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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 IN RELATION TO THE ACQUISITIONS OF AN AGGREGATE OF 51% EQUITY INTEREST IN HUNAN PROVINCE ZHONGNAN STAMP TRADING CENTER COMPANY LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

**Financial adviser to the Company**

**AMASSE CAPITAL**  
**寶 積 資 本**

## **THE AGREEMENTS**

The Board is pleased to announce that, on 21 December 2016 (after trading hours):–

- (i) Zhejiang Kasen, ZN Stamp Vendors and the Target Company entered into the ZN Stamp Agreement, pursuant to which Zhejiang Kasen has conditionally agreed to acquire and ZN Stamp Vendors have conditionally agreed to sell the ZN Stamp Sale Shares, representing an aggregate of 27% equity interest in the Target Company, at the ZN Stamp Consideration of RMB324,000,000, subject to Adjustments, which will be satisfied by cash; and
- (ii) the Company, GV Vendors, Green Vantage, China Stamp and the Target Company entered into the GV Agreement, pursuant to which the Company has conditionally agreed to acquire and GV Vendors have conditionally agreed to sell the GV Sale Shares, representing the entire issued share capital of Green Vantage, at the GV Consideration of RMB288,000,000, subject to Adjustments, which will be satisfied by the issue of the Consideration Shares. As at the date of this announcement, Green Vantage is indirectly interested in 24% equity interest in the Target Company.

The Total Consideration payable by the Group under the Agreements to the Vendors is RMB612,000,000, subject to Adjustments. Upon Completion, the Group will be interested in an aggregate of 51% equity interest in the Target Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 25% but all of them are below 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

The issue of the Consideration Shares under the GV Agreement is subject to the Specific Mandate to be sought from the Shareholders at the EGM.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisitions and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisitions and the Specific Mandate.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreements and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Agreements and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged Group; (iv) valuation report on the Target Company; and (v) notice of the EGM, will be despatched to the Shareholders on or before 28 February 2017, as additional time is required for the preparation of the relevant information for inclusion in the circular, having taken into consideration the intervening Christmas and New Year holidays.

**Completion is subject to the fulfillment of the conditions precedent set out in the respective Agreements and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 7 June 2016 (the "**LOI Announcement**") relating to the entering into of the letter of intent (the "**LOI**") on the same date for the possible acquisition of 51% issued share capital of a company which is engaged in the provision of electronic market and online trading platform services in respect of, among others, collection of coin, note, stamp and card pieces in the PRC.

## THE AGREEMENTS

### ZN Stamp Agreement

The principal terms of the ZN Stamp Agreement are summarized as follows:

#### Date

21 December 2016 (after trading hours)

#### Parties

- (i) Zhejiang Kasen;
- (ii) Jiangsu Jinhanqi;
- (iii) Mr. Guo; and
- (iv) the Target Company.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the ZN Stamp Vendors and their ultimate beneficial owners are Independent Third Parties.

#### Assets to be acquired

The ZN Stamp Sale Shares, representing an aggregate of 27% equity interest in the Target Company, are owned as to 25% by Jiangsu Jinhanqi and 2% by Mr. Guo.

#### Consideration

The ZN Stamp Consideration payable by the Group to the ZN Stamp Vendors is RMB324,000,000, subject to Adjustments, which shall be satisfied by the Group in the following manner:

- (i) RMB200,000,000 in cash payable within ten (10) Business Days following Completion; and
- (ii) RMB124,000,000, subject to Adjustments, in cash shall be paid in three (3) installments, which respective amounts payable within ten (10) Business Days after the date of issuance of the Audited Report for the respective Relevant Periods in the following manner:

| Installment(s)     | Relevant Period(s)  | Maximum amount of cash consideration to be paid (RMB) |
|--------------------|---|---|
| First installment  | 1 to 12 full months following Completion (the “ <b>First Relevant Period</b> ”)   | 35,709,143  |
| Second installment | 13 to 24 full months following Completion (the “ <b>Second Relevant Period</b> ”) | 41,065,515  |
| Third installment  | 25 to 36 full months following Completion (the “ <b>Third Relevant Period</b> ”)  | 47,225,342  |

