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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 DISPOSAL AND CONNECTED TRANSACTION

Financial adviser to the Company

AMASSE CAPITAL

寶 積 資 本

THE SPA

On 1 February 2016 (after trading hours), the Company, the Vendors, the Purchasers and Mr. Zhu entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest at the Total Consideration; (ii) the Purchasers shall assume all liabilities and obligations in respect of the Debts due and owing by the Remaining Group to the Disposal Group with effect from the Completion whereby the Remaining Group shall be released and discharged from its liabilities and obligations in respect of the Debts with effect from the Completion; and (iii) Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

The Total Consideration shall be satisfied by way of (i) the assumption of the Debts by the Purchasers and (ii) the Cash Consideration payable by the Purchasers to the Vendors.

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal are more than 25% but are all less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As the Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, the Purchasers are associates of Mr. Zhu and connected persons of the Company, and therefore the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu and the Purchasers, no Shareholder has any material interest in the SPA and the transactions contemplated thereunder. Mr. Zhu and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the SPA and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the SPA at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the SPA and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular of the Company containing, among other matters, further details of the Disposal, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser, a notice of the EGM, and any other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 4 March 2016, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular and the notice of the EGM.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed "Conditions precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 1 February 2016 (after trading hours), the Company, the Vendors, the Purchasers and Mr. Zhu entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest at the Total Consideration; (ii) the Purchasers shall assume all liabilities and obligations in respect of the Debts due and owing by the Remaining Group to the Disposal Group with effect from the Completion whereby the Remaining Group shall be released and discharged from its liabilities and obligations in respect of the Debts with effect from the Completion; and (iii) Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

The Total Consideration shall be satisfied by way of (i) the assumption of the Debts by the Purchasers and (ii) the Cash Consideration payable by the Purchasers to the Vendors.

THE SPA

Date

1 February 2016 (after trading hours)

Parties

- (i) Company : Kasen International Holdings Limited;
- (ii) Vendor A : Cardina International Company Limited;
- (iii) Vendor B : 浙江卡森實業集團有限公司(Zhejiang Kasen Industrial Group Company Limited*);
- (iv) Purchaser A : Ms. Zhu Jiayun;
- (v) Purchaser B : Ms. Zhu Lingren; and
- (vi) Guarantor : Mr. Zhu.

The Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, and hence, the Purchasers are connected persons of the Company under the Listing Rules.

Assets to be disposed

The Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest, representing the entire equity interest of the Disposal Group.

Retained profits of the Disposal Group

It is agreed that any audited amount of retained profits of the Disposal Group attributable to the Vendors up to 31 March 2016 will be distributed as dividend by the Disposal Group to the Vendors on or before a date after 31 March 2016 as agreed by all parties to the SPA. Such dividend will first be net off by any loans or current account balances due to the Disposal Group from the Remaining Group as at 31 March 2016 (the “**Dividend Net-Off**”).

Consideration

The Total Consideration shall be satisfied by way of (i) the assumption of the Debts by the Purchasers and (ii) the Cash Consideration payable by the Purchasers to the Vendors. For indication purpose, the aggregate amount of the interest-bearing loans due and owing by the Remaining Group to the Disposal Group as at 30 September 2015 was approximately RMB187,000,000 and accordingly the Cash Consideration would be approximately RMB305,800,000.

The Total Consideration was determined after arm’s length negotiation between the parties to the SPA with reference to the unaudited net asset value of the Disposal Group as at 30 September 2015. The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the Independent Financial Adviser) consider that the Total Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent:

- (i) each of the Company, Vendor A and Vendor B having passed its board resolution(s) in relation to the SPA and the transactions contemplated thereunder;
- (ii) the due establishment of the company(ies) by the Purchasers as their nominee(s) in acquiring the Sale Interest, if applicable; and
- (iii) the Company having obtained the approval by the Independent Shareholders for the sale of the Sale Interest and all other transactions contemplated under the SPA at the EGM.

If all the conditions have not been fulfilled or waived (except for condition (iii) above which cannot be waived) on or before 31 May 2016 or such later date as the parties to the SPA may agree in writing, the SPA shall be terminated forthwith and each party to the SPA shall have no liability to the other parties save and except for any antecedent breaches of the terms thereof.

