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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)**

### **(1) DISCLOSEABLE TRANSACTION – FORMATION OF JOINT VENTURE AND (2) POTENTIAL NOTIFIABLE TRANSACTION AND POTENTIAL CONNECTED TRANSACTION – POTENTIAL LAND ACQUISITION**

#### **JOINT VENTURE AGREEMENT**

Reference is made to the announcement of the Company dated 3 November 2017.

The Board announces that on 2 January 2018, Cardina, Mr. Fan and Ms. Lim entered into the JV Agreement pursuant to which (1) Cardina, Mr. Fan and Ms. Lim have agreed to establish the JV Company which will be held as to 49% by Cardina, as to 36% by Mr. Fan and as to 15% by Ms. Lim. The initial capital commitment towards the JV Company will be approximately US\$27.4 million; and (2) after the establishment of the JV Company, the JV Company will enter into a formal sale and purchase agreement with the Potential Vendor to acquire the Land from the Potential Vendor at a proposed consideration of approximately US\$16.4 million.

Upon establishment of the JV Company, Cardina will be interested in 49% of the interest in the JV Company and will have the right to appoint or remove a majority of the board of directors of the JV Company. As a result, the JV Company will be accounted for as a non-wholly-owned subsidiary of the Company with its financial results to be consolidated into the financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios as set out in the Listing Rules in respect of the Formation of Joint Venture is more than 5% but less than 25%, the Formation of Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Potential Land Acquisition, if materialised, will constitute a notifiable transaction of the Company under the Listing Rules. In addition, upon the establishment of the JV Company, as the Potential Vendor is wholly owned by Ms. Lim, who will be interested in 15% of the interest in the JV Company, the Potential Land Acquisition, if materialised, will constitute a connected transaction of the Company under the Listing Rules. The Company will make further announcement in relation to the development of the Potential Land Acquisition, as and when appropriate pursuant to the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 3 November 2017.

The Board announces that on 2 January 2018, Cardina, Mr. Fan and Ms. Lim entered into the JV Agreement pursuant to which (1) Cardina, Mr. Fan and Ms. Lim have agreed to establish the JV Company which will be held as to 49% by Cardina, as to 36% by Mr. Fan and as to 15% by Ms. Lim. The initial capital commitment towards the JV Company will be approximately US\$27.4 million; and (2) after the establishment of the JV Company, the JV Company will enter into a formal sale and purchase agreement with the Potential Vendor to acquire the Land from the Potential Vendor at a proposed consideration of approximately US\$16.4 million.

## **THE JV AGREEMENT**

Date: 2 January 2018

Parties: 1. Cardina;  
2. Mr. Fan; and  
3. Ms. Lim

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Mr. Fan and Ms. Lim are third parties independent of the Company and its connected persons.

### **Formation of Joint Venture**

Pursuant to the JV Agreement, Cardina, Mr. Fan and Ms. Lim have agreed to establish the JV Company. The JV Company will be established in Cambodia with limited liability and held as to 49% by Cardina, as to 36% by Mr. Fan and as to 15% by Ms. Lim. The JV Company will have a registered capital of US\$500,000. The initial capital commitment towards the JV Company will be approximately US\$27.4 million, which will be contributed by the parties as follows:

1. approximately US\$500,000 will be contributed by the parties within 10 business days after the establishment of the JV Company as follows:
  - (a) approximately US\$245,000, representing 49% of the registered capital, will be contributed to the registered capital of the JV Company in cash by Cardina;

- (b) approximately US\$180,000, representing 36% of the registered capital, will be contributed to the registered capital of the JV Company in cash by Mr. Fan; and
  - (c) approximately US\$75,000, representing 15% of the registered capital, will be contributed to the registered capital of the JV Company in cash by Ms. Lim;
2. approximately US\$7.8 million will be contributed as a shareholder's loan to the JV Company in cash by Cardina within 10 business days after the establishment of the JV Company;
  3. approximately US\$8.2 million will be contributed by Cardina within two months after the establishment of the JV Company;
  4. approximately US\$8.1 million will be contributed by Cardina and Ms. Lim within 20 business days upon the payment of the full purchase price by the JV Company to the Potential Vendor under the Potential Land Acquisition as follows:
    - (a) approximately US\$4.05 million will be contributed as a shareholder's loan to the JV Company in cash by Cardina; and
    - (b) approximately US\$4.05 million will be contributed as a shareholder's loan to the JV Company in cash by Ms. Lim; and
  5. approximately US\$2.8 million will be contributed by Cardina in cash within 10 months after the establishment of the JV Company.

Such capital contribution was determined after arm's length negotiations between the parties with reference to the estimated initial capital requirement of the JV Company for the Potential Land Acquisition and the development of the Water Park.