## **Conditions precedent**

Completion of the ZN Stamp Acquisition is conditional upon the satisfaction of the following conditions precedent:

- (i) the representations and warranties provided by ZN Stamp Vendors under the ZN Stamp Agreement remaining true and accurate in any material respect up to the Completion Date;
- (ii) all requisite approvals in connection with the ZN Stamp Acquisition having been obtained by Zhejiang Kasen and the Company, including the approval by the Shareholders in relation to the ZN Stamp Acquisition at the EGM;
- (iii) all requisite approvals of internal and external authorities in connection with the ZN Stamp Acquisition having been obtained by ZN Stamp Vendors and the Target Company;
- (iv) Zhejiang Kasen and/or its nominees being satisfied with the results of the due diligence review on, without the limitation to, the business operations, financial situations and legal matters of the Target Company up to the Completion Date;
- (v) where applicable, all requisite approvals under applicable laws and regulations having been obtained by the Target Company for foreign investors to hold over 50% of equity interest in the Target Company;
- (vi) all necessary consent, approval, licence, or permits in connection with the existing business operations of the Target Company having been obtained by the Target Company, and such approval, consent, licence or permit remains valid; and
- (vii) the permit of value-added telecommunication business (internet information service business) 《增值電信業務經營許可證》(互聯網信息服務業務) of the Target Company having been cancelled and a new permit of value-added telecommunication business (online electronic data processing business) 《增值電信業務經營許可證》(在線數據處理與交易處理業務) having been obtained by the Target Company.

None of the above conditions can be waived. If the above conditions are not satisfied on or before the Long Stop Date, the ZN Stamp Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the date of this announcement, none of the above conditions have been fulfilled.

## **GV Agreement**

The principal terms of the GV Agreement are summarized as follows:

**Date**

21 December 2016 (after trading hours)

**Parties**

- (i) the Company;
- (ii) Mr. Kong;
- (iii) Mr. Zhou;
- (iv) Haoju Investments;
- (v) Hao Shun Investments;
- (vi) Green Vantage;
- (vii) China Stamp; and
- (viii) the Target Company.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the GV Vendors and their ultimate beneficial owners are Independent Third Parties.

**Assets to be acquired**

The GV Sale Shares, representing the entire issued share capital of Green Vantage, are owned by Haoju Investments and Hao Shun Investments in equal shares. As at the date of this announcement, Green Vantage is indirectly interested in 24% equity interest in the Target Company.

**Consideration**

The GV Consideration payable by the Group to the GV Vendors is RMB288,000,000, subject to Adjustments, which shall be satisfied by way of allotment and issue of a total of 342,857,143 Consideration Shares, subject to Adjustments, at the Issue Price of HK\$1.00 (equivalent to RMB0.84) per Consideration Share.

The GV Consideration shall be paid in three (3) installments, which shall be satisfied by the allotment and issue of the respective number of Consideration Shares within ten (10) Business Days after the date of issuance of the Audited Report for the respective Relevant Periods in the following manner:

| <b>Installment(s)</b> | <b>Relevant Period(s)</b>   | <b>Maximum number of Consideration Shares to be issued</b> |
|-----------------------|---|--|
| First installment     | 1 to 12 full months following Completion (the “ <b>First Relevant Period</b> ”)   | 98,734,958   |
| Second installment    | 13 to 24 full months following Completion (the “ <b>Second Relevant Period</b> ”) | 113,545,202  |
| Third installment     | 25 to 36 full months following Completion (the “ <b>Third Relevant Period</b> ”)  | 130,576,983  |

Further details of the Consideration Shares are set out in the sub-section headed “Consideration Shares” below.