Guarantee

Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

Completion

Completion shall take place within 90 Business Days after the fulfillment (or waiver) of the above conditions or such other date as the parties to the SPA may agree in writing.

Upon Completion, the Company shall cease to hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company.

INFORMATION ON THE PURCHASERS

Purchaser A and Purchaser B are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company.

INFORMATION ON THE VENDORS

Vendor A is a company incorporated in the Cayman Islands and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

Vendor B is a company established in the PRC and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

INFORMATION ON THE DISPOSAL GROUP

Haining Kasen Leather, a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. It is owned as to 25% by Vendor A and 75% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Schinder, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather. It is owned as to 25.63% by Vendor A and 74.37% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Senmei, a company established in the PRC with limited liability and is principally engaged in the trading of leather in the PRC. It is directly wholly-owned by Haining Schinder, which in turn is an indirect wholly-owned subsidiary of the Company.

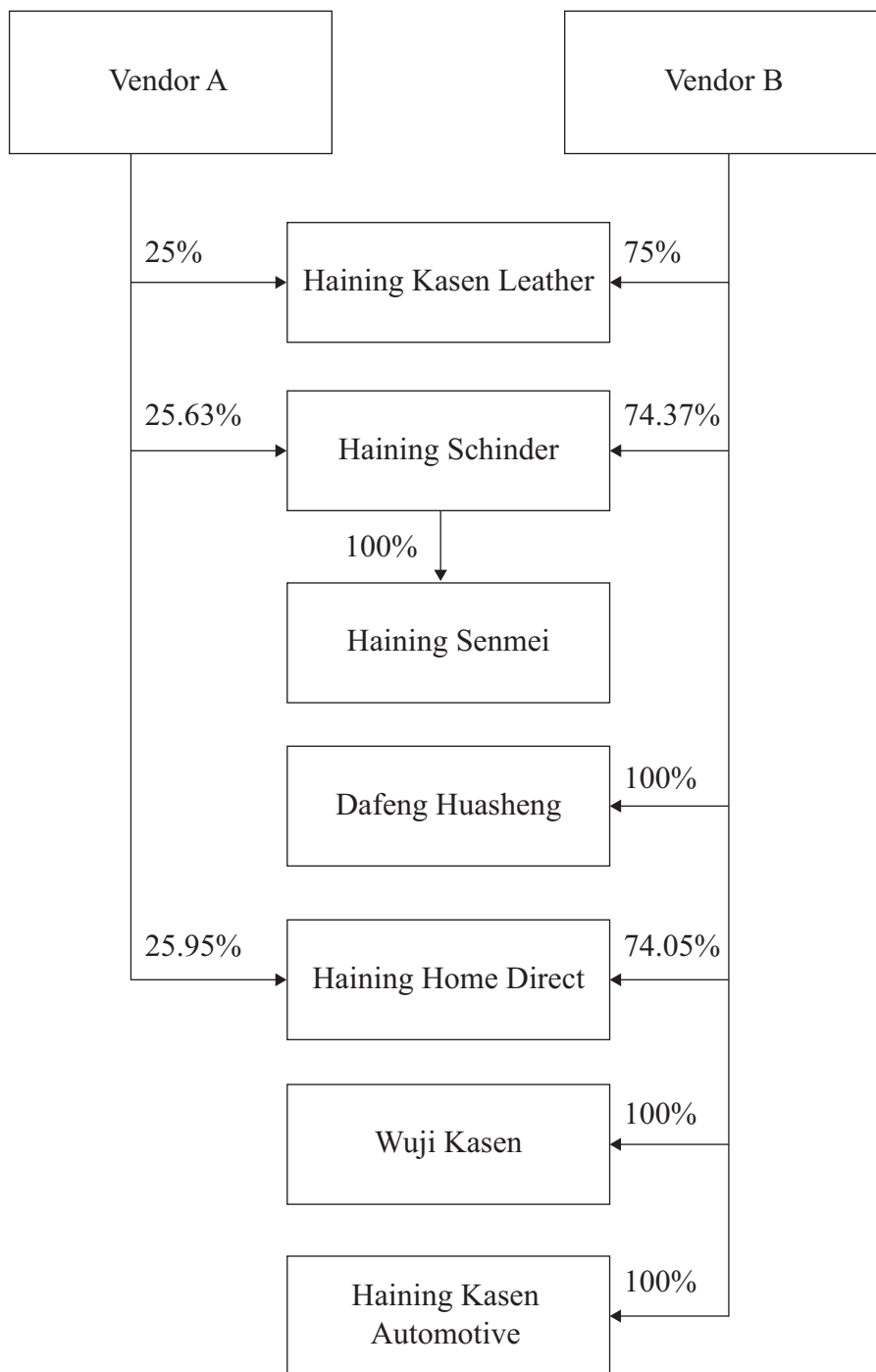
Dafeng Huasheng, a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Home Direct, a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. It is owned as to 25.95% by Vendor A and 74.05% by Vendor B, and which in turn is an indirect wholly-owned subsidiary of the Company.

