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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)**

### **DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE**

The Board announces that on 19 June 2013, the Company and Shenjianong entered into the JV Agreement pursuant to which the Company and Shenjianong have agreed to establish the JV Company to participate in the auction and/or tender of the Land and to cooperate in the development of the Land. The JV Company will be owned as to 49% by the Company and as to 51% by Shenjianong, and as the Company will gain control over the board of directors of the JV Company, the financial results of the JV Company will be consolidated into the financial statements of the Group. The investment of the Company in the JV Company will be funded by the internal resources of the Group and bank borrowings.

As the applicable percentage ratios as set out in the Listing Rules in respect of the capital committed to the establishment of the JV Company are more than 5% but is less than 25%, the joint venture arrangement under the JV Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As the auction and/or tender of the Land by the JV Company may or may not be successful, shareholders and public investors are advised to exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

The Board announces that on 19 June 2013, the Company and Shenjianong entered into the JV Agreement pursuant to which the Company and Shenjianong have agreed to establish the JV Company to participate in the auction and/or tender of the Land and to cooperate in the development of the Land. If the JV Company is not successful in the auction and/or tender of the Land, the JV Agreement shall be terminated with immediate effect and any payment made by the Company pursuant to the JV Agreement will be refunded in full.

## **THE JV AGREEMENT**

Date: 19 June 2013

Parties: (1) the Company; and  
(2) Shenjianong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, Shenjianong and its ultimate beneficial owner are Independent Third Parties not connected with the Company and its connected persons. As at the date of this announcement, Shenjianong is the sole registered owner of the Land.

### **Formation of the JV Company**

Pursuant to the terms of the JV Agreement, the parties will establish the JV Company in the PRC with a registered capital of RMB70,000,000. The JV Company will be held as to 49% by the Company and as to 51% by Shenjianong. The registered capital of RMB70,000,000 will be contributed as to RMB34,300,000 by the Company and RMB35,700,000 by Shenjianong in cash. Such capital contribution was determined after arm's length negotiations between the Company and Shenjianong with reference to the initial capital requirement of the JV Company for the development of the Land. The total capital contribution of RMB70,000,000 will be used to satisfy part of the land premium of the Land, construction costs and other investment costs. Further, upon the entering of the JV Agreement, Shenjianong shall then surrender the Land to the local government in Hangzhou, upon which the local government in Hangzhou shall arrange the relevant public auction and/or tender process of the Land and the JV Company will participate in the auction and/or tender of the Land.

Pursuant to the JV Agreement and in consideration of Shenjianong surrendering the Land to the local government for public auction and/or tender, the Company has also agreed to pay earnest money in an amount of RMB10,000,000 to Shenjianong within seven business days upon the signing of the JV Agreement, as guarantee to Shenjianong that the relevant registration procedures regarding the formation of the JV Company will be completed by the Company within three months after the signing of the JV Agreement, failing which, the earnest money will be forfeited in its entirety by Shenjianong. In the event that Shenjianong fails to comply with the terms of the JV Agreement or decides not to proceed with the joint venture arrangement as contemplated under the JV Agreement, Shenjianong shall refund the earnest money in full to the Company with an additional RMB10,000,000 payable to the Company as compensatory amount. Further, upon the completion of the development on the Land and upon Shenjianong obtaining the possession of its relevant portion of properties on the Land, the Company and Shenjianong will enter into further negotiations and agreement regarding the arrangement to lease back its portion of properties on the Land to the Company, upon which the earnest money will be used to settle the rental payment payable by the Company under such leasing back arrangement.

Further, to facilitate the establishment process of the JV Company and as a temporary arrangement contemplated under the JV Agreement, the Company has agreed to grant an interest-free loan facility to Shenjianong for the purpose of Shenjianong to satisfy its capital commitment to the JV Company. Upon the completion of the development on the Land, a rebate based on the land premium for the Land to be determined at such time will be payable by the local government in Hangzhou to Shenjianong as compensation to Shenjianong for surrendering the Land to the local government prior to the development of the Land. Upon the receipt of such rebate from the local government, Shenjianong shall then inject such amount into the JV Company as part of its capital contribution in the JV Company and repay the interest-free loan facility granted by the Company to Shenjianong prior to the establishment of the JV Company. In the event that such rebate from the local government is not sufficient to cover the repayment of the interest-free loan facility granted by the Company to Shenjianong, taking into account the expected auction price of the Land, which is expected to be lower than the market value of the Land, it has been agreed that Shenjianong shall have no further obligation to repay the loan to the Company and the Company waives all its rights to claim such debt liabilities from Shenjianong under such circumstances. Based on the current market price of the Land, the Company considers that the chance of such rebate from the local government being insufficient to cover the repayment of the interest-free loan facility is minimal.

Upon establishment of the JV Company, the Company will be interested in 49% of the equity interest in the JV Company and as the Company will gain control over the board of directors of the JV Company, the financial results of the JV Company will be consolidated into the financial statements of the Group and the JV Company will be accounted for as a non wholly-owned subsidiary of the Company. The investment of the Company in the JV Company will be funded by internal resources of the Group and bank borrowings.

### **Business scope and operation of the JV Company**

The scope of business of the JV Company will include property development, sale and lease of properties in the PRC. Upon establishment of the JV Company, the Company and Shenjianong will cooperate with each other regarding the development and construction of the property project on the Land. The Company shall be responsible for the day-to-day operation of the JV Company, and subject to consultation of Shenjianong, shall procure the management and implementation of the development of the Land. Further, the Company shall also, at its own costs, be responsible for the design work for the development of the Land subject to the same being agreed by Shenjianong.

