021 HHD MASTER AGREEMENT;
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTION IN RELATION TO
THE 2021 CCT MASTER AGREEMENT;
AND
(3) RENEWAL OF CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE 2021 HAINING RENEWAL AGREEMENT**

THE 2021 HHD MASTER AGREEMENT

As the 2018 HHD Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, Hero Time and Haining Home Direct entered into the 2021 HHD Master Agreement, pursuant to which, among others, the Group agreed to provide the HHD Master Guarantee, and Hero Time agreed to provide the HHD Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to Haining Home Direct in the HHD Guarantee Amount of up to RMB370 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 HHD Master Agreement.

THE 2021 CCT MASTER AGREEMENT

As the 2018 CCT Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the 2021 CCT Master Agreement, pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the annual caps of up to RMB393 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 CCT Master Agreement.

THE 2021 HAINING RENEWAL AGREEMENT

As the 2018 Haining Renewal Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company and Haining Yujie entered into the 2021 Haining Renewal Agreement for the sale of certain production wastes by the Group to Haining Yujie for a fixed term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

LISTING RULES IMPLICATIONS

The 2021 HHD Master Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the provision of the HHD Guarantee Amount under the 2021 HHD Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 HHD Master Agreement constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the 2021 HHD Master Agreement, and therefore no Shareholder will be required to abstain from voting on the resolution(s) in respect of the 2021 HHD Master Agreement and the transactions contemplated thereunder at the EGM.

The 2021 CCT Master Agreement

As at the date of this announcement, each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual caps under the 2021 CCT Master Agreement are higher than 5%, the transactions under the 2021 CCT Master Agreement constitute a non-exempt continuing connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the annual caps under the 2021 CCT Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 CCT Master Agreement also constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the CCT Counter Guarantee by the CCT Counter Guarantors under the 2021 CCT Master Agreement and provision of the guarantee by the CCT Group for the bank facilities to the Group in an aggregate amount of RMB545 million and the associated costs without limitation to interest payment constitute financial assistance received by the Group from the connected person. As the above-mentioned financial assistances received by the Group from the CCT Counter Guarantors and the CCT Group is on normal commercial terms or better and is not secured by the assets of the Group, they are fully exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Shareholder has any material interest in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps, at the EGM.

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, has any material interests in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting on the relevant board resolution(s) approving the 2021 CCT Master Agreement and the transactions contemplated thereunder.

The 2021 Haining Renewal Agreement

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 2021 Haining Renewal Agreement constitute continuing connected transaction 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 caps under the 2021 Haining Renewal Agreement are more than 0.1% but all are less than 5%, the transactions under the 2021 Haining Renewal Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements 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, has any material interests in the 2021 Haining Renewal Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting on the relevant board resolution(s) approving the 2021 Haining Renewal Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the 2021 CCT Master Agreement and the transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene an EGM for the Shareholders and the Independent Shareholders to consider and, if thought fit, approve the 2021 HHD Master Agreement, the 2021 CCT Master Agreement and the transaction contemplated thereunder, including the annual caps.

A circular containing, among others, (i) details of the 2021 HHD Master Agreement; (ii) details of the 2021 CCT Master Agreement; (iii) the recommendation of the Independent Board Committee; (iv) the advice of the Independent Financial Adviser; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 13 December 2021 as additional time is required for preparing the relevant information to be included in the circular.

INTRODUCTION

References are made to announcements of the Company dated (i) 12 September 2016 in relation to, among other things, the 2016 HHD Master Agreement and the 2016 CCT Master Agreement; (ii) 28 November 2016 in relation to, among other things, the 2016 Haining Renewal Agreement; and (iii) 20 November 2018 in relation to, among other things, the 2018 HHD Master Agreement, the 2018 CCT Master Agreement and the 2018 Haining Renewal Agreement.