Wuji Kasen, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Kasen Automotive, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Set out below is the shareholding structure of the Disposal Group as at the date of this announcement:



Financial information of the Disposal Group

The unaudited consolidated net profit before and after taxation of the Disposal Group for each of the two financial years ended 31 December 2013 and 2014 and the nine-months period ended 30 September 2015 are set out below:

	For the financial year ended 31 December		For the nine-months period ended 30 September
	2013	2014	2015
	(<i>approximate</i> RMB'000)	(<i>approximate</i> RMB'000)	(<i>approximate</i> RMB'000)
Net profit before taxation	45,383	44,078	7,013
Net profit after taxation	37,861	39,434	2,375

The significant drop in profit for the nine-months period ended 30 September 2015 as compared with the two financial years ended 31 December 2013 and 2014 of the Disposal Group was mainly due to the increase in operating costs and costs of raw materials, labor and manufacturing overheads.

The unaudited consolidated net assets of the Disposal Group as at 30 September 2015 was approximately RMB492.8 million.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited net asset value of the Disposal Group as at 30 September 2015, it is estimated that the Group will record a gain of approximately RMB22,000,000 (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately RMB2,120,000. Shareholders should note that the actual amount of the gain (or loss, as the case may be) on the Disposal to be recognized in the consolidated financial statements of the Company depends on the audited net asset value of the Disposal Group as at the date of Completion and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any equity interest of the Disposal Group and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

Upon Completion and assuming that the aggregate amount of the Debts is RMB187,000,000, the gross and net proceeds that arise from the Cash Consideration from the Disposal will be approximately RMB305,800,000 and RMB303,680,000 respectively. The Board intends to apply the net proceeds from the Disposal (i) as to approximately RMB80,000,000 for the repayment of debts of the Remaining Group; (ii) as to not more than RMB130,000,000 for distribution of dividend to the Shareholders; and (iii) the remaining balance of approximately RMB93,680,000 for the Group's future acquisitions and investments in the tourism-related business and as general working capital.

REASONS AND BENEFITS OF THE DISPOSAL

The Group (including the Disposal Group) is principally engaged in the businesses of (a) manufacturing of automotive and furniture leather and upholstered furniture, (b) property development, (c) retail business and (d) others (comprising mainly provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services) in the PRC.

The Directors have been continuously evaluating the current businesses strategies of the Group with an aim to streamline its business, increase its overall performance and prospect and its attractiveness to the investors in the market. The Directors are of the view that (i) the manufacturing business segment of the Disposal Group, in particular the manufacturing of automotive leather and furniture leather, does not seem to appeal to the investors in Hong Kong based on the Company's communication with potential investors from time to time, the weak share price performance and low trading volume of the Shares over the years and (ii) in recent years, the Group's manufacturing businesses of automotive and furniture leather in the PRC have been affected by intensified competition in the market, the increase in operating costs and costs of raw materials, labor and manufacturing overheads, and hence resulting in numerous uncertainties over the prospects of such businesses.

Furthermore, the Directors consider that the Disposal represents a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as the tourism resort and hotel operations and the property development.

It is also expected that after Completion, the overall gearing position of the Remaining Group will improve substantially. As such, it will put the Company on solid financial footing and allow the Company to focus on growing its businesses in a more appealing sectors to the investment public.

