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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

VARIATION TO TERMS OF THE JV AGREEMENT

Reference is made to the announcement of Kasen International Holdings Limited (the “**Company**”) dated 19 June 2013 in relation to the formation of a joint venture with Shenjianong to participate in the auction and/or tender of the Land and to cooperate in the development of the Land (the “**Announcement**”). Unless otherwise indicated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

In view of the recent change of the auction plan of the Hangzhou Bureau of Land and Resources to increase the size of the Land from a total site area of approximately 22,040 square meters to approximately 35,106 square meters (the “**Adjusted Land**”), the Company and Shenjianong entered into a supplemental agreement (the “**Supplemental Agreement**”) on 14 February 2014 to amend certain terms of the JV Agreement including the size of the land to be developed, the amount of capital contribution of the Company and Shenjianong in the JV Company and other incidental provisions of the JV Agreement. Pursuant to the Supplemental Agreement, the registered capital of the JV Company has been adjusted upward from RMB70,000,000 to RMB100,000,000, which will be contributed as to RMB49,000,000 by the Company and RMB51,000,000 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 Adjusted Land. The amount of interest-free loan facility granted by the Company to Shenjianong was adjusted from RMB35,700,000 to RMB51,000,000 accordingly to facilitate the establishment process of the JV Company and as a temporary arrangement contemplated under the JV Agreement and the Supplemental Agreement for the purpose of enabling Shenjianong to satisfy its capital commitment to the JV Company.

Upon completion of the development on the Land, a rebate based on the land premium of the Adjusted 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 Adjusted Land to the local government prior to the development of the Adjusted Land. Upon 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 Adjusted Land, which is expected to be lower than the market value of the Adjusted 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 Adjusted 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.

As superseded by the terms of the Supplemental Agreement, and in consideration of Shenjianong surrendering the Adjusted Land to the local government for public auction and/or tender, the Company has also agreed to pay an earnest money in an amount of RMB10,000,000 to Shenjianong within seven business days upon the signing of the Supplemental Agreement, as guarantee to Shenjianong that the relevant registration procedures regarding the formation and increase of registered capital of the JV Company will be completed by the Company within three months from the signing of the Supplemental Agreement or the public auction and/or tender will be completed within 6 months from the signing of the Supplemental 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 Supplemental Agreement or decides not to proceed with the joint venture arrangement as contemplated under the Agreements, Shenjianong shall refund the earnest money in full to the Company with an additional RMB10,000,000 payable to the Company as compensatory amount.

Pursuant to the Supplemental Agreement, the annual consultancy fee to be paid by the JV Company to Shenjianong in consideration of Shenjianong agreeing to provide certain consultancy services in respect of the development of the Land to the JV Company has been adjusted from RMB800,000 to RMB900,000 and from RMB1,000,000 to RMB1,200,000 for the second year and third year, respectively, after the 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.

Save for the above changes, all other terms of the JV Agreement remain unchanged.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.7875.

* *For identification purpose only.*

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

PRC, 14 February 2014

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.