References are also made to the announcements of the Company dated 1 February 2016 and 25 November 2016 and the circular of the Company dated 29 April 2016 in relation to the Disposal. On 1 February 2016, the Company, the Vendors, the Purchasers and Mr. Zhu entered into a disposal agreement, pursuant to which, among others, the Vendors agreed to sell and the Purchasers agreed to acquire the entire equity interest of the Disposal Group (the “**Disposal Agreement**”). Completion of the Disposal took place on 25 November 2016. Haining Home Direct and the CCT Group formed part of the Disposal Group under the Disposal Agreement.

In view of the above, the Company had on 12 September 2016 entered into the 2016 HHD Master Agreement and the 2016 CCT Master Agreement to govern the said provision of guarantees and asset pledge after completion of the Disposal.

With regard to the Group's general business operation and practice, on one hand, the Group, as guarantor, provided guarantee for the performance and repayment obligations of bank facilities to Haining Home Direct and the CCT Group which were pledged by the assets of the Group. On the other hand, Haining Home Direct and the CCT Group, as guarantors, provided guarantee for the performance and repayment obligations of bank facilities to the Group. Details of the said guaranteed bank facilities and loans drawdown up to 9 November 2021 are summarized as follows:

	Facility Amount		Guarantee with Asset Pledge		Guarantee	
	Total Amount (Approx. RMB'million)	Actual Drawdown (Approx. RMB'million)	Total Amount (Approx. RMB'million)	Actual Drawdown (Approx. RMB'million)	Total Amount (Approx. RMB'million)	Actual Drawdown (Approx. RMB'million)
Haining Home Direct						
Bank facilities to Haining Home Direct by the Group	354.0	323.3	324.0	293.3	30.0	30.0
The CCT Group						
Bank facilities to the CCT Group by the Group	373.7	323.2	100.8	100.8	272.9	222.4
The Group						
Bank facilities to the Group by Haining Home Direct and a member of the CCT Group	500.0	500.0	–	–	500.0	500.0
Bank facilities to the Group by a subsidiary of the Company and a member of the CCT Group	45.0	45.0	–	–	45.0	45.0
Bank facilities to the Group by subsidiaries of the Company and Haining Home Direct and its subsidiary	57.5	57.5	12.5	12.5	45.0	45.0

The assets provided by the Group for the above guarantee included land use rights, properties and equity investment.

Save for the above, the Group neither provided any guarantee to the remaining companies under the Disposal Group or vice versa.

THE 2021 HHD MASTER AGREEMENT

As the 2018 HHD Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, Hero Time and Haining Home Direct entered into the 2021 HHD Master Agreement, pursuant to which, among others, the Group agreed to provide the HHD Master Guarantee, and Hero Time agreed to provide the HHD Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to Haining Home Direct in the HHD Guarantee Amount of up to RMB370 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 HHD Master Agreement.

Details of the 2021 HHD Master Agreement are set out as follows:

Date: 17 November 2021 (after trading hours)

Parties: (1) the Company;
(2) Hero Time; and
(3) Haining Home Direct.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hero Time and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the 2021 HHD Master Agreement, the Group agreed to provide the HHD Master Guarantee, and Hero Time agreed to provide the HHD Counter Guarantee in respect of the HHD Guarantee Amount of up to RMB370 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive) (the "**HHD Guarantee Period**").

The HHD Guarantee Amount was determined after arm's length negotiations between the Company and Hero Time with reference to, among others, the existing bank facilities of RMB354.0 million guaranteed by the Group to Haining Home Direct and the associated costs, without limitation to interest payment.

Consideration

Neither the Company nor Hero Time will receive any fee or commission from providing the HHD Master Guarantee and the HHD Counter Guarantee respectively.

Collateral

The Company agreed to continue to provide guarantee and pledge the Group's assets for the HHD Guarantee Amount.

The HHD Counter Guarantee shall be secured by the assets of Hero Time, without limitation to the transfer of entire interest of Haining Home Direct.

Effectiveness conditions

The HHD Master Guarantee and the HHD Counter Guarantee shall become effective upon fulfillment of the following conditions:

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties in connection with the 2021 HHD Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Shareholders' approval for the 2021 HHD Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived.