Further, in light of the local expertise that Shenjianong would be able to bring into the JV Company, the parties have agreed under the JV Agreement that upon the establishment of the JV Company, Shenjianong shall provide certain consultancy services in respect of the development of the Land to the JV Company including coordination works on facilitating the negotiations and cooperations with the local government. In consideration of Shenjianong agreeing to provide such services, the JV Company shall pay an annual consultation fee in the amount of RMB800,000 and RMB1,000,000 at the second year and third year, respectively, to Shenjianong after commencement of the development of the Land. The JV Company and Shenjianong will enter into a consultancy agreement regarding such consultancy arrangement in due course. Such consultancy arrangement will constitute a continuing connected transaction for the Company upon the signing of the consultancy agreement. Since the applicable percentage ratios as set out in the Listing Rules in respect of the consultancy agreement are expected to be less than 0.1%, the consultancy agreement and the transaction contemplated thereunder is expected to be a de minimis transaction for the Company under Chapter 14A of the Listing Rules and as such, the consultancy agreement is expected to be exempted from the reporting, announcement and independent shareholders' approval requirements.

### **Board composition of the JV Company**

The JV Company will be managed by a board of directors that comprises three members, one of whom (including the chairman of the board of directors of the JV Company) will be appointed by Shenjianong and two of whom will be appointed by the Company. The Company will have the right to nominate the general manager of the JV Company whom will also be the legal representative of the JV Company. Prior to the completion of the development on the Land and unless with the written consent of Shenjianong, the Company shall not (i) change the shareholder as well as the shareholding of the JV Company and/or (ii) enter into any financing arrangement for the project development on the Land, failing which, such act will constitute an event of default under the JV Agreement by the Company and Shenjianong shall have the right to terminate the JV Agreement. Upon termination of the JV Agreement, the Land (including any portion of the Land under construction) shall belong to Shenjianong and the earnest money in an amount of RMB10,000,000 paid by the Company to Shenjianong upon the signing of the JV Agreement shall be forfeited in its entirety.

## **Profit/Liabilities of the JV Company**

Upon establishment of the JV Company, the JV Company will be held as to 49% by the Company and as to 51% by Shenjianong. The Company will enjoy all the profit and bear all the liabilities of the JV Company.

## **INFORMATION ABOUT THE LAND**

The Land is located at Huan Shan Street, Zhuan Tang Sub-district in the Westlake district, Hangzhou with a total site area of approximately 22,040 square meters. The approved purpose of the Land is for commercial use. The term of the land use rights of the Land granted is 40 years. The total investment amount for the development of the Land is estimated to be approximately RMB154,000,000 (equivalent to approximately HK\$192,958,276) on the basis of a minimum development cost at RMB3,500 per square meter, subject to the public bidding process to be attended by the JV Company. In the event that the development cost of the Land is less than RMB3,500 per square meter, the excess amount of the development cost injected to the JV Company will belong to Shenjianong. In the event that the development cost of the Land is more than RMB3,500 per square meter, the Company shall be responsible for the payment of any excess amount of development cost required for the development of the Land. Upon completion of the development of the Land by the JV Company, the relevant properties erected on the Land shall be divided into two different portions, with each portion being distributed to each of the Company and Shenjianong in the proportion pro rata to their respective shareholding in the JV Company, the total site area and location of each of the portions to be distributed to the Company and Shenjianong shall be agreed among the Company and Shenjianong at the early stage of the development. Upon Shenjianong obtaining the possession of its relevant portion of properties on the Land, the Company and Shenjianong will enter into further negotiations and agreement regarding the arrangement to lease back its portion of properties on the Land to the Company at a rental to be agreed by the parties.

The Land, which will be developed by the JV Company, is intended to be developed into a commercial complex with a total gross floor area of 44,000 square meters. The Board considers that the total investment costs for the Land is fair and reasonable having taking into account the current market conditions, the location, development costs and development potential of Land. The total investment cost for the development of the Land is to be paid in stages and in such amounts as stipulated in the relevant land grant contract. The investment costs for the Land will be funded by the Company by way of internal resources of the Group and bank borrowings.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

Given that the Land is situated at one of the strategic locations which is in line with the Group's development plan going forward, the development and participation in the development of the Land will enhance the Group's market position and enlarge the Group's market share in such area which is in line with the Group's long term business objective. Accordingly, the Directors (including the independent non-executive Directors) consider that the investment in the JV Company by the Company and the transactions contemplated under the JV Agreement have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the JV Agreement and the investment in the JV Company are in the interest of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

As the applicable percentage ratios as set out in the Listing Rules in respect of the capital committed to the establishment of the JV Company are more than 5% but is less than 25%, the joint venture arrangement under the JV Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the production of upholstered furniture, furniture leather and automotive leather. It is also engaged in property development and retail business.

Shenjianong is a rural collective economic organization (農村集體經濟組織) established by Shenjianong Village (沈家弄村) and is principally engaged in the economic development of Shenjianong Village.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Kasen International Holdings Limited, a 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(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“JV Agreement”	the joint venture agreement dated 19 June 2013 entered into between the Company and Shenjianong in relation to the formation of the JV Company
“JV Company”	an equity joint venture enterprise to be established in the PRC by the Company and Shenjianong in the shareholding of 49% and 51%, respectively for the purpose of the development of the Land

“Land”	one plot of land located at Huan Shan Street, Zhuan Tang Sub-district in the Westlake district, Hangzhou (杭州市西湖區轉塘街道環山路以南地塊) with a total site area of approximately 22,000 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency in the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Shenjianong”	Shenjianong Equity Cooperative Company* (沈家弄股份經濟合作社)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.7981.*

*\* For identification purpose only.*

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

PRC, 19 June 2013

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; the non-executive Director is Mr. Qiu Jian Ping and the independent non-executive Directors are Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.*

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