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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**

#### **PROPOSED ISSUE OF EXCHANGEABLE BONDS IN THE PRC BY ZHEJIANG KASEN INDUSTRIAL GROUP CO., LTD., A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**

On 24 December 2014, the Board has resolved the proposed issue of the Exchangeable Bonds by Zhejiang Kasen, a wholly-owned subsidiary of the Company incorporated in the PRC, and registration with Shenzhen Stock Exchange is expected to be completed on or around 25 December 2014. The issue size of the Exchangeable Bonds is estimated to be in a principal amount of approximately up to RMB222,000,000, with a term of two years, and the Exchangeable Bonds are exchangeable at the option of the Bondholders for a portion of the HLM Shares currently held by Zhejiang Kasen.

Upon completion of the issue of the Exchangeable Bonds and on the assumption that all the 12,000,000 HLM Shares will be exchanged by the Bondholders, Zhejiang Kasen's interest in Haining Leather Market would decrease from approximately 2.32% to 1.25% of the total share capital of Haining Leather Market based on public information available to the Company as at the date of this announcement. Accordingly, the issue of the Exchangeable Bonds constitutes a disposal for the Company under the Listing Rules.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions as contemplated pursuant to the issue of the Exchangeable Bonds exceeds 5% but is below 25%, the issue of the Exchangeable Bonds and the transactions contemplated thereunder constitute a discloseable transaction for the Company, which is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under the Listing Rules.

**Shareholders and prospective investors are cautioned not to unduly rely on such information and are reminded to exercise caution when dealing in the shares of the Company.**

**As the proposed issue of the Exchangeable Bonds may or may not materialize, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.**

## PROPOSED ISSUE OF EXCHANGEABLE BONDS IN THE PRC BY ZHEJIANG KASEN

On 24 December 2014, the Board has resolved the proposed issue of the Exchangeable Bonds by Zhejiang Kasen, a wholly-owned subsidiary of the Company incorporated in the PRC, and registration with Shenzhen Stock Exchange is expected to be completed on or around 25 December 2014. The issue size of the Exchangeable Bonds is estimated to be in a principal amount of approximately up to RMB222,000,000, with a term of two years, and the Exchangeable Bonds are exchangeable at the option of the Bondholders during the Exercise Period for a portion of the HLM Shares currently held by Zhejiang Kasen.

The Exchangeable Bonds is arranged and will be underwritten by Zhong De Securities Co., Ltd. (中德證券有限責任公司), a qualified financial institution approved by the Securities Association of China, who will procure not more than 200 qualified investors to subscribe for the Exchangeable Bonds. The Exchangeable Bonds will only be transferred to qualified investors, being qualified institutional investors (合格機構投資者) as defined in the Shenzhen Stock Exchange Small-Medium Enterprise Private Debt Business Pilot Scheme (深交所中小企業私募債券業務試點辦法), solely through the comprehensive agreement transactions platform of the Shenzhen Stock Exchange (深圳證券交易所綜合協議交易平台).

The principal terms of the Exchangeable Bonds to be issued are as follows:

<b>Issuer:</b>	Zhejiang Kasen
<b>Aggregate maximum principal amount of the Exchangeable Bonds:</b>	up to RMB222,000,000
<b>Date of issue of the Exchangeable Bonds:</b>	on or around 29 December 2014
<b>Place of issue:</b>	The PRC
<b>Term of the Exchangeable Bonds:</b>	Two years
<b>Interest rate:</b>	The initial coupon of the Exchangeable Bonds for the two years during the term of the Exchangeable Bonds is fixed at 7.5% per annum which will be subject to change on the date of issue of the Exchangeable Bond. The final annual coupon rate will be fixed on the date of issue of the Exchangeable Bond.

**Collateral:**

The issue of the Exchangeable Bonds is guaranteed by the Company. In addition, Zhejiang Kasen will also provide an aggregate of 12,000,000 HLM Shares as collateral, pursuant to which the Bondholders may exercise their rights to exchange for HLM Shares during the Exercise Period based on the face value of the Exchangeable Bonds as subscribed by the Bondholders and the total number of HLM Shares as provided by Zhejiang Kasen, on a pro rata basis, upon the market price of the shares of Haining Leather Market reaching a level exceeding an initial exercise price. The initial exercise price will be set in the range of RMB17.5 to RMB18.5 per HLM Share. The final exercise price will be fixed on the date of issue of the Exchangeable Bond. The Bondholders will only have a right to exchange the Exchangeable Bonds for HLM Shares during the Exercise Period.

**Redemption rights and exercise price adjustment:**

During the period from 15 trading days and six trading days prior to the commencement of the Exercise Period; or during the Exercise Period, for a consecutive period of 10 trading days, in the event that for at least five trading days thereof, the closing price of the HLM Shares is equal to or more than 120% of the then exercise price of the Exchangeable Bonds, the board of directors of Zhejiang Kasen may elect to redeem all or part of the outstanding Exchangeable Bonds. Further, during the Exercise Period, in the event that in any 10 consecutive trading days, the closing price of the HLM Shares for at least five trading days is lower than 90% of the then initial exercise price, the board of directors of Zhejiang Kasen may exercise its discretion to lower the exercise price of the under the terms of the Exchangeable Bonds.

**Credit rating:**

As assessed by Lianhe Credit Rating Co., Ltd. (聯合信用評級有限公司), the Exchangeable Bonds have been given AA rating.