Major representations and warranties of Hero Time

The major representations and warranties of Hero Time are summarized as follows:

- (i) Haining Home Direct and its subsidiary shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of approximately RMB557.5 million and the associated costs without limitation to interest payment during the HHD Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, Hero Time shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of Haining Home Direct during the HHD Guarantee Period;
- (iii) without the written consent of the Group, Hero Time shall ensure that Haining Home Direct will not increase its total bank loans to the extent that exceed the guaranteed bank facilities of RMB354 million provided by the Group to Haining Home Direct during the HHD Guarantee Period;
- (iv) without the written consent of the Group, Haining Home Direct shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of Haining Home Direct, without limitation to material acquisition and disposal and dividend distribution during the HHD Guarantee Period; and

- (v) Hero Time agrees to, at the request of the Company, provide any information of Haining Home Direct (including its financial statements) from time to time to the Company.

Information on parties to the 2021 HHD Master Agreement

Hero Time is a company incorporated in the Republic of Seychelles with limited liability and is wholly beneficially owned by Ms. Jin Caifeng. It is principally engaged in investment holding.

Haining Home Direct is a company established in the PRC with limited liability and is wholly-owned by Hero Time. It is principally engaged in the manufacturing of furniture leather in the PRC.

Reasons for and benefits of the 2021 HHD Master Agreement

Since the completion of the Disposal Agreement, the parties to the Disposal Agreement had exerted efforts to arrange for the discharge and release of all the guarantee obligations and liabilities of the Group in respect of the bank facilities to Haining Home Direct and Haining Home Direct in respect of the bank facilities to the Group. However, despite on-going negotiations between the Group and the relevant banks in the PRC for the said discharge and release, the Group has yet to reach a consensus with the said banks to discharge and release all guarantee obligations and liabilities. The Directors consider that the continued provision of such guarantee to and by Haining Home Direct will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

The Directors believe that the Group is further protected and compensated by the HHD Counter Guarantee provided. The Directors are also of the view that the provision of the HHD Master Guarantee under the 2021 HHD Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

Having considered the above, the Company has decided to continue to provide the HHD Master Guarantee by entering into the 2021 HHD Master Agreement.

In view of the above, the Directors are of the view that the terms of the 2021 HHD Master Agreement are on normal commercial terms, fair and reasonable and the entering into the 2021 HHD Master Agreement is in the interests of the Company and its Shareholders as a whole.

THE 2021 CCT MASTER AGREEMENT

As the 2018 CCT Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the 2021 CCT Master Agreement, pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the annual caps of up to RMB393 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 CCT Master Agreement.

Details of the 2021 CCT Master Agreement are set out as follows:

Date: 17 November 2021 (after trading hours)

Parties: (1) the Company;
(2) Mr. Zhu;
(3) Ms. Zhu Jiayun;
(4) Ms. Zhu Lingren;
(5) Lingjia New Material;
(6) Haining Schinder; and
(7) Dafeng Huasheng.

As at the date of this announcement, each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

Subject matter

Pursuant to the 2021 CCT Master Agreement, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the annual caps as set out below, subject to the terms and conditions of the 2021 CCT Master Agreement.

Annual caps

The proposed annual caps for the three financial years ending 31 December 2024 (the “CCT Guarantee Period”) under the 2021 CCT Master Agreement are as follows:–

	For the financial year ending 31 December 2022 <i>RMB'million</i>	For the financial year ending 31 December 2023 <i>RMB'million</i>	For the financial year ending 31 December 2024 <i>RMB'million</i>
Maximum amount	393	393	393

The annual caps was determined after arm’s length negotiations between the Company and the CCT Counter Guarantors with reference to, among others, the existing bank facilities of approximately RMB373.7 million guaranteed by the Group to the CCT Group and the associated costs, without limitation to interest payment.

