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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)

INSIDE INFORMATION LETTER OF INTENT IN RELATION TO THE POSSIBLE ACQUISITION

This announcement is made by Kasen International Holdings Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the rules governing the listing of securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company is pleased to announce that on 7 June 2016 (after trading hours), the Company entered into a non-legally binding letter of intent (the “**LOI**”) with the vendors (the “**Vendors**”, together with the Company, the “**Parties**”) in relation to the possible acquisition (the “**Possible Acquisition**”) of 51% issued share capital (the “**Sale Shares**”) of a company (the “**Project Company**”). To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, each of the Vendors is a third party independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of this announcement.

The principal activity of the Project Company is 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.

PRINCIPAL TERMS OF THE LOI

Consideration for the Possible Acquisition

The consideration for the Possible Acquisition has been preliminarily determined to be a total of RMB612,000,000, payable by the Company in the following manner:

- (i) RMB200,000,000 will be satisfied by cash (the “**Cash Consideration**”);
- (ii) RMB306,000,000 will be satisfied by way of allotment and issue of a total of 364,285,714 consideration shares of the Company (the “**Consideration Share(s)**”) at the issue price of HK\$1.00 (equivalent to RMB0.84) per Consideration Share; and

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

- (iii) RMB106,000,000 will be satisfied by the issuance of a series of 3 promissory notes (the “**Promissory Note(s)**”) by the Company in favour of the Vendors within 20 days following the completion of the Possible Acquisition.

Further details of the Promissory Notes are set out in the sub-section headed “Promissory Notes”.

The consideration shall be determined after arm’s length negotiations between the Company and the Vendors and, if the Possible Acquisition materializes, the final consideration for the Possible Acquisition shall not exceed RMB612,000,000.

Conditions precedent

The conditions precedent to the completion of the Possible Acquisition shall include, but not be limited to:

- (i) the approval by the shareholders of the Company having been obtained in relation to the Possible Acquisition and the issue of the Consideration Shares at the extraordinary general meeting of the Company;
- (ii) 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 the completion of the Possible Acquisition;
- (iii) all requisite approvals of internal and external authorities in connection with the Possible Acquisition having been obtained by the Vendors and the Project Company;
- (iv) the Company being satisfied with the results of the due diligence review on the business operations, financial situations and legal matters of the Project Company;
- (v) the written confirmations of waiver of pre-emptive rights in respect of the Sale Shares having been obtained from certain shareholders of the Project Company by the Vendors or the Project Company;
- (vi) the Project Company having been converted into a sino-foreign equity joint venture enterprise; and
- (vii) the business scope of the Project Company does not exceed the business scope approved by the relevant governmental and regulatory authorities.

The binding agreement in respect of the Possible Acquisition (which may or may not proceed) shall include the conditions precedent (i) to (vii) above and other conditions precedent as are customary in similar types of transactions, and such other conditions precedent that the Parties agree to be included.

Consideration Shares

The Company shall issue the Consideration Shares to the Vendors within 5 business days after the issuance of the audited report (the “**Audited Report**”) prepared by an independent auditor in accordance with International Financial Reporting Standards for each of the following periods (the “**Relevant Period(s)**”) in the following manner:

Batches	Relevant Period(s)	Maximum number of Consideration Shares to be issued
First batch of Consideration Shares	1 to 12 full months following completion of the Possible Acquisition (the “ First Relevant Period ”)	104,905,893
Second batch of Consideration Shares	13 to 24 full months following completion of the Possible Acquisition (the “ Second Relevant Period ”)	120,641,777
Third batch of Consideration Shares	25 to 36 full months following completion of the Possible Acquisition (the “ Third Relevant Period ”)	138,738,044

Promissory Notes

The Company shall issue to the Vendors the Promissory Notes in the aggregate principal amount of RMB106,000,000 within 20 days following the completion of the Possible Acquisition. The Promissory Notes shall be issued on the following principal terms which have been negotiated on an arm’s length basis between the Parties:

Promissory Note 1

Issuer	:	the Company
Maximum principal amount to be issued	:	RMB30,525,558
Maturity date	:	the date immediately following the date of issuance of the Audited Report in respect of the First Relevant Period
Interest	:	Nil
Transferability	:	not transferrable in part or in whole to any party

Promissory Note 2

Issuer	:	the Company
Maximum principal amount to be issued	:	RMB35,104,392
Maturity date	:	the date immediately following the date of issuance of the Audited Report in respect of the Second Relevant Period
Interest	:	Nil
Transferability	:	not transferrable in part or in whole to any party

Promissory Note 3

Issuer	:	the Company
Maximum principal amount to be issued	:	RMB40,370,050
Maturity date	:	the date immediately following the date of issuance of the Audited Report in respect of the Third Relevant Period
Interest	:	Nil
Transferability	:	not transferrable in part or in whole to any party

Profit Guarantee

The Vendors shall covenant and guarantee to the Company (the “**Profit Guarantee**”) that the audited consolidated net profit after taxation (the “**Actual Net Profit**”) of the Project Company based on the Audited Report, shall not be less than the following amount for the respective Relevant Periods (the “**Guaranteed Profit**”):

