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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)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Placing Agent



PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 10 November 2015 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement whereby the Company agreed to place, through the Placing Agent, on a best effort basis, up to 348,696,896 new Shares to not less than six independent placees at the Placing Price of HK\$0.60 per Placing Share.

Assuming all the Placing Shares were allotted and issued, the gross proceeds from the Placing will amount to approximately HK\$209,218,137 and the net proceeds from the Placing after deducting the placing fee and other related expenses payable by the Company will amount to approximately HK\$204,400,000. The net proceeds raised per Placing Share is approximately HK\$0.59.

It is expected that (i) approximately HK\$143,100,000, representing approximately 70% of the net proceeds from the Placing, will be used for the repayment of bank loans and payment of overdue accounts payables of the Group and (ii) the remaining portion of approximately HK\$61,300,000, representing approximately 30% of the net proceeds from the Placing, will be used by the Company as general working capital of the Group.

SPECIFIC MANDATE

The allotment and issue of the Placing Shares will be made under the Specific Mandate to be sought from the Shareholders at the EGM.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving the Placing contemplated under the Placing Agreement and the proposed grant of the Specific Mandate.

CIRCULAR

A circular, containing, among other matters, further details of the Placing Agreement, the proposed grant of the Specific Mandate together with a notice convening the EGM to consider and, if thought fit, to approve the Placing contemplated under the Placing Agreement and the proposed grant of the Specific Mandate will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 1 December 2015.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares and securities of the Company.

THE PLACING AGREEMENT

Set out below are the principal terms of the Placing Agreement:

Date: 10 November 2015 (after trading hours)

Issuer: the Company

Placing Agent: Fortune (HK) Securities Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placing

The Company and the Placing Agent entered into the Placing Agreement whereby the Company agreed to place, through the Placing Agent, on a best effort basis, up to 348,696,896 new Shares to not less than six independent placees at the Placing Price of HK\$0.60 per Placing Share.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of the Placing Agreement and completion of the Placing, the maximum of 348,696,896 Placing Shares to be allotted and issued pursuant to the Placing represent:

- (a) approximately 30.00% of the total number of issued Shares as at the date of this announcement; and
- (b) approximately 23.08% of the total number of issued Shares as enlarged by the issue and allotment of all the Placing Shares.

Based on the closing price of the Shares of HK\$1.25 per Share on 10 November 2015, the date of the Placing Agreement, the Placing Shares have a market value of HK\$435,871,120. The Placing Shares have an aggregate nominal value of US\$52,305 (equivalent to approximately HK\$407,975).

The Placing Shares, when allotted and issued, will rank pari passu in all respects among themselves, and with the existing Shares then in issue.

Placing Price

The Placing Price of HK\$0.60 per Placing Share represents:

- (a) a discount of 52.00% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of 52.00% to the average closing price of approximately HK\$1.25 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (c) a discount of approximately 53.13% to the average closing price of approximately HK\$1.28 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the historical trading prices of the Shares in the previous 12-month period; (ii) the trading liquidity of the Shares in the previous 12-month period; and (iii) the Company's imminent funding needs for the repayment of bank loans and other overdue accounts payables of the Group.

The Directors consider that the Placing Price will enable the Company to raise necessary fund for its future development and hence is fair and reasonable and in the interest of the Company and the Shareholders as a whole under the current market conditions.

Placing Commission

The Placing Agent will receive a placing commission of 2% of the aggregate Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent in the Placing in accordance with the Placing Agreement.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent with reference to the market rate and after taking into account the size of the Placing and the time allowed for the Placing Agent to procure the prospective placees.

The Directors (including the independent non-executive Directors) consider that the commission for the Placing is fair and reasonable.

Placee(s)

The Placing Shares shall be offered by the Placing Agent to not less than six Placee(s), who, and its (their) ultimate beneficial owner(s), will be Independent Third Party(ies). It is expected that none of the Placee(s) will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing. In the event any of the Placees becomes a substantial Shareholder (as defined in the Listing Rules) after completion of the Placing, further announcement will be made by the Company.

Conditions of the Placing

Completion of the Placing is conditional upon satisfaction of the following:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares;
- (b) the approval by the Shareholders at the EGM approving the Specific Mandate and the allotment and issue of the Placing Shares in accordance with the terms and conditions under the Placing Agreement; and
- (c) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof.