Having considered the reasons for and benefits of the Disposal as mentioned above, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the SPA are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group comprises the Disposal Group and the Remaining Group.

The Disposal Group is principally engaged in the business of manufacture of automotive and furniture leather in the PRC.

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

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal are more than 25% but are all less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Zhu as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu), are collectively holding 527,158,635 Shares or approximately 34.89% of the entire issued share capital of the Company (including the 514,798,635 Shares or approximately 34.07% of the entire issued share capital of the Company held by Joyview which in turn is wholly-owned by the Trust).

As the Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, the Purchasers are associates of Mr. Zhu and connected persons of the Company, and therefore the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu and the Purchasers, no Shareholder has any material interest in the SPA and the transactions contemplated thereunder. Mr. Zhu and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the SPA and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the SPA at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the SPA and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular of the Company containing, among other matters, further details of the Disposal, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser, a notice of the EGM, and any other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 4 March 2016, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular and the notice of the EGM.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed "Conditions precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks 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

“Completion”	the completion of the Disposal pursuant to the SPA
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cash Consideration”	the cash consideration in RMB after deducting the aggregate amount of the Debts from the Total Consideration, forming part of the Total Consideration
“Dafeng Huasheng”	鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*) (formerly known as 大豐華盛皮業有限公司 (Dafeng Huasheng Leather Company Limited*)), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
“Debts”	the audited amount of the interest-bearing loans due and owing by the Remaining Group to the Disposal Group as at 31 March 2016 after the Dividend Net-Off
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendors to the Purchasers pursuant to the SPA
“Disposal Group”	collectively, Haining Kasen Leather, Haining Schinder, Haining Senmei, Dafeng Huasheng, Haining Home Direct, Wuji Kasen and Haining Kasen Automotive, being indirect wholly-owned subsidiaries of the Company
“Dividend Net-Off”	has the meaning ascribed to it in the sub-paragraph headed “Retained profits of the Disposal Group” of the paragraph headed “The SPA” of this announcement
“EGM”	the extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Haining Home Direct”	海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25.95% by Vendor A and 74.05% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
“Haining Kasen Automotive”	海寧卡森汽車內飾材料有限公司 (Haining Kasen Automotive Interior Materials Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company

“Haining Kasen Leather”	海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25% by Vendor A and 75% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
“Haining Schinder”	海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25.63% by Vendor A and 74.37% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
“Haining Senmei”	海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Haining Schinder, which in turn is an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, which has been formed for the purpose of advising the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have material interest in the SPA and the transactions contemplated thereunder and are required to abstain from voting at the EGM
“Joyview”	Joyview Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Trustee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“Purchaser A”	Ms. Zhu Jiayun, a daughter of Mr. Zhu
“Purchaser B”	Ms. Zhu Lingren, a daughter of Mr. Zhu

“Purchasers”	Purchaser A and Purchaser B
“Remaining Group”	the Group excluding the Disposal Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest of each member of the Disposal Group
“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)
“SPA”	the conditional sale and purchase agreement dated 1 February 2016 and entered into by the Company, the Vendors, the Purchasers and Mr. Zhu in respect of, among other things, the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	the consideration of RMB492,755,687 (equivalent to approximately HK\$583,834,000) payable by the Purchasers to the Vendors for the purchase of the Sale Interest
“Trust”	a family trust set up by Mr. Zhu as the settlor to hold interest of family members of Mr. Zhu (excluding Mr. Zhu) in the Company and of which the trustee is Trustee
“Trustee”	Prosperity and Wealth Limited, a private trust company incorporated in Bermuda and acting in its capacity as trustee of the Trust
“Vendor A”	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor B”	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 as at the date of this announcement
“Vendors”	Vendor A and Vendor B

“Wuji Kasen” 無極卡森實業有限公司(Wuji Kasen Industrial Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company

“%” per cent.

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

PRC, 1 February 2016

In this announcement, the conversion of HK\$ into RMB has been made at the rate of HK\$1.00=RMB0.8440. Such conversion rate is included in this announcement for indicative purpose only and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

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>

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

* *The English name referred herein represents management's best efforts at translating the Chinese name of the company, as no English name has been registered, thus it is for identification purposes only.*