### **Conditions precedent**

Completion of the GV Acquisition is conditional upon the satisfaction of the following conditions precedent:

- (i) the representations and warranties provided by the GV Vendors under the GV Agreement remaining true and accurate in any respect up to the Completion Date;
- (ii) all requisite approvals in connection with the GV Acquisition having been obtained by the Company, including the approval by the Shareholders of the issue of the Consideration Shares under the Specific Mandate in relation to the GV Acquisition at the EGM;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares, which has not been revoked as at Completion;
- (iv) all requisite approvals of internal and external authorities in connection with the GV Acquisition having been obtained by the GV Vendors and Green Vantage;
- (v) the Company and/or its nominees being satisfied with the results of the due diligence review on, without the limitation to, the business operations, financial situations and legal matters of the Target Company up to the Completion Date;

- (vi) where applicable, all requisite approvals under applicable laws and regulations having been obtained by the Target Company for foreign investors to hold more than 50% of equity interest in the Target Company;
- (vii) the permit of value-added telecommunication business (internet information service business) 《增值電信業務經營許可證》(互聯網信息服務業務) of the Target Company having been cancelled and a new permit of value-added telecommunication business (online electronic data processing business) 《增值電信業務經營許可證》(在線數據處理與交易處理業務) having been obtained by the Target Company; and
- (viii) completion of the GV Agreement is conditional upon the completion of the ZN Stamp Agreement and completion of the Agreements shall take place simultaneously.

None of the above conditions can be waived. If the above conditions are not been satisfied on or before the Long Stop Date, the GV Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the date of this announcement, none of the above conditions have been fulfilled.

### **Consideration Shares**

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The Issue Price of HK\$1.00 per Consideration Share represents:

- (i) a discount of approximately 10.71% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange as at the date of the LOI;
- (ii) a discount of approximately 8.26% to the average closing price of HK\$1.09 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the LOI;
- (iii) a discount of approximately 26.47% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange as at the date of the GV Agreement; and
- (iv) a discount of approximately 27.11% to the average closing price of HK\$1.372 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the GV Agreement.

The Issue Price was determined after arm's length negotiation between the Company and GV Vendors with reference to the prevailing market prices of the Shares immediately before the date of entering into the LOI. The Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 22.69% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 18.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to Completion).

## **BASIS FOR DETERMINATION OF THE CONSIDERATION**

The ZN Stamp Consideration and the GV Consideration were determined based on arm's length negotiations between the Company and the ZN Stamp Vendors and GV Vendors, respectively, with reference to, among others, the preliminary valuation of the Target Company of approximately RMB1,268 million based on the market approach as at 31 October 2016 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent international valuer.

Accordingly, the Directors consider that the Total Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **PROFIT GUARANTEE**

Pursuant to the respective Agreements, each of the Vendors have agreed that the audited consolidated net profit after taxation (the "**Actual Net Profit**") of the Target Company prepared based on the Audited Report, shall not be less than the following amount for the respective Relevant Periods (the "**Guaranteed Profit**"):

| <b>Relevant Period</b> | <b>Guaranteed Profit<br/>(RMB)</b> |
|------------------------|------------------------------------|
| First Relevant Period  | 100,000,000                        |
| Second Relevant Period | 115,000,000                        |
| Third Relevant Period  | 132,250,000                        |



## Compensation for Cash Consideration

Pursuant to the ZN Stamp Agreement, in the event the Actual Net Profit for any of the Relevant Periods is less than the Guaranteed Profit for the relevant Relevant Period, the ZN Stamp Vendors shall compensate the Company in the following manner:

- (a) in respect of the RMB200,000,000 portion of the Cash Consideration, the ZN Stamp Vendors shall compensate and pay to the Company the cash amount calculated in accordance with the following formula:

$$\frac{(\text{relevant Guaranteed Profit} - \text{relevant Actual Net Profit})}{\text{total aggregate Guaranteed Profit}} \times \text{Cash Consideration of RMB200,000,000}$$

The aggregate compensation payable by the ZN Stamp Vendors in respect of the RMB200,000,000 portion of the Cash Consideration shall not exceed the actual Cash Consideration paid by the Company after deducting (i) any profit of the Target Company distributed to the Company from the date of the ZN Stamp Agreement up to the expiry of the Relevant Periods or the date of the termination of the ZN Stamp Agreement; and (ii) the net asset value of the Target Company attributable to the ZN Stamp Sale Shares as at the expiry of the Relevant Periods or the date of the termination of the ZN Stamp Agreement.

