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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 THE TERMS OF JOINT VENTURES ARRANGEMENT AND FORMATION OF JOINT VENTURE

Reference is made to the announcements of the Company dated 19 June 2013 and 14 February 2014 in relation to the entering of the Shenjianong JV Agreement, pursuant to which the Company and Shenjianong have agreed to establish the Shenjianong JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land A. Reference is also made to the announcement of the Company dated 14 November 2013 in relation to the entering of the Zhuantang JV Agreement, pursuant to which the Company has agreed to procure Hangzhou Kasen together with Hangzhou Zhuantang to establish the Zhuantang JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land B.

In view of recent further changes of the auction plan of the Hangzhou Bureau of Land and Resources, it is expected that the auction and/or tender of the Land will be further delayed. In order to minimize the investment risk, the Board is pleased to announce that on 23 January 2015, the Company entered into the Shenjianong Supplemental JV Agreement and the Zhuantang Supplemental JV Agreement with Shenjianong and Hangzhou Zhuantang, respectively, to amend certain terms of the Shenjianong JV Agreement and Zhuantang JV Agreement.

In furtherance to the entering of the Supplemental JV Agreements, the Board further announces that on 23 January 2015, the Company and Xiangyuan Group entered into the Xiangyuan JV Agreement pursuant to which the Company has agreed to procure a wholly-owned subsidiary of the Company, together with Xiangyuan Group, to establish the Xiangyuan JV Company to take up all the rights and obligations of the Company and Hangzhou Kasen under the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively.

Upon establishment of the Xiangyuan JV Company, a wholly-owned subsidiary of the Company will be interested in 51% of the equity interest in the Xiangyuan JV Company and the financial results of the Xiangyuan JV Company are expected to be consolidated into the financial statements of the Group and the Xiangyuan JV Company will accordingly be accounted for as a non wholly-owned subsidiary of the Company.

As the applicable percentage ratios as set out in the Listing Rules in respect of the capital committed to the establishment of the Xiangyuan JV Company are more than 5% but is less than 25%, the joint venture arrangement under the Xiangyuan 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 Shenjianong JV Company and the Zhuantang JV Company may or may not be successful and public investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

Reference is made to the announcements of the Company dated 19 June 2013 and 14 February 2014 in relation to the entering of the Shenjianong JV Agreement, pursuant to which the Company and Shenjianong have agreed to establish the Shenjianong JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land A. Reference is also made to the announcement of the Company dated 14 November 2013 in relation to the entering of the Zhuantang JV Agreement, pursuant to which the Company has agreed to procure Hangzhou Kasen together with Hangzhou Zhuantang to establish the Zhuantang JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land B.

In view of recent further changes of the auction plan of the Hangzhou Bureau of Land and Resources, it is expected that the auction and/or tender of the Land will be further delayed. In order to minimize the investment risk, the Board is pleased to announce that on 23 January 2015, the Company entered into the Shenjianong Supplemental JV Agreement and the Zhuantang Supplemental JV Agreement with Shenjianong and Hangzhou Zhuantang, respectively, to amend certain terms of the Shenjianong JV Agreement and Zhuantang JV Agreement.

In furtherance to the entering of Supplemental JV Agreements, the Board further announces that on 23 January 2015, the Company and Xiangyuan Group entered into the Xiangyuan JV Agreement pursuant to which the Company has agreed to procure a wholly-owned subsidiary of the Company, together with Xiangyuan Group, to establish the Xiangyuan JV Company to take up all the rights and obligations of the Company and Hangzhou Kasen under the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively.

SUPPLEMENTAL JV AGREEMENTS

Details of the Shenjianong Supplemental JV Agreement and the Zhuantang Supplemental JV Agreement are set forth below:

(a) Shenjianong Supplemental JV Agreement

As stated in the announcement of the Company dated 19 June 2013, pursuant to the Shenjianong JV Agreement, the Company and Shenjianong have agreed to establish the Shenjianong JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land A. Further, it was agreed that the formation of the Shenjianong JV Company would be completed by the Company within three months after the signing of the Shenjianong JV Agreement.

