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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)**

### **MAJOR TRANSACTION**

#### **DISPOSAL MANDATE IN RELATION TO POSSIBLE DISPOSAL OF SHARES IN HAINING LEATHER MARKET**

Reference is made to the announcement made by the Company on 3 October 2007 regarding the Acquisition and the announcement made by the Company on 27 January 2010 regarding the listing of the shares of Haining Leather Market on the Shenzhen Stock Exchange. Reference is also made to the announcement made by the Company on 28 August 2014 regarding the 2014 Disposal and the announcements made by the Company on 14 May 2015 and 15 May 2015 regarding the 2015 Disposal.

#### **THE DISPOSAL MANDATE**

As at the date of this announcement, Zhejiang Kasen held an aggregate of 17,000,000 HLM Shares, representing approximately 1.52% equity interest in Haining Leather Market as at the date of this announcement based on public information available to the Company.

The Company intends to seek the Shareholders' approval for the Disposal Mandate for possible Disposal of up to 17,000,000 HLM Shares in one or more transactions. The Directors consider that the Company should obtain the approval of the Disposal Mandate from the Shareholders in advance so as to allow flexibility in effecting any future disposal(s) of HLM Shares (in whole or in part) expeditiously when market conditions are favourable.

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the EGM.

#### **LISTING RULES IMPLICATIONS**

The applicable percentage ratios (as defined in the Listing Rules) for the Disposal Mandate, when aggregated with 2015 Disposal, are more than 25% but less than 75% and therefore the Disposal Mandate constitutes a major transaction of the Company and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Disposal Mandate and such approval shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal Mandate and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Disposal Mandate at the EGM.

A circular containing, among other things, further details of the Disposal and the grant of the Disposal Mandate, together with a notice convening the EGM will be dispatched to the Shareholders on or before 11 June 2015.

**Shareholders and investors should note that (i) the grant of the Disposal Mandate is subject to Shareholders' approval at the EGM and therefore the Disposal may or may not be proceeded; and (ii) there is no assurance that the Company will proceed with the Disposal after the grant of the Disposal Mandate as the Disposal is subject to the conditions as set out under the paragraph headed "Manner of Disposal under the Disposal Mandate" of this announcement. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.**

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## **THE DISPOSAL MANDATE**

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The Disposal Mandate to be sought from the Shareholders will be on the following terms:

### **Period of the Disposal Mandate**

The Disposal Mandate will be valid for a period of 12 months from the date of its approval from the Shareholders having been obtained.

### **Maximum number of HLM Shares to be disposed of under the Disposal Mandate**

The maximum number of HLM Shares to be disposed of is 17,000,000 HLM Shares (subject to adjustment in the event of a share consolidation or share subdivision by Haining Leather Market), being approximately 1.52% of the equity interest of Haining Leather Market as at the date of this announcement.

## **Manner of Disposal under the Disposal Mandate**

The Disposal under the Disposal Mandate may be conducted (i) through on-market transactions conducted on, or through block trade platform of, the Shenzhen Stock Exchange where the HLM Shares are listed; and/or (ii) by way of placing through block trade(s) to Independent Third Parties by entering into placing agreement(s) with placing agent(s). The terms and conditions for any block trade(s) will be negotiated on an arms' length basis and the Company will ensure the placing agent(s) to be engaged is/are properly reputable and licensed to carry on the activity of dealing in securities listed on the Shenzhen Stock Exchange.

In deciding whether or not to effect a disposal pursuant to the Disposal Mandate, the Directors will take into account the then current market sentiment and the prevailing market prices of the HLM Shares, subject to the following conditions:

- (i) the Disposal will be conducted on normal commercial terms and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the price of the HLM Shares to be disposed of pursuant to the Disposal Mandate will be settled in cash;
- (iii) the disposal price of each HLM Share will be not less than the higher of (a) 90% of the average closing price of HLM Shares for the 10 consecutive trading days immediately prior to the trading day on which the relevant Disposal is effected; and (b) the original acquisition costs of the HLM Shares paid by Zhejiang Kasen pursuant to the Acquisition, and in any event not lower than a minimum disposal price of RMB18 per HLM Share; and
- (iv) the persons to whom the HLM Shares will be disposed of and/or their respective ultimate beneficial owners, will, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, be Independent Third Parties, provided that in case where the Disposal is effected on open market, the identity of the counterparty to the Disposal may not be ascertained.

It is proposed that, pursuant to the Disposal Mandate, the Board will be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposal, including but not limited to the number of batches of disposals, the number of HLM Shares to be sold under each disposal, the timing of each disposal, the manner of disposal (whether in the open market or through block trade(s)) and the disposal price (subject to the parameters set out in paragraph (iii) above).

## **Monthly reporting of the Disposal**

To keep the Shareholders and the investors informed on the progress of the Disposal, the Company will publish an announcement within five trading days after the end of each month, starting from the month on which the Disposal Mandate is approved by the Shareholders until all of the 17,000,000 HLM Shares held by the Group have been disposed of or the last day of the 12-month period from the date on which the Disposal Mandate is approved by the Shareholders, whichever is earlier.