- (b) in respect of the RMB124,000,000 portion of the Cash Consideration, the maximum amount of Cash Consideration for the relevant Relevant Period payable shall be reduced in accordance with the following formula:

$$\frac{(\text{relevant Guaranteed Profit} - \text{relevant Actual Net Profit})}{\text{relevant Guaranteed Profit}} \times \text{relevant maximum installment amount of the Cash Consideration payable}$$

## Compensation for Consideration Shares

Pursuant to the GV Agreement, in the event the Actual Net Profit for any of the Relevant Periods is less than the Guaranteed Profit for the relevant Relevant Period, the GV Vendors shall compensate the Company and the maximum number of Consideration Shares for the relevant Relevant Period to be issued to the GV Vendors will be reduced in accordance with the following formula:

$$\frac{(\text{relevant Guaranteed Profit} - \text{relevant Actual Net Profit})}{\text{relevant Guaranteed Profit}} \times \text{relevant maximum number of Consideration Shares to be issued}$$

For the avoidance of doubt, (i) if a consolidated net loss is recorded for any of the Relevant Periods of the Target Company, the Actual Net Profit for such Relevant Period shall be deemed to be zero (0); and (ii) no upward adjustment will be made to the consideration for the Acquisitions even if the Actual Net Profit exceeds the Guaranteed Profit for the Relevant Period.

## **PERFORMANCE BONUS**

Pursuant to the respective Agreements, the respective parties thereto have agreed that if the Guaranteed Profit during the Relevant Period is achieved, subject to the actual operational requirements of the Target Company and relevant applicable laws and regulations, 50% of the amount of the net profit of the Target Company in excess of the Guaranteed Profit for the Relevant Period may be awarded to the management of the Target Company as performance bonus.

## **COMPLETION**

Completion of each of the ZN Stamp Acquisition and the GV Acquisition shall take place simultaneously on the Completion Date.

## **INFORMATION ON THE ZN STAMP VENDORS**

Jiangsu Jinhanqi is a company established under the laws of the PRC with limited liability and owns 25% equity interest in the Target Company as at the date of this announcement. It is principally engaged in the trading of collection of stamp and artwork pieces and related consulting services.

Mr. Guo is a PRC citizen and owns 12% equity interest in the Target Company as at the date of this announcement.

## **INFORMATION ON THE GV VENDORS**

Hao Shun Investments is an investment holding company and is wholly-owned by Mr. Kong, a PRC citizen.

Haoju Investments is an investment holding company and is wholly-owned by Mr. Zhou, a PRC citizen.

## **INFORMATION ON THE TARGET GROUP**

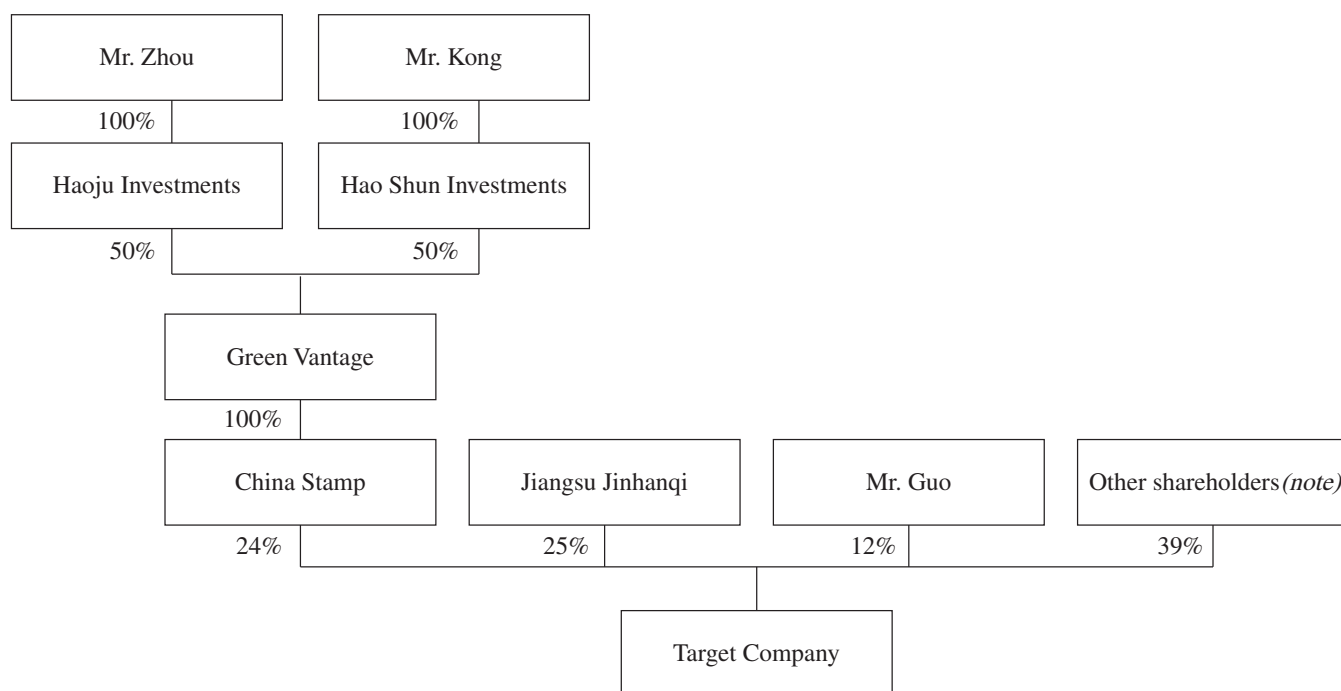
Green Vantage is an investment holding company incorporated in the BVI with limited liability on 30 May 2016 and is directly owned by Haoju Investments and Hao Shun Investments in equal shares.