Given the changes of auction plan of the Hangzhou Bureau of Land and Resources and the resulting delay in the auction and/or tender of the Land A, as at the date of this announcement, the Shenjianong JV Company has yet to be established. However, the intention of the parties to the cooperation under the Shenjianong JV Agreement remains unchanged. In order to minimize the investment risk, on 23 January 2015, the Company and Shenjianong entered into the Shenjianong Supplemental JV Agreement, pursuant to which the parties agreed to extend (i) the deadline for the formation of the Shenjianong JV Company to a date on or before 31 December 2015 (or such other date as may be agreed between the Company and Shenjianong); and (ii) the completion of the auction and/or tender of the Land A to a date on or before 31 December 2015.

Further, it was agreed between the parties to the Shenjianong Supplemental JV Agreement that the Company could bring in additional investor(s) to participate in the cooperation of the development of the Land A.

Pursuant to the Shenjianong JV Agreement, it was also agreed that the Company will contribute as to RMB34,300,000 as capital contribution to the registered capital of Shenjianong JV Company. As at the date of this announcement, a total of RMB20,000,000 in cash has been contributed by the Company for the development of Land A pursuant to the Shenjianong JV Agreement, and the Company is not required to make any further capital contribution pursuant to the Xiangyuan JV Agreement.

Save as the above changes, all other terms and conditions in relation to the Shenjianong JV Agreement as stated in the announcement of the Company dated 19 June 2013 remains unchanged.

(b) *Zhuantang Supplemental JV Agreement*

As stated in announcement of the Company dated 14 November 2013, pursuant to the Zhuantang JV Agreement, the Company has agreed to procure Hangzhou Kasen together with Hangzhou Zhuantang to establish the Zhuantang JV Company in the proportion of 49% and 51% to participate in the auction and/or tender of the Land B. Further, it was agreed that the formation of the Zhuantang JV Company would be completed within three months after the signing of the Zhuantang JV Agreement.

Given the changes of auction plan of the Hangzhou Bureau of Land and Resources and the resulting delay in the auction and/or tender of the Land B, as at the date of this announcement, the Zhuantang JV Company has yet to be established. However, the intention of the parties to the cooperation under the Zhuantang JV Agreement remains unchanged. In order to minimize the investment risk, on 23 January 2015, the Company and Hangzhou Zhuantang entered into the Zhuantang Supplemental JV Agreement, pursuant to which the parties agreed to extend (i) the deadline for the formation of the Zhuantang JV Company to a date on or before 31 December 2015 (or such other date as may be agreed between the Company and Hangzhou Zhuantang); and (ii) the completion of the auction and/or tender of the Land B to a date on or before 31 December 2015.

Further, it was agreed between the parties to the Zhuantang Supplemental JV Agreement that the Company could bring in additional investor(s) to participate in the cooperation of the development of the Land B.

Pursuant to the Zhuantang JV Agreement, it was also agreed that the Company will contribute as to RMB49,000,000 as capital contribution to the registered capital of Zhuantang JV Company. As at the date of this announcement, a total of RMB19,500,000 in cash has been contributed by Hangzhou Kasen for the development of Land B pursuant to the Zhuantang JV Agreement, and the Company is not required to make any further capital contribution pursuant to the Xiangyuan JV Agreement.

Save as the above changes, all other terms and conditions in relation to the Zhuantang JV Agreement as stated in the announcement of the Company dated 14 November 2013 remains unchanged.

XIANGYUAN JV AGREEMENT

Date: 23 January 2015

Parties: (1) the Company; and
(2) Xiangyuan Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Xiangyuan Group and its ultimate beneficial owner are Independent Third Parties not connected with the Company and its connected persons.

Formation of the Xiangyuan JV Company

Pursuant to the terms of the Xiangyuan JV Agreement, the Company shall procure a wholly-owned subsidiary of the Company, together with Xiangyuan Group, to establish the Xiangyuan JV Company in the PRC with a registered capital of RMB89,000,000. The Xiangyuan JV Company will be held as to 51% by a wholly-owned subsidiary of the Company and 49% by Xiangyuan Group. The registered capital of RMB89,000,000 will be contributed as to RMB45,400,000 by the Company by way of shareholder's loan and RMB43,600,000 by Xiangyuan Group in cash. The amount of RMB45,400,000 as contributed by the Company represents the actual investments that each of the Company and/or Hangzhou Kasen has injected for the purpose of the development of the Land A and the Land B pursuant to the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively. Accordingly, the Company is not required to make any further capital contribution pursuant to the Xiangyuan JV Agreement. The capital contribution pursuant to the Xiangyuan JV Agreement was determined after arm's length negotiations between the Company and Xiangyuan Group with reference to the initial capital requirement of the Xiangyuan JV Company for the development of the Land. The total capital contribution of RMB89,000,000 will be used to satisfy part of the land premium of the Land, construction costs and other investment costs.