The initial capital contribution of approximately US\$27.4 million will be used to satisfy the consideration of the Potential Land Acquisition, as well as the construction costs and other investment costs for the development of the Water Park. The capital contribution of the Group in the JV Company will be funded by internal resources and/or external borrowings of the Group.

Upon establishment of the JV Company, Cardina will be interested in 49% of the equity interest in the JV Company and will have the right to appoint or remove a majority of the board of directors of the JV Company. As a result, the JV Company will be accounted for as a non-wholly-owned subsidiary of the Company with its financial results to be consolidated into the financial statements of the Group.

## ***Operation and management of the JV Company***

The JV Company will be principally engaged in the construction and operation of the Water Park and its ancillary facilities in Cambodia.

The business operation of the JV Company will be overseen by the board of directors of the JV Company. The board of directors of the JV Company will comprise five directors, three of whom will be appointed by Cardina and two of whom will be appointed by Ms. Lim. The initial chairman of the board of directors of the JV Company will be one of the directors appointed by Cardina and subsequent chairman of the board of directors of the JV Company will be appointed among its directors by its board of directors.

The chief executive officer of the JV Company is responsible for the daily operations of the JV Company and will be nominated by Cardina. The finance matters of the JV Company will be overseen by a chief financial officer to be nominated by Cardina.

Mr. Fan will act as the consultant of the JV Company in respect of its daily operational and public relation matters.

Ms. Lim will assist the JV Company, at the costs and expenses of the JV Company, in applying for and obtaining all relevant approvals, licences and permits from the relevant local governmental and regulatory authorities in relation to the development of the Water Park in Cambodia.

### ***Reserved matters***

Certain matters in relation to the JV Company will require approval by all shareholders of the JV Company:

- (a) the amalgamation or reconstruction of the JV Company, or the merger, consolidation or amalgamation with any company, association, partnership or legal entity;
- (b) the transfer of shares, the authorization of new shares or a new class of shares, the change of voting rights of any class of shares, or the increase or decrease in the registered capital, or the redemption of shares, or admission of new shareholder of the JV Company;
- (c) any encumbrance or grant of right by any shareholder of the JV Company over any share;
- (d) the provision of the additional shareholder's loan by Cardina and the amount of such loan;
- (e) any disposal or transfer of any immovable properties owned by the JV Company or purchase or acquisition of any immovable properties by the JV Company which is not in the ordinary course of the development and operation of the Water Park;
- (f) the limitation of the powers, authorities and duties of the board of directors of the JV Company;

- (g) the public listing or a sale of a majority interest in the JV Company or the change of the status of the JV Company from a private limited company to a public limited company;
- (h) the amendments to the articles of association of the JV Company;
- (i) the suspension, material alteration or termination of the ordinary course of business by the JV Company as described in its budget;
- (j) any contract or arrangement between the JV Company and any related party, including any royalty payments or management fee;
- (k) any material change or addition in the nature and/or scope of the business for the time being of the JV Company;
- (l) the distribution of dividends as declared by the board of directors of the JV Company;
- (m) the winding up, dissolution, termination or liquidation of the JV Company;
- (n) the interest rate for the shareholder's loan to the JV Company; and
- (o) the establishment of reserves or the change in an established reserve by the JV Company.

***Repayment of debts and payment of dividends***

Upon establishment of the JV Company, the JV Company will be held as to 49% by Cardina, as to 36% by Mr. Fan and as to 15% by Ms. Lim. The revenue of the JV Company shall be applied towards payment of all operating costs, taxes, licensing and regulatory fees, repayment of third party financing and repayment of shareholders' loans before being distributed to the parties as dividends.

***Additional financing***

In the event that the total capital required for the development and operation of the Water Park exceeds the initial capital contribution of approximately US\$27.4 million, future capital needs of the JV Company may be financed either by debt financing from third party lenders or by interest-bearing shareholder's loan by Cardina and will be subject to the approval by all shareholders of the JV Company.

***Restriction on transfer and security interests***

In the event that any of the parties wishes to transfer all or part of its interest in the JV Company, it shall first offer to the other parties under the same terms as that offered to a third party purchaser and the other parties shall have pre-emptive rights over the equity interest to be transferred.

In the event that the aforesaid transfer will result in Cardina ceasing to be a shareholder of the JV Company, Ms. Lim shall have the right to sell her interest to the same third party purchaser under the same terms.

None of the parties may create any encumbrance over its equity interest in the JV Company without written consent of the other parties.

### **Potential Land Acquisition**

It is contemplated that within five business days after the establishment of the JV Company, the JV Company and the Potential Vendor will enter into a formal sale and purchase agreement, pursuant to which the JV Company will purchase the Land from the Potential Vendor at a proposed consideration of approximately US\$16.4 million. The proposed consideration was determined after arm's length negotiations between the parties with reference to the market prices of land proximate to the Land and will be funded by the initial capital contributions of the shareholders of the JV Company.