China Stamp is an investment holding company incorporated in Hong Kong with limited liability on 22 June 2016 and is directly wholly-owned by Green Vantage.

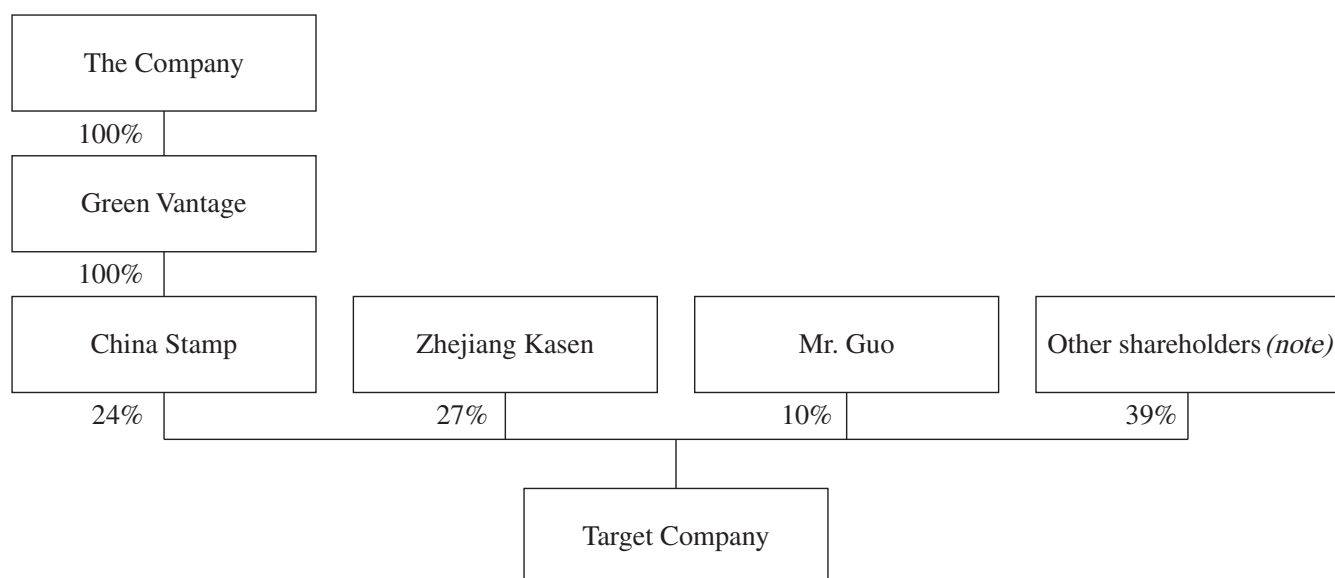
The Target Company is a company established under the laws of the PRC on 28 November 2014 with limited liability. As at the date of this announcement, it is owned as to, among others, 25% by Jiangsu Jinhanqi, 12% by Mr. Guo and 24% by China Stamp. The Target Company operates an electronic trading platform (the “**Electronic Trading Platform**”) that is principally engaged in matching buyers and sellers of among others, collection of coin, note, stamp, artwork and card pieces through electronic trading and the provision of related technical and consulting services. The Electronic Trading Platform is an all-electronic trading system which allows its trading participants to execute real time trading in the collection pieces, including but not limited to placing trade orders, viewing account balances, positions, transaction status and trading history, through different devices and interfaces with online access. Transaction fees will be charged against the trading participants as commission by the Target Company on each transaction conducted through the Electronic Trading Platform. The Target Company also offers custody, logistics, information, investment consulting, authentication, convention and other related supporting services to its trading participants.