Upon establishment of the Xiangyuan JV Company, a wholly-owned subsidiary of the Company will be interested in 51% of the equity interest in the Xiangyuan JV Company and the financial results of the Xiangyuan JV Company are expected to be consolidated into the financial statements of the Group and the Xiangyuan JV Company will accordingly be accounted for as a non wholly-owned subsidiary of the Company.

Business scope and operation of the Xiangyuan JV Company

The scope of business of the Xiangyuan JV Company will include property investment and investment management in the PRC. Upon establishment of the Xiangyuan JV Company, the Company shall procure a wholly-owned subsidiary of the Company, together with Xiangyuan Group, to cooperate in the development and construction of the property project on the Land. The Company shall, or shall procure a wholly-owned subsidiary of the Company, be responsible for sourcing the necessary funding for acquiring and developing the land use rights of the Land, coordinating the local relations within the territorial communities and resolving any obstacles resulting from the demolition and construction work on the Land. Xiangyuan Group, on the other hand, shall be responsible for the project development, management as well as the day-to-day operation of the Xiangyuan JV Company.

Board composition of the Xiangyuan JV Company

The board composition of the Xiangyuan JV Company will be determined by the Company and Xiangyuan Group when the Xiangyuan JV Company is set up. It is expected that the board of director of the Xiangyuan JV Company will comprise of one director, whom will be elected by the shareholders of Xiangyuan JV Company.

Profits/Liabilities of the Xiangyuan JV Company

Upon establishment of the Xiangyuan JV Company, the Xiangyuan JV Company will be held as to 51% by a wholly-owned subsidiary of the Company, and 49% by Xiangyuan Group. The Company will enjoy profits and bear liabilities of the Xiangyuan JV Company pro rata to its shareholding in Xiangyuan JV Company.

Rights and obligations assumed by Xiangyuan JV Company

Pursuant to the Xiangyuan JV Agreement, it was agreed that Xiangyuan JV Company would take up the rights and obligations of the Company and Hangzhou Kasen under the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively. Accordingly, upon completion and establishment of the Xiangyuan JV Company, all the rights and obligations which shall be assumed by the Company and Hangzhou Kasen pursuant to Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively, will be taken up by the Xiangyuan JV Company.

As a result, the Shenjianong JV Company will be held as to 49% by Xiangyuan JV Company and 51% by Shenjianong, and the Zhuantang JV Company will be held as to 49% by Xiangyuan JV Company and 51% by Hangzhou Zhuantang.

As it is expected that the Company will continue to indirectly gain control over the board of directors of the Shenjianong JV Company and the Zhuantang JV Company, the financial results of the Shenjianong JV Company and the Zhuantang JV Company are expected to be consolidated into the financial statements of the Group and each of the Shenjianong JV Company and the Zhuantang JV Company will accordingly be accounted for as a non wholly-owned subsidiary of the Company.

INFORMATION ABOUT THE LAND

The Land, which comprise of Land A and Land B, is located at Huan Shan Street, Zhuan Tang Sub-district in the Westlake district, Hangzhou with a total site area of approximately 67,556 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 RMB454,000,000 (equivalent to approximately HK\$573,811,931).

The Land, which will be developed by Shenjianong JV Company and Zhuantang JV Company, is intended to be developed into a commercial complex with a total gross floor area of 136,456 square meters. As at the date of this announcement, Shenjianong and Hangzhou Zhuantang remain as the sole registered owner of Land A and Land B, respectively. It is expected that the public auction and/or tender for the Land will be arranged on or before 31 December 2015 and that the Shenjianong JV Company and the Zhuantang JV Company are expected to be established by 31 December 2015. The Board considers that the total investment cost for the Land is fair and reasonable having taken 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. As at the date of this announcement, the Company has made all the required capital commitment for the development of Land A and Land B pursuant to the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively, and the Company is not required to make any further capital contribution pursuant to the Xiangyuan JV Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL JV AGREEMENTS AND THE XIANGYUAN JV AGREEMENT