If any of the above conditions are not fulfilled prior to 31 December 2015 (or such date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and the parties shall be released from all obligations thereunder, save for the liabilities for any antecedent breaches thereof.

Completion of the Placing

Completion of the Placing shall take place no later than the fifth Business Day after the satisfaction of all the condition precedents set out in the Placing Agreement, or such date as may be agreed between the Company and the Placing Agent.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Termination of the Placing Agreement

The Placing Agent shall be entitled to terminate the Placing Agreement by notice in writing given to the Company prior to 9:00 a.m. on the date of the completion of the Placing if:

- (a) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the sole opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole;

- (ii) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with the foregoing), which may or may be expected to, in the sole opinion of the Placing Agent, materially and adversely affect the business or financial or trading position or prospects of the Group as a whole or prejudices the success of the Placing of the Shares or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
 - (iii) any significant change (whether or not permanent) in local, regional, national or international market conditions (including without limitation suspension or material restriction on trading in securities or any conditions affecting a sector of the market) which may or may be expected to materially and adversely affect the success of the Placing or otherwise in the sole opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing;
- (b) the Company commits any material breach of or any material omission to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement;
 - (c) the trading of the Shares on the Stock Exchange has been suspended for more than five consecutive trading days save for the purposes of clearing of any announcements or circulars relating to the Placing; or
 - (d) any breach of any of the warranties under the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing.

In the event that the Placing Agreement is terminated pursuant to the above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement and the payment obligation of the Company to the Placing Agent.

ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

The allotment and issue of the Placing Shares will be made under the Specific Mandate to be sought from the Shareholders at the EGM.

REASONS FOR AND BENEFITS IN THE PLACING

The Group is principally engaged in the manufacturing of upholstered furniture, furniture leather and automotive leather, property development and tourism business.

Based on the review on the unaudited management accounts of the Group, as at 31 October 2015, the cash and bank balance of the Group was approximately RMB190 million, of which approximately RMB80 million is restricted deposit for securing certain bank loans of the Group. As at the date of this announcement, overdue accounts payables amounted to approximately RMB378.9 million and bank loans of the Group due within three months from the date of this announcement amounted to approximately RMB201.3 million. The management of the Group has been in negotiations with the relevant banks in respect of the renewal of certain bank loans upon their respective maturity dates, however, no definitive agreement has been concluded as at the date of this announcement. Whilst the Group will continue with its negotiations with the relevant creditors of the Group in respect of the debts which will become due, in light of the imminent need for the Group to settle debts which will become due over the next three months from the date of the Placing Agreement, the Directors consider that it is necessary to conduct the Placing to raise additional capital and improve the cash flow position of the Group.

It is the intention of the Group to source additional funding to strengthen and improve its cash flow position in the long run and to capture any business opportunity which may arise in the future upon its review and adjustment (if any) to the Group's future plan in light of the changing business environment.

The Directors also consider that the Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned.

USE OF PROCEEDS

Assuming all the Placing Shares were allotted and issued, the gross proceeds from the Placing will amount to approximately HK\$209,218,137 and the net proceeds from the Placing after deducting the placing fee and other related expenses payable by the Company will amount to approximately HK\$204,400,000. The net proceeds raised per Placing Share is approximately HK\$0.59.

It is expected that (i) approximately HK\$143,100,000, representing approximately 70% of the net proceeds from the Placing, will be used for the repayment of bank loans and payment of overdue accounts payables of the Group and (ii) the remaining portion of approximately HK\$61,300,000, representing approximately 30% of the net proceeds from the Placing, will be used by the Company as general working capital of the Group.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,162,322,985 Shares in issue and 49,800,000 share options to subscribe for 49,800,000 Shares.