### Shareholding structure of the Target Group

#### (1) Shareholding structure chart of the Target Group as at the date of this announcement



## (2) Shareholding structure chart of the Target Group immediately upon Completion



*Note:* 聯合利國文化產權交易所有限公司 (LHLG Cultural Equity Exchange\*), a company established under the laws of the PRC with limited liability, is a state-owned enterprise and owns 32% equity interest in the Target Company.

### Financial information of the Target Group

Green Vantage and China Stamp have been newly incorporated in May and June 2016, respectively. As at the date of this announcement, they (i) had no material assets nor liabilities; and (ii) did not have any business operations and thus had not recorded any revenue.

Set out below is the financial information of the Target Company as extracted from its unaudited financial statements for the period from 28 November 2014 (date of establishment) to 31 December 2014 and the year ended 31 December 2015:

|                                   | <b>For the<br/>period from<br/>28 November<br/>2014 (date of<br/>establishment)<br/>to<br/>31 December<br/>2014<br/>(approximate<br/>RMB'000)</b> | <b>For the<br/>financial year<br/>ended<br/>31 December<br/>2015<br/>(approximate<br/>RMB'000)</b> |
|-----------------------------------|---|--|
| Net profit/(loss) before taxation | (176)   | 111,725  |
| Net profit/(loss) after taxation  | (176)   | 83,789   |

The total assets, total liabilities and net assets of the Target Company as at 31 October 2016 according to its unaudited financial statements were approximately RMB156 million, RMB48 million and RMB108 million respectively.

Upon Completion, the Group will be interested in an aggregate of 51% of the equity interest of the Target Company and other members of the Target Group will become subsidiaries of the Company. The financial results of the Target Group will be consolidated into the accounts of the Group.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacture of upholstered furniture in the PRC.

The Company has been actively seeking business opportunities from time to time, including investments in new business segments, in order to diversify its business and enhance the long-term growth potential of the Company and Shareholders' value. By investing in the Target Group, the Group will enter into the industry of online trading platform services in respect of, among others, collection of coin, note, stamp, artwork and card pieces in the PRC, being a new business segment to the Group. Based on the historical financial performance of the Target Group, the Group is expected to be benefited from the revenue stream of the Target Group and hence the Acquisitions are in the interest of the Company and its Shareholders as a whole.

Taking into account the above factors, the Directors consider that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **EARNEST MONEY PAID BY MR. ZHU**

As disclosed in the LOI Announcement, Mr. Zhu has entered into an agreement dated 7 June 2016 with Jiangsu Jinhanqi, Mr. Zhou, Mr. Kong, Mr. Guo and the Target Company, pursuant to which Mr. Zhu shall pay to the said parties a sum of RMB30,000,000 as earnest money within 5 days after the signing of the said agreement in order to facilitate the Acquisitions. Pursuant to the said agreement, if the Acquisitions materialize, the earnest money shall be refunded to Mr. Zhu. The Company has no obligation or responsibility for any transactions contemplated under the said agreement.

## EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the full settlement of the GV Consideration, the following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the allotment and issue of the Consideration Shares in respect of the first installment of the GV Consideration (assuming no Adjustment is required to be made) (the “**First Consideration Shares**”); (iii) immediately upon the allotment and issue of (a) the First Consideration Shares; and (b) the Consideration Shares in respect of the second installment of the GV Consideration (assuming no Adjustment is required to be made) (the “**Second Consideration Shares**”); (iv) immediately upon the allotment and issue of (a) the First Consideration Shares; (b) the Second Consideration Shares; and (c) the Consideration Shares in respect of the third installment of the GV Consideration (assuming no Adjustment is required to be made) (collectively the “**Aggregate Consideration Shares**”):

|                     | (i) As at the date of this announcement |               | (ii) Immediately upon the allotment and issue of the First Consideration Shares |               | (iii) Immediately upon the allotment and issue of (a) the First Consideration Shares; and (b) the Second Consideration Shares |               | (iv) Immediately upon the allotment and issue of the Aggregate Consideration Shares |               |
|---------------------|---|---------------|---|---------------|---|---------------|---|---------------|
|                     | <i>No. of Shares</i>                    | <i>%</i>      | <i>No. of Shares</i>  | <i>%</i>      | <i>No. of Shares</i>  | <i>%</i>      | <i>No. of Shares</i>  | <i>%</i>      |
| Mr. Zhu             | 527,158,635                             | 34.89         | 527,158,635   | 32.75         | 527,158,635   | 30.59         | 527,158,635   | 28.44         |
| GV Vendors          | -                                       | -             | 98,734,958  | 6.13          | 212,280,160   | 12.32         | 342,857,143   | 18.49         |
| ZN Stamp Vendors    | -                                       | -             | -   | -             | -   | -             | -   | -             |
| Public Shareholders | 983,861,246                             | 65.11         | 983,861,246   | 61.12         | 983,861,246   | 57.09         | 983,861,246   | 53.07         |
| <b>Total</b>        | <b>1,511,019,881</b>                    | <b>100.00</b> | <b>1,609,754,839</b>  | <b>100.00</b> | <b>1,723,300,041</b>  | <b>100.00</b> | <b>1,853,877,024</b>  | <b>100.00</b> |

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 25% but all of them are below 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders’ approval requirements.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisitions, and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisitions and the Specific Mandate.

## GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreements and the transactions contemplated thereunder, including the Specific Mandate.

A circular containing, among other things, (i) further information on the Agreements and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged Group; (iv) valuation report on the Target Company; and (v) notice of the EGM, will be despatched to the Shareholders on or before 28 February 2017 as additional time is required for the preparation of the relevant information for inclusion in the circular, having taken into consideration the intervening Christmas and New Year holidays.

**Completion is subject to the fulfillment of the conditions precedent set out in the respective Agreements and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

|                   |   |
|-------------------|---|
| “Acquisition(s)”  | ZN Stamp Acquisition and/or GV Acquisition  |
| “Adjustment(s)”   | the adjustment(s) to be made to the ZN Stamp Consideration and GV Consideration, as detailed in the paragraph headed “Profit Guarantee” in this announcement                |
| “Agreement(s)”    | ZN Stamp Agreement and/or GV Agreement (as the case may be)   |
| “Audited Report”  | the audited report prepared by an independent auditor in accordance with International Financial Reporting Standards within 3 months following each of the Relevant Periods |
| “Board”           | the board of Directors  |
| “Business Day(s)” | a day (other than a Saturday, Sunday or public holiday in the PRC)  |
| “BVI”             | the British Virgin Islands  |
| “China Stamp”     | 中國郵票交易中心有限公司 (China Stamp Trading Center Company Limited*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Green Vantage       |

|                           |  |
|---------------------------|--|
| “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   |
| “Completion”              | completion of the Acquisitions in accordance with the terms and conditions of the respective Agreements  |
| “Completion Date(s)”      | within 10 Business Days after the date of fulfillment of the conditions precedent under the ZN Stamp Agreement and/or GV Agreement (or such other date as the parties to the respective Agreements may agree in writing) |
| “connected person(s)”     | has the meaning ascribed to it under the Listing Rules   |
| “Consideration Shares(s)” | a total of 342,857,143 new Shares to be allotted and issued by the Company to the GV Vendors (or their nominee(s)) at the Issue Price per Consideration Share as settlement of the GV Consideration                      |
| “Director(s)”             | director(s) of the Company   |
| “EGM”                     | the extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder                                |
| “Green Vantage”           | Green Vantage International Limited, a company incorporated in the BVI with limited liability and is directly owned by Haoju Investments and Hao Shun Investments in equal shares  |
| “Group”                   | the Company and its subsidiaries   |
| “GV Acquisition”          | the acquisition of the GV Sale Shares by the Company pursuant to the GV Agreement  |
| “GV Agreement”            | the conditional sale and purchase agreement dated 21 December 2016 and entered into by the Company, GV Vendors, Green Vantage, China Stamp and the Target Company in respect of the GV Acquisition                       |
| “GV Consideration”        | the aggregate amount of RMB288,000,000 to be satisfied by way of allotment and issue of a total of 342,857,143 Consideration Shares  |