Consideration

Neither the Company nor the CCT Counter Guarantors will receive any fee or commission from providing the CCT Master Guarantee and the CCT Counter Guarantee respectively.

Collateral

The Company agreed to continue to provide guarantee and pledge the Group’s assets for the CCT Master Guarantee.

Effectiveness conditions

The CCT Master Guarantee and the CCT Counter Guarantee shall become effective upon fulfillment of the following conditions:

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties in connection with the 2021 CCT Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Independent Shareholders’ approval for the 2021 CCT Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived.

Major representations and warranties of the CCT Counter Guarantors

The major representations and warranties of the CCT Counter Guarantors are summarized as follows:

- (i) the CCT Group shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment during the CCT Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the CCT Group during the CCT Guarantee Period;
- (iii) without the written consent of the Group, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of approximately RMB373.7 million provided by the Group to the CCT Group during the CCT Guarantee Period;
- (iv) without the written consent of the Group, the CCT Group shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group, without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period; and
- (v) the CCT Counter Guarantors agree to, at the request of the Company, provide any information of the CCT Group (including their financial statements) from time to time to the Company.

Information on parties to the 2021 CCT Master Agreement

As at the date of this announcement, Mr. Zhu is a Director and the controlling shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. The CCT Group is wholly-owned subsidiaries of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the remaining shareholders of Lingjia New Material (i) owns less than 30% interest in Lingjia New Material; and (ii) is ultimately owned by third parties independent of the Company and its connected persons.

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.

Haining Schinder is a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather.

Dafeng Huasheng is a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC.

Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material.

Reasons for and benefits of the 2021 CCT Master Agreement

Since the completion of the Disposal Agreement, the parties to the Disposal Agreement had exerted efforts to arrange for the discharge and release all the guarantee obligations and liabilities of the Group in respect of the bank facilities to the CCT Group and the CCT Group in respect of the bank facilities to the Group. However, despite on-going negotiations between the Group and the relevant banks in the PRC for the said discharge and release, the Group has yet to reach a consensus with the said banks to discharge and release all guarantee obligations and liabilities. As at the date of this announcement, the CCT Group together with either Haining Home Direct or a subsidiary of the Company provided guarantees in respect of bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment. The Company considers that the continued provision of guarantees to and by the CCT Group will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

The Company believes that the Group is further protected and compensated by the CCT Counter Guarantee provided. The Company is also of the view that the provision of the CCT Master Guarantee under the 2021 CCT Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

Having considered the above, the Company has decided to continue to provide the CCT Master Guarantee by entering into the 2021 CCT Master Agreement.

In view of the above, the Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2021 CCT Master Agreement are on normal commercial terms, fair and reasonable and the entering into the 2021 CCT Master Agreement is in the interests of the Company and its Shareholders as a whole.

THE 2021 HAINING RENEWAL AGREEMENT

As the 2018 Haining Renewal Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company and Haining Yujie entered into the 2021 Haining Renewal Agreement for the sale of certain production wastes by the Group to Haining Yujie for a fixed term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Details of the 2021 Haining Renewal Agreement are set out as follows:

Date

17 November 2021 (after trading hours)

Parties

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

Subject Matter

Pursuant to the 2021 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 2021 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 2021 Haining Renewal Agreement. If there is any conflict between the terms of an individual order and the 2021 Haining Renewal Agreement, the latter shall prevail.

Term

The 2021 Haining Renewal Agreement has a fixed term of three years commencing from 1 January 2022 to 31 December 2024 (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.

In the circumstances 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 wastes 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 Annual Caps and Historical Transaction Amounts

It is proposed that the annual caps of the Haining Yujie Transactions for each of the three financial years ending 31 December 2024 will not exceed the following:

	For the financial year ending 31 December 2022 <i>RMB'million</i>	For the financial year ending 31 December 2023 <i>RMB'million</i>	For the financial year ending 31 December 2024 <i>RMB'million</i>
Maximum amount of the sale of production wastes	5	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 2020 and the nine months ended 30 September 2021; (ii) the anticipated business volume of the Group taking into account the anticipated demand for production wastes; (iii) discussions between the management of the Company and Haining Yujie; and (iv) the anticipated 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 2024, with reference 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 2024.