Relevant Period	Guaranteed Profit <i>(RMB)</i>
First Relevant Period	100,000,000
Second Relevant Period	115,000,000
Third Relevant Period	132,250,000

In the event the Actual Net Profit is less than the Guaranteed Profit for any of the Relevant Periods, the Vendors shall compensate the Company in the following manner:

(i) Compensation for Promissory Notes

The Company will redeem the relevant Promissory Note at nil consideration in accordance with the following formula for the respective Relevant Period:

(respective Guaranteed Profit – respective Actual Net Profit)/respective Guaranteed Profit X maximum principal amount of the respective Promissory Note

The remaining respective Promissory Note, if any, will be redeemed by the Company by cash at its remaining principal amount.

(ii) Compensation for Consideration Shares

The maximum number of Consideration Shares to be issued to the Vendors will be reduced in accordance with the following formula for the respective Relevant Period:

(respective Guaranteed Profit – respective Actual Net Profit)/respective Guaranteed Profit X maximum number of the respective Consideration Shares to be issued

(iii) Compensation for the Cash Consideration

The Vendors shall pay the Company in cash in accordance with the following formula for the respective Relevant Period:

(respective Guaranteed Profit – respective Actual Net Profit)/total aggregate Guaranteed Profit X the Cash Consideration of RMB200,000,000

For the avoidance of doubt, (i) if consolidated net loss is recorded for any of the Relevant Periods of the Project Company, the respective Actual Net Profit shall be deemed to be zero; and (ii) no upward adjustment will be made on the consideration for the Possible Acquisition even if each of the Actual Net Profit exceeds the respective Guaranteed Profit.

Performance bonus

If the Guaranteed Profit during the Relevant Period is achieved, the Parties agree that, subject to the actual operational requirement of the Project Company and relevant applicable laws and regulations, 50% of the net profit of the Project Company exceeding the Guaranteed Profit during the Relevant Period may be awarded to the management of the Project Company as performance bonus.

Due Diligence

The Vendors shall assist the Company and/or its nominees in conducting due diligence review on business, legal and financial aspects of the Project Company (including its subsidiaries (if any)) and shall provide all relevant documents of the Project Company (including its subsidiaries (if any)) as required by the Company and/or its nominees.

The Company shall finish due diligence within the Exclusivity Period (as defined below). The Parties may through negotiations, extend the Exclusivity Period for a period to be agreed between the Parties in writing.

Exclusivity Period

During the period commencing from the date of signing of the LOI by the Parties up to 30 September 2016 (the “**Exclusivity Period**”), the Company has an exclusive right for the Possible Acquisition. Unless the Company terminates the LOI in writing, the Vendors are not allowed to transfer or enter into any agreement (whether legally binding or not) to transfer all or part of the share(s) of the Project Company to any party.

In the event that the Parties do not enter into any binding agreement for the Possible Acquisition after the expiry of the Exclusivity Period or the Company has terminated the LOI in writing during the Exclusivity Period, the LOI shall lapse and all obligations of the Parties shall cease.

Binding effect

Save for certain provisions such as the provisions on confidentiality, exclusivity, costs and governing law, the other terms of the LOI are not intended to be legally binding.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Company has been actively seeking new business opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Company and its shareholders' value. By investing in the Project Company, it is expected that the Group can enter into the industry of online trading platform services in respect of, among others, collection of coin, note, stamp and card pieces in the PRC, being a new business segment to the Group, and the Group is expected to be benefited from diversifying its revenue stream and hence the Possible Acquisition is in the interest of the Company and its shareholders as a whole.

EARNEST MONEY PAYABLE BY MR. ZHU ZHANGJIN

Mr. Zhu Zhangjin (“**Mr. Zhu**”), a director and the controlling shareholder of the Company, has entered into an agreement dated 7 June 2016 with the Vendors pursuant to which Mr. Zhu shall pay the Vendors a sum of RMB30,000,000 as earnest money within 5 days after the signing of the said agreement in order to facilitate the Possible Acquisition. If the Possible Acquisition materializes or the LOI is cancelled or lapsed, the earnest money shall be refunded to Mr. Zhu. The Company has no obligation or responsibility for any transactions contemplated under the said agreement.

GENERAL

The LOI is not intended to be legally binding (save for certain provisions such as the provisions on confidentiality, exclusivity, costs and governing law). If the Company proceeds with the Possible Acquisition, it will enter into legally binding agreement(s) with the Vendors in respect of the Possible Acquisition.

The Board wishes to emphasize that the Possible Acquisition may or may not proceed and that the Company has not entered into any binding agreement in relation to the Possible Acquisition as at the date of this announcement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. The Company will make further announcement in respect of the Possible Acquisition as and when appropriate in compliance with the Listing Rules.

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

PRC, 7 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Zhu Zhangjin, Mr. Sun Hongyang and Mr. Zhang Mingfa, Michael and the independent non-executive directors of the Company are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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

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