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. Given the further delay in the auction plan of the Hangzhou Bureau of Land and Resources, each of the Shenjianong JV Company and the Zhuantang JV Company has not yet been established. However, in order to minimize the investment risk, the Supplemental JV Agreements were entered into taking into account the strategic benefits for the Company to be able to continue to participate in the development of the Land. In addition, the introduction of Xiangyuan Group to the participation of the development of the Land will bring additional financial resources, as well as additional local expertise for the ongoing management of the Shenjianong JV Company and Zhuantang JV Company and the development of the Land. Accordingly, the Directors (including the independent non-executive Directors) consider that the entering of the Supplemental JV Agreements and the Xiangyuan JV Agreement together with the transactions contemplated thereunder 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 Supplemental JV Agreements, the Xiangyuan JV Agreement and the investment in the Xiangyuan 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 Xiangyuan JV Company are more than 5% but is less than 25%, the joint venture arrangement under the Xiangyuan 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 Shenjianong JV Company and Zhuantang JV Company may or may not be successful and public investors are advised to exercise caution when dealing in the shares of the Company.

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.

Xiangyuan Group is a company established in the PRC and is principally engaged in property investment and investment management in the PRC.

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.

Hangzhou Zhuantang is a rural collective economic organization (農村集體經濟組織) established by Hengqiao Village (橫橋村) and is principally engaged in the economic development of Hengqiao 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
“Hangzhou Kasen”	Hangzhou Kasen Investment Management Co., Ltd.* (杭州卡森投資管理有限公司), a wholly-owned subsidiary of the Company
“Hangzhou Zhuantang”	Hangzhou Zhuantang Street Hengqiao Equity Cooperative Company* (杭州市轉塘街道橫橋股份經濟合作社)

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	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
“Land”	Land A and Land B
“Land A”	one plot of land situated 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 32,450 square meters
“Land B”	one plot of land located at Huan Shan Street, Zhuan Tang Subdistrict 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 35,106 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)
“Shenjianong JV Agreement”	the joint venture agreement dated 19 June 2013 entered into between the Company and Shenjianong in relation to the formation of the Shenjianong JV Company by and between the Company and Shenjianong, and as supplemented by a supplemental agreement dated 14 February 2014 entered into between the Company and Shenjianong
“Shenjianong 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 A pursuant to the Shenjianong JV Agreement
“Shenjianong Supplemental JV Agreement”	the supplemental agreement dated 23 January 2015 entered into between the Company and Shenjianong to amend certain terms of the Shenjianong JV Agreement
“Supplemental JV Agreements”	the Shenjianong Supplemental JV Agreement and the Zhuantang Supplemental JV Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiangyuan Group”	Xiangyuan Group Company Limited* (相原集團有限公司)
“Xiangyuan JV Agreement”	the joint venture agreement dated 23 January 2015 entered into between the Company and Xiangyuan Group in relation to the formation of the Xiangyuan JV Company by and between a subsidiary of the Company and Xiangyuan Group
“Xiangyuan JV Company”	an equity joint venture enterprise to be established in the PRC by a subsidiary of the Company and Xiangyuan Group in the shareholding of 51% and 49%, respectively for the purpose of taking up the rights and obligations of the Company and Hangzhou Kasen under the Shenjianong JV Agreement and the Zhuantang JV Agreement, respectively
“Zhuantang JV Agreement”	the joint venture agreement dated 14 November 2013 entered into between the Company and Hangzhou Zhuantang in relation to the formation of the Zhuantang JV Company by and between Hangzhou Kasen and Hangzhou Zhuantang
“Zhuantang JV Company”	an equity joint venture enterprise to be established in the PRC by Hangzhou Kasen and Hangzhou Zhuantang in the shareholding of 49% and 51%, respectively for the purpose of the development of the Land B pursuant to the Zhuantang JV Agreement
“Zhuantang Supplemental JV Agreement”	the supplemental agreement dated 23 January 2015 entered into between the Company and Hangzhou Zhuantang to amend certain terms of the Zhuantang JV Agreement
“%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.7912.

* *For identification purpose only.*

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

PRC, 23 January 2015

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>