## **Condition precedent**

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the EGM.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Based on the maximum of 17,000,000 HLM Shares to be disposed of under the Disposal Mandate and the minimum disposal price of RMB18 per HLM Share, the Disposal will raise the gross sales proceeds of approximately RMB306,000,000 (equivalent to approximately HK\$387,783,550), before expenses and tax, for the Group.

According to the Group's books and records as at 31 December 2014, the carrying amount of HLM Shares held by the Group was approximately RMB413,660,000 (equivalent to approximately HK\$524,217,463). Assuming all the 17,000,000 HLM Shares are sold at the minimum disposal price of RMB18 (equivalent to approximately HK\$22.81) per HLM Share, a gain on disposal after deducting the estimated transaction trading costs and stamp duties but before expenses and tax of approximately RMB287,922,200 (equivalent to approximately HK\$364,874,160) is expected to be recorded. The actual gain or loss before expenses and tax will depend on the actual disposal prices of HLM Shares, the actual number of HLM Shares eventually disposed of by the Group and the relevant carrying amounts of the HLM Shares disposed of at the relevant dates of disposal.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE DISPOSAL MANDATE**

The Board believes that the Disposal is in the interest of the Shareholders and the Company as a whole as the Company would be able to realise its investment in Haining Leather Market at a considerable profit as well as to further enhance and strengthen the financial position and cash flow of the Group.

It is the intention of Zhejiang Kasen to dispose of the Group's investment in Haining Leather Market from time to time expeditiously when market conditions are favourable. However, a disposal (or series of disposals) of the entire 17,000,000 HLM Shares will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and requires Shareholders' approval in a general meeting of the Company. Given the volatility of the stock market, disposing of HLM Shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek Shareholders' approval for each disposal of such number of HLM Shares. Furthermore, due to the length of time required to meet the disclosure and Shareholders' approval requirements under Chapter 14 of the Listing Rules, market opportunities may be missed if approval from the Shareholders is not sought in advance. Therefore, the Company intends to obtain the Disposal Mandate for the possible Disposal of up to 17,000,000 HLM Shares in one or more transactions from the Shareholders in order to enable the Group to dispose of its HLM Shares in an effective and efficient manner, and to allow flexibility in effecting any future disposal(s) of HLM Shares (in whole or in part) expeditiously when market conditions are favourable. The Directors are of the view that the Disposal Mandate provides flexibility with the Group during the 12-month period to act promptly, effectively and efficiently to dispose of its investment in HLM Shares at the appropriate time and at the appropriate prices in order to maximize the return to the Group. As such, the Directors consider that the Disposal Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Given the maximum number of 17,000,000 HLM Shares to be disposed of under the Disposal Mandate and the minimum disposal price of RMB18 (equivalent to approximately HK\$22.81) per HLM Share, the gross proceeds from the Disposal will be approximately RMB306,000,000 (equivalent to approximately HK\$387,783,550). The net proceeds from the Disposal are intended to be used for general working capital of the Group.

## 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 2013 and 2014 are as follows:

	For the year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profit before tax	1,402,012	<b>1,283,971</b>
Net profit after tax	1,051,402	<b>959,181</b>

The net asset value of Haining Leather Market as at 31 December 2014 was approximately RMB4,802,198,005 (equivalent to approximately HK\$6,085,664,688).

## LISTING RULES IMPLICATIONS

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The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Disposal Mandate and such approval shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal Mandate and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Disposal Mandate at the EGM.

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## 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.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings as set out below:

“2014 Disposal”	a series of disposals of an aggregate of 15,302,800 HLM Shares during the period from 4 March 2014 to 28 April 2014 by Zhejiang Kasen through on-market transactions conducted on the Shenzhen Stock Exchange
“2015 Disposal”	the disposal of an aggregate of 9,000,000 HLM Shares on 14 May 2015 and 15 May 2015 by Zhejiang Kasen through the block trade platform of the Shenzhen Stock Exchange
“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
“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
“Disposal”	the proposed disposal of the HLM Shares pursuant to the Disposal Mandate
“Disposal Mandate”	a specific mandate proposed by the Board to seek approval from the Shareholders to allow Zhejiang Kasen to dispose of up to 17,000,000 HLM Shares (in whole or in part) on the terms as set out under the paragraph headed “The Disposal Mandate” in this announcement
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Disposal Mandate and the Disposal
“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 and the shares of which are listed on the Shenzhen Stock Exchange

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HLM Shares”	ordinary shares of nominal value RMB1.00 each in the capital of Haining Leather Market
“Independent Third Party(ies)”	individual(s) or 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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Kasen”	浙江卡森實業集團有限公司(Zhejiang Kasen Industrial Group Co., Limited), a domestic company incorporated in the PRC and an indirect wholly owned subsidiary of the Company
“%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.7891.

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

PRC, 20 May 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>*