For illustration purpose, the table below set out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Placing; and (iii) immediately after the Placing and the allotment and issue of the Shares upon full conversion of all outstanding share options of the Company as at the date of the Placing Agreement:

| Shareholders | As at the date of this announcement | | Immediately after completion of the Placing assuming all the Placing Shares have been placed out (Note 2) | | Immediately after completion of the Placing and upon full conversion of all outstanding share options (Note 2) | |
|--|-------------------------------------|---------------|---|---------------|--|---------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Joyview Enterprises Limited (Note 1) | 514,798,635 | 44.29 | 514,798,635 | 34.07 | 514,798,635 | 32.98 |
| Hongkong Greatstar International Co., Ltd. | 235,134,057 | 20.23 | 235,134,057 | 15.56 | 235,134,057 | 15.06 |
| Directors | | | | | | |
| Zhu Zhangjin | 12,360,000 | 1.06 | 12,360,000 | 0.82 | 15,360,000 | 0.98 |
| Lee Lawrence (Note 3) | 205,000 | 0.02 | 205,000 | 0.01 | 3,205,000 | 0.21 |
| Zhang Mingfa, Michael | 1,980,000 | 0.17 | 1,980,000 | 0.13 | 6,480,000 | 0.42 |
| Public Shareholders | | | | | | |
| Placee(s) | – | – | 348,696,896 | 23.08 | 348,696,896 | 22.34 |
| Holders of outstanding share options | – | – | – | – | 39,300,000 | 2.52 |
| Other public shareholders | 397,845,293 | 34.23 | 397,845,293 | 26.33 | 397,845,293 | 25.49 |
| Total | 1,162,322,985 | 100.00 | 1,511,019,881 | 100.00 | 1,560,819,881 | 100.00 |

Note 1: Joyview Enterprises Limited is a company beneficially owned as to 100% by Mr. Zhu Zhangjin, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of the family of Mr. Zhu Zhangjin (excluding Mr. Zhu Zhangjin) in the Company).

Note 2: The shareholding structure of the Company (i) immediately after completion of the Placing assuming all the Placing Shares have been placed out; and (ii) immediately after completion of the Placing and the allotment and issue of the Shares upon full conversion of all outstanding share options of the Company as at the date of the Placing Agreement set out above is for illustrative purpose only (assuming that there is no other change in the issued share capital of the Company from the date of this announcement up to (i) the date of completion of the Placing; or (ii) the date of completion of the Placing and full conversion of all outstanding share options of the Company as at the date of the Placing Agreement).

Note 3: Mr. Lee Lawrence has resigned as an executive Director on 2 November 2015. Pursuant to the share option scheme adopted by the Company pursuant to a resolution of the Shareholders passed on 24 September 2005 and a Board resolution passed on 26 September 2005, Mr. Lee Lawrence may exercise his share options within the period of one month following the date of his cessation as an employee of the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not carried out any other fund raising activity on any issue of equity securities in the past twelve months prior to the date of this announcement.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving the Placing contemplated under the Placing Agreement and the proposed grant of the Specific Mandate.

CIRCULAR

A circular, containing, among other matters, further details of the Placing Agreement, the proposed grant of the Specific Mandate together with a notice convening the EGM to consider and, if thought fit, to approve the Placing contemplated under the Placing Agreement and the proposed grant of the Specific Mandate will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 1 December 2015.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares and securities of the Company.

DEFINITIONS

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

| | |
|---------------------|--|
| “acting in concert” | has the meaning ascribed to it under The Hong Kong Code on Takeovers and Mergers |
| “Board” | the board of Directors |
| “Business Day” | any day (excluding Saturday, Sunday or public holiday), on which licensed banks in Hong Kong are generally open for business in Hong Kong |
| “Company” | Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the grant of the Specific Mandate to cover the allotment and issue of the Placing Shares |

| | |
|--------------------------------|--|
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of PRC |
| “Independent Third Party(ies)” | third party(ies) independent of, not connected or acting in concert with any directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules) |
| “Last Trading Day” | 10 November 2015, being the last trading day for the Shares before the date of the Placing Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Placee(s)” | any person(s) procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement |
| “Placing” | the placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s) pursuant to the Placing Agreement |
| “Placing Agent” | Fortune (HK) Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activities under the SFO in Hong Kong and the placing agent to the Company under the Placing |
| “Placing Agreement” | the placing agreement dated 10 November 2015 and entered into between the Company and the Placing Agent in respect of the Placing |
| “Placing Price” | HK\$0.60 per Placing Share |
| “Placing Shares” | a maximum of 348,696,896 new Shares to be issued by the Company pursuant to the Placing Agreement |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency in the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary shares of US\$0.00015 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |

| | |
|--------------------|--|
| “Specific Mandate” | a specific mandate to allot and issue new Shares to be sought from the Shareholders at the EGM to satisfy the Placing Shares pursuant to the Placing |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of United States |
| “%” | per cent. |

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

PRC, 10 November 2015

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

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