The historical transaction amounts between Haining Yujie and the Group for the two financial years ended 31 December 2020 and the nine months ended 30 September 2021 were as follows:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the nine months ended 30 September 2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Maximum amount of the sale of production wastes	1.9	1.3	0.8

Information on parties to the 2021 Haining Renewal Agreement

Haining Yujie is a company established in the PRC with limited liability and is owned as to 80% by Sunbridge. Sunbridge is owned as to 59.53% by Ms. Li Shilun (among which approximately 30% is held on behalf of Mr. Zhu.) To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the remaining shareholders of Sunbridge (i) owns less than 30% interest in Sunbridge; and (ii) is ultimately owned by third parties independent of the Company and its connected persons.

Haining Yujie is a recycling company which is principally engaged in dealing with different kind of wastes.

Reasons for and benefits of the 2021 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 2021 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.

INFORMATION ON THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of (a) provisions of tourism and/or resort related business, restaurant, hotel operations and provisions of travel related services; (b) property development; and (c) manufacture and trade of upholstered furniture in the PRC.

LISTING RULES IMPLICATIONS

The 2021 HHD Master Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the provision of the HHD Guarantee Amount under the 2021 HHD Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 HHD Master Agreement constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the 2021 HHD Master Agreement, and therefore no Shareholder will be required to abstain from voting on the resolution(s) in respect of the 2021 HHD Master Agreement and the transactions contemplated thereunder at the EGM.

The 2021 CCT Master Agreement

As at the date of this announcement, each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual caps under the 2021 CCT Master Agreement are higher than 5%, the transactions under the 2021 CCT Master Agreement constitute a non-exempt continuing connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the annual caps under the 2021 CCT Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 CCT Master Agreement also constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the CCT Counter Guarantee by the CCT Counter Guarantors under the 2021 CCT Master Agreement and provision of the guarantee by the CCT Group for the bank facilities to the Group in an aggregate amount of RMB545 million and the associated costs without limitation to interest payment constitute financial assistance received by the Group from the connected person. As the above-mentioned financial assistances received by the Group from the CCT Counter Guarantors and the CCT Group is on normal commercial terms or better and is not secured by the assets of the Group, they are fully exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Shareholder has any material interest in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps, at the EGM.

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, has any material interests in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting on the relevant board resolution(s) approving the 2021 CCT Master Agreement and the transactions contemplated thereunder.

The 2021 Haining Renewal Agreement

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 2021 Haining Renewal Agreement constitute continuing connected transaction 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 caps under the 2021 Haining Renewal Agreement are more than 0.1% but all are less than 5%, the transactions under the 2021 Haining Renewal Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements 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, has any material interests in the 2021 Haining Renewal Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting on the relevant board resolution(s) approving the 2021 Haining Renewal Agreement and the transactions contemplated thereunder.

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.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the 2021 CCT Master Agreement and the transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene an EGM for the Shareholders and the Independent Shareholders to consider and, if thought fit, approve the 2021 HHD Master Agreement, the 2021 CCT Master Agreement and the transaction contemplated thereunder, including the annual caps.