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| “GV Sale Shares”               | an aggregate of 10,000 shares of Green Vantage, representing the entire issued share capital of Green Vantage, held as to 5,000 shares by Haoju Investments and 5,000 shares by Hao Shun Investments to be acquired under the GV Agreement |
| “GV Vendors”                   | Mr. Kong, Mr. Zhou, Haoju Investments and Hao Shun Investments   |
| “Haoju Investments”            | Haoju Investments Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Zhou  |
| “Hao Shun Investments”         | Hao Shun Investments Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Kong   |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Third Party(ies)” | a party(ies) independent of and not connected with the Company and its connected persons   |
| “Issue Price”                  | HK\$1.00, being the issue price per Consideration Share  |
| “Jiangsu Jinhanqi”             | 江蘇金翰麒電子商務有限公司 (Jiangsu Jinhanqi E-Commerce Company Limited*), a company established under the laws of the PRC with limited liability   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”               | 31 March 2017 (or such other date as the parties under the respective Agreements may agree in writing)   |
| “Mr. Guo”                      | 郭宏波 (Guo Hong Bo)  |
| “Mr. Kong”                     | 孔愛民 (Kong Ai Min)  |
| “Mr. Zhou”                     | 周軍 (Zhou Jun)  |
| “Mr. Zhu”                      | Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company  |

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| “PRC”                  | the People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan                     |
| “Relevant Period(s)”   | the First Relevant Period, the Second Relevant Period and/or the Third Relevant Period  |
| “RMB”                  | Renminbi, the lawful currency of the PRC  |
| “Share(s)”             | ordinary share(s) of US\$0.00015 each in the share capital of the Company as at the date of this announcement   |
| “Shareholder(s)”       | holder(s) of Share(s)   |
| “Specific Mandate”     | the specific mandate to be obtained by the Board from the Shareholders at the EGM for the allotment and issue of the Consideration Shares   |
| “Stock Exchange”       | The Stock Exchange of Hong Kong Limited   |
| “Target Company”       | 湖南省中南郵票交易中心有限公司 (Hunan Province Zhongnan Stamp Trading Center Company Limited*), a company established under the laws of the PRC with limited liability                               |
| “Target Group”         | the Target Company, Green Vantage and/or China Stamp  |
| “Total Consideration”  | an aggregate amount of RMB612,000,000, being the aggregate of the ZN Stamp Consideration and the GV Consideration   |
| “US\$”                 | United States dollars, the lawful currency of the United States   |
| “Vendors”              | ZN Stamp Vendors and GV Vendors   |
| “Zhejiang Kasen”       | 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company  |
| “ZN Stamp Acquisition” | the acquisition of the ZN Stamp Sale Shares by Zhejiang Kasen pursuant to the ZN Stamp Agreement  |
| “ZN Stamp Agreement”   | the conditional sale and purchase agreement dated 21 December 2016 and entered into by Zhejiang Kasen, ZN Stamp Vendors and the Target Company in respect of the ZN Stamp Acquisition |

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| “ZN Stamp Consideration” or “Cash Consideration” | the aggregate amount of RMB324,000,000 to be paid by the Company to ZN Stamp Vendors in accordance with the terms of the ZN Stamp Agreement |
| “ZN Stamp Sale Shares”                           | 27% equity interest in the Target Company to be acquired under the ZN Stamp Agreement   |
| “ZN Stamp Vendors”                               | Jiangsu Jinhanqi and Mr. Guo  |
| “%”  | per cent.   |

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

PRC, 21 December 2016

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Sun Hongyang and Mr. Zhang Mingfa, Michael 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>*

*In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*

*\* for identification purposes only*