The Land, which consists of eight plots of adjoining lands, is located at Toulkey Village, Phnom Penh, Cambodia with a total site area of 154,886 square metres and is held by the Potential Vendor as at the date of this announcement. The Land is currently vacant and is permitted for agricultural use. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as certain mortgages provided in favour of a commercial bank in Cambodia which will be released before the completion of the Potential Land Acquisition, the Land is free from all leases, encumbrances or third party rights. The original cost of acquisition of the Land for the Potential Vendor was approximately US\$13.9 million.

Upon completion of the transfer of the Land to the JV Company, the JV Company will apply for a change of permitted use of the Land and the Land will be utilised as the site of the Water Park to be developed and operated by the JV Company.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

The Group currently operates a water park in Hainan, PRC and has been well perceived by the market and has cultivated a solid management team and developed operational experience in this area. The Group has always been seeking investment opportunities from time to time with growth potential. The Directors have identified the development of a water park in Cambodia, taking into account of the climate of Cambodia and the ability to operate the water park all year round in Cambodia, as an opportunity to enable the Group to extend its business footprint in Cambodia which is in line with the Group's long term business objective. The Group has been actively seeking a local business partner to cooperate with in the development and operation of a water park at a suitable location in Cambodia. By entering into the JV Agreement, the Directors consider that the Group can leverage on the local knowledge and expertise of Mr. Fan and Ms. Lim into the development of the Water Park and utilise the Land currently owned by the Potential Vendor as a potential site of the Water Park. The Directors regard the development of the Water Park, if materialised, as a strategic development milestone of the Group to further enhance the Group's tourism business.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the JV Agreement, including the Formation of Joint Venture and the Potential Land Acquisition, have been made on normal commercial terms and in the ordinary course of business of the Group and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the JV Company, the Formation of Joint Venture and the Potential Land Acquisition are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT THE COMPANY AND CARDINA**

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

Cardina, an indirect wholly-owned subsidiary of the Company, is an investment holding company.

## **INFORMATION ABOUT MR. FAN, MS. LIM AND THE POTENTIAL VENDOR**

Mr. Fan is a property investor in Cambodia and is experienced in company administration and property development in Cambodia.

Ms. Lim is an entrepreneur in Cambodia with investment in infrastructure development, property development, trading of consumer goods, leisure and hospitality industry in Cambodia for more than 30 years. The Potential Vendor, a company wholly-owned by Ms. Lim, is currently engaged in property holding in Cambodia.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios as set out in the Listing Rules in respect of the Formation of Joint Venture is more than 5% but less than 25%, the Formation of Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Potential Land Acquisition, if materialised, will constitute a notifiable transaction of the Company under the Listing Rules. In addition, upon the establishment of the JV Company, as the Potential Vendor is wholly owned by Ms. Lim, who will be interested in 15% of the interest in the JV Company, the Potential Land Acquisition, if materialised, will constitute a connected transaction of the Company under the Listing Rules. The Company will make further announcement in relation to the development of the Potential Land Acquisition, as and when appropriate pursuant to the Listing Rules.



## DEFINITIONS

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

“Board”	the board of Directors
“Cardina”	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“Formation of Joint Venture”	the establishment of the JV Company by Cardina, Mr. Fan and Ms. Lim pursuant to the JV Agreement
“Group”	the Company and its subsidiaries
“JV Agreement”	the joint venture agreement dated 2 January 2018 entered into between Cardina, Mr. Fan and Ms. Lim in relation to the Formation of Joint Venture
“JV Company”	a company (tentatively to be named Fun Water Park Co., Ltd.) to be established in Cambodia with limited liability which will be held as to 49% by Cardina, as to 36% by Mr. Fan and as to 15% by Ms. Lim for the purpose of the development and operation of the Water Park
“Land”	eight plots of adjoining lands located at Toulkey Village, Phnom Penh, Cambodia with a total site area of 154,886 square metres held by the Potential Vendor as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fan”	Mr. Fan Dehua
“Ms. Lim”	Madam Oknha Lim Chhiv Ho



“Potential Land Acquisition”	the potential acquisition of the Land by the JV Company from the Potential Vendor upon the establishment of the JV Company
“Potential Vendor”	Phnom Penh Silver Sand Co., Ltd., a company established in Cambodia with limited liability and wholly-owned by Ms. Lim, being the owner of the Land
“PRC”	People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency in the United States of America
“Water Park”	the water park located in Phnom Penh, Cambodia proposed to be constructed on the Land and developed by the JV Company
“%”	per cent.

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

PRC, 2 January 2018

*As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Ms. Zhou Xiaohong and Ms. Shen Jianhong; 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>*