**Use of proceeds:**

The proceeds from the issue of the Exchangeable Bonds will be used for investments in operating assets and to supplement general working capital of the Group.

In accordance with the relevant rules and regulations in the PRC, relevant documents in relation to Zhejiang Kasen and the Exchangeable Bonds will be published on the website of the Shenzhen Stock Exchange (<http://business.szse.cn>). Shareholders and potential investors are reminded that such documents were prepared in accordance with the requirements in the PRC and are limited solely to Zhejiang Kasen, and the information contained therein does not provide a full picture of the operation or status of the Group.

## **REASONS AND BENEFITS FOR THE ISSUE OF THE EXCHANGEABLE BONDS**

The Board is of the view that the issue of the Exchangeable Bonds is a significant step of the Group in gaining recognition in the PRC finance market. The issue of the Exchangeable Bonds will provide the Group with an additional source of funding for its business development. Given that the issue of the Exchangeable Bonds will provide the Company with more financial flexibility and that the Exchangeable Bonds may optimize the Group's debt structure, the Directors (including the independent non-executive Directors) consider that the issue of the Exchangeable Bonds is in the interest of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS AND DISPOSAL OF SHARES OF HAINING LEATHER MARKET**

As at the date of this announcement, Zhejiang Kasen holds 26,000,000 ordinary shares of Haining Leather Market, representing approximately 2.32% of the total share capital of Haining Leather Market based on public information available to the Company as at the date of this announcement. Accordingly, upon completion of the issue of the Exchangeable Bonds and on the assumption that all the 12,000,000 HLM Shares will be exchanged by the Bondholders in the event that the market price of the HLM Shares reaching a level exceeding the initial exercise price per HLM Share, Zhejiang Kasen's interest in Haining Leather Market would decrease from 26,000,000 HLM Share to 14,000,000 HLM Share, representing approximately 2.32% and 1.25% of the total share capital of Haining Leather Market based on public information available to the Company as at the date of this announcement, respectively. Accordingly, the issue of the Exchangeable Bonds constitutes a disposal of its interest in Haining Leather Market for the Company under the Listing Rules.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions as contemplated pursuant to the issue of the Exchangeable Bonds exceeds 5% but is below 25%, the issue of the Exchangeable Bonds and the transactions contemplated thereunder constitute a discloseable transaction for the Company, which is subject to the announcement and reporting requirements but exempt from shareholders' approval requirement under the Listing Rules.

## **INFORMATION ABOUT HAINING LEATHER MARKET**

Haining Leather Market is indirectly non-wholly owned by 海寧市國有資產監督管理委員會 (State-owned Assets Supervision and Administrative Commission of Haining Municipal Government). Haining Leather Market is principally engaged in the development and operation of large leather product retail malls and was listed on the Shenzhen Stock Exchange on 26 January 2010.

According to the published financial statements of Haining Leather Market, the financial results of Haining Leather Market for the two years ended 31 December 2012 and 2013 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(audited)</b>	<b>(audited)</b>
Net profit before tax	972,663	1,402,012
Net profit after tax	723,793	1,051,402

The net asset value of Haining Leather Market as at 31 December 2013 was approximately RMB3,936,616,930 (equivalent to approximately HK\$4,987,478,690).

## **FINANCIAL EFFECTS OF THE DISPOSAL**

A gain on disposal in the amount of approximately RMB209,520,000 (equivalent to approximately HK\$265,450,399) in respect of the issue of the Exchangeable Bond will arise upon all the 12,000,000 HLM Shares being exchanged by the Bondholders. The gain was calculated with reference to the difference between the acquisition cost of the HLM Shares at the time of the Acquisition and the maximum exercise price for the Bondholders to exchange for the maximum number of the HLM Shares pursuant to the Exchangeable Bonds.

## **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.

None of the Directors has a material interest in the transactions contemplated under the issue of the Exchangeable Bonds and is required to abstain from voting from the Board resolutions for considering and approving the issue of the Exchangeable Bonds pursuant to the articles of association of the Company and applicable laws and regulations.

**Shareholders and prospective investors are cautioned not to unduly rely on such information and are reminded to exercise caution when dealing in the shares of the Company.**

**As the proposed issue of the Exchangeable Bonds may or may not materialize, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Acquisition”	the acquisition of 4.92% equity interest in Haining Leather Market by Zhejiang Kasen pursuant to the capital increase agreement on 30 September 2007;
“Board”	the board of directors of the Company;
“Bondholders”	holders of the Exchangeable Bonds;
“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;
“Exchangeable Bonds”	two-year small-medium enterprise private placement exchangeable bonds in a principal amount of up to RMB222,000,000 to be issued by Zhejiang Kasen;
“Exercise Period”	the period commencing upon expiry of a six-month period after the listing of the Exchangeable Bonds on the Shenzhen Stock Exchange and ending on the date on which the bonds are being delisted from the Shenzhen Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Haining Leather Market”	海寧中國皮革城股份有限公司(Haining China Leather Market Co., Limited), a domestic company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange;
“HLM Shares”	ordinary shares of nominal value RMB1.00 each in the capital of Haining Leather Market;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Zhejiang Kasen”	Zhejiang Kasen Industrial Group Co., Limited* (浙江卡森實業集團有限公司), wholly-foreign owned enterprise with limited liability incorporated in the PRC and a wholly-owned subsidiary of the Company.

*For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.7893.*

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

PRC, 24 December 2014

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Lee Lawrence 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>