A circular containing, among others, (i) details of the 2021 HHD Master Agreement; (ii) details of the 2021 CCT Master Agreement; (iii) the recommendation of the Independent Board Committee; (iv) the advice of the Independent Financial Adviser; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 13 December 2021 as additional time is required for preparing the relevant information to be included in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“2016 CCT Master Agreement”	the master agreement dated 12 September 2016 entered into between the Company, the CCT Counter Guarantors, the CCT Group and Haining Kasen Leather in relation to the provision of guarantee by the Group to the CCT Group and Haining Kasen Leather and counter guarantee by the CCT Counter Guarantors to the Company
“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
“2016 HHD Master Agreement”	the master agreement dated 12 September 2016 entered into among the Company, Hero Time and Haining Home Direct in relation to the provision of certain guarantee by the Group to Haining Home Direct, and counter guarantee by Hero Time to the Company
“2018 CCT Master Agreement”	the master agreement dated 20 November 2018 entered into between the Company, the CCT Counter Guarantors, the CCT Group and Haining Kasen Leather in relation to the provision of guarantee by the Group to the CCT Group and Haining Kasen Leather and counter guarantee by the CCT Counter Guarantors to the Company
“2018 Haining Renewal Agreement”	the agreement dated 20 November 2018 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“2018 HHD Master Agreement”	the master agreement dated 20 November 2018 entered into among the Company, Hero Time and Haining Home Direct in relation to the provision of certain guarantee by the Group to Haining Home Direct, and counter guarantee by Hero Time to the Company
“2021 CCT Master Agreement”	the master agreement dated 17 November 2021 entered into among the Company, the CCT Counter Guarantors and the CCT Group in relation to the CCT Master Guarantee and the CCT Counter Guarantee

“2021 Haining Renewal Agreement”	the agreement dated 17 November 2021 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“2021 HHD Master Agreement”	the master agreement dated 17 November 2021 entered into among the Company, Hero Time and Haining Home Direct in relation to the HHD Master Guarantee and HHD Counter Guarantee
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Counter Guarantee”	the counter guarantee provided by the CCT Counter Guarantors to fully indemnify the Company up to the amount of the annual caps under the 2021 CCT Master Agreement
“CCT Counter Guarantors”	collectively, Mr. Zhu, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material
“CCT Group”	collectively, Haining Schinder and Dafeng Huasheng, which formed part of the Disposal Group
“CCT Master Guarantee”	the guarantee provided by the Group to the CCT Group up to the amount of the annual caps under the 2021 CCT Master Agreement
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dafeng Huasheng”	鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*), a company established under the laws of the PRC with limited liability and being part of the Disposal Group
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire interest of the Disposal Group by the Group to the Purchasers

“Disposal Group”	collectively, Haining Kasen Leather, Haining Schinder, Haining Home Direct, 海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), Dafeng Huasheng, 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*)
“EGM”	the extraordinary general meeting to be held and convened by the Company to consider and, if thought fit, approve the 2021 HHD Master Agreement, the 2021 CCT Master Agreement and the transaction contemplated thereunder, including the annual caps
“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 Kasen Leather”	海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“Haining Schinder”	海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“Haining Yujie”	海寧宇潔物資回收有限公司 (Haining Yujie Material Recycling Company Limited*), a company established in the PRC
“Hero Time”	Hero Time Ventures Limited, a company incorporated in the Republic of Seychelles with limited liability
“HHD Counter Guarantee”	the counter guarantee provided by Hero Time to fully indemnify the Company for the HHD Guarantee Amount
“HHD Guarantee Amount”	up to RMB370 million
“HHD Master Guarantee”	the guarantee provided by the Group to Haining Home Direct for the HHD Guarantee Amount
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, which has been formed for the purpose of advising the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Grand Moore Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps
“Independent Shareholders”	Shareholders other than those who have material interest in the 2021 CCT Master Agreement and the transactions contemplated thereunder and are required to abstain from voting at the EGM
“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 63.36% owned by Ms. Zhu Jiayun and Ms. Zhu Lingren as at the date of this announcement
“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, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchasers”	Ms. Zhu Jiayun and Ms. Zhu Lingren
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of USD0.00015 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunbridge”	浙江聖邦實業集團有限公司 (Zhejiang Sunbridge Industrial (Group) Co., Ltd.*), a company incorporated in the PRC
“Vendor A”	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Vendor B”	浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Vendors”	Vendor A and Vendor B
“%”	per cent

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

17 November 2021

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Ms. Zhou Xiaohong and Mr. Zhu Ruijun, 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 the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.

** for identification purpose only*