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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)

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURES

Reference is made to the announcements of the Company dated 12 April 2018, 24 April 2018, 18 May 2018, 23 May 2018 and 5 July 2018 in relation to the Company's potential investment in the Special Economic Zone, the Equipment Purchase and the Land Acquisitions.

The Board is pleased to announce that, on 10 July 2018, Kasen Cambodia, an indirect wholly-owned subsidiary of the Company, entered into the JV Agreements for the purpose of the Group's potential investment in the Special Economic Zone in Cambodia.

FIRST JV AGREEMENT

On 10 July 2018, Kasen Cambodia, Attwood Investment and Mr. Fan entered into the First JV Agreement pursuant to which Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company A which will be held as to 49% by Kasen Cambodia, as to 30% by Attwood Investment and as to 21% by Mr. Fan for the development of the Power Project. The total capital commitment towards the JV Company A will be approximately US\$180,000,000, and an initial capital commitment towards the JV Company A will be approximately US\$1,800,000.

SECOND JV AGREEMENT

On 10 July 2018, Kasen Cambodia and Mr. Fan entered into the Second JV Agreement pursuant to which Kasen Cambodia and Mr. Fan have agreed to establish the JV Company B which will be held as to 49% by Kasen Cambodia and as to 51% by Mr. Fan for the development of the Paper-making Project. The initial capital commitment towards the JV Company B will be approximately US\$1,000,000.

LISTING RULES IMPLICATIONS

Discloseable transaction

As all the applicable percentage ratios as set out in the Listing Rules in respect of the Formation of JVs (when aggregated with the Equipment Purchase and Land Acquisitions) is more than 5% but less than 25%, the entering of the JV Agreements and the Formation of JVs as contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

As at the date of the JV Agreements, (i) Attwood Investment is wholly-owned by Ms. Lim; and (ii) each of Ms. Lim and Mr. Fan is a substantial shareholder of a non-wholly owned subsidiary of the Company, and thus a connected person at the subsidiary level pursuant to Chapter 14A of the Listing Rules. The entering into of each of the JV Agreements and the Formation of JVs contemplated thereunder also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, as (i) each of Attwood Investment and Mr. Fan is only a connected person at the subsidiary level; (ii) the Formation of JVs as contemplated under the JV Agreements is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the JV Agreements; and (iv) the independent non-executive Directors have confirmed that the terms of the JV Agreements are fair and reasonable, the Formation of JV as contemplated under the JV Agreements is on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the entering of the JV Agreements is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 12 April 2018, 24 April 2018, 18 May 2018, 23 May 2018 and 5 July 2018 in relation to the Company's potential investment in the Special Economic Zone, the Equipment Purchase and the Land Acquisitions.

The Board announces that on 10 July 2018, (i) Kasen Cambodia, Attwood Investment and Mr. Fan entered into the First JV Agreement pursuant to which Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company A which will be held as to 49% by Kasen Cambodia, as to 30% by Attwood Investment and as to 21% by Mr. Fan, with the total capital commitment towards the JV Company A will be approximately US\$180,000,000, and an initial capital commitment towards the JV Company A of approximately US\$1,800,000; and (ii) Kasen Cambodia and Mr. Fan entered into the Second JV Agreement pursuant to which Kasen Cambodia and Mr. Fan have agreed to establish the JV Company B which will be held as to 49% by Kasen Cambodia and as to 51% by Mr. Fan, with an initial capital commitment towards the JV Company B will be approximately US\$1,000,000.

THE FIRST JV AGREEMENT

Date: 10 July 2018

Parties:

1. Kasen Cambodia;
2. Attwood Investment; and
3. Mr. Fan.

As at the date of the First JV Agreement, (i) Attwood Investment is wholly-owned by Ms. Lim; and (ii) each of Ms. Lim and Mr. Fan is a substantial shareholder of a non-wholly owned subsidiary of the Company, and thus a connected person at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Formation of JV Company A

Pursuant to the First JV Agreement, Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company A. The JV Company A will be established in Cambodia with limited liability and held as to 49% by Kasen Cambodia, as to 30% by Attwood Investment and as to 21% by Mr. Fan. The total capital commitment towards the JV Company A will be approximately US\$180,000,000 which will be made by the parties based on their respective shareholding proportions. The JV Company A will have an initial registered capital of US\$1,800,000, and the initial capital commitment towards the JV Company A will be contributed by the parties as follows:

- (i) approximately US\$882,000 will be contributed by Kasen Cambodia by way of cash to the registered capital of the JV Company A;
- (ii) approximately US\$540,000 will be contributed by Attwood Investment by way of contribution in kind by transferring the Lands to the JV Company A; and
- (iii) approximately US\$378,000 will be contributed by Mr. Fan by way of cash to the registered capital of the JV Company A.

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 A for the development of the Power Project. The capital contribution of the Group in the JV Company A will be funded by internal resources and/or external borrowings of the Group.

The further capital commitment will be contributed by Kasen Cambodia and Mr. Fan by way of cash, while Attwood Investment by way of contribution in kind by transferring the Lands to the JV Company A. The parties also agree that the total value of the Lands to be contributed by Attwood Investment shall be 30% of the total capital commitment towards the JV Company A.

Upon establishment of the JV Company A, Kasen Cambodia will be interested in 49% of the interest in the JV Company A and will have the right to appoint or remove a majority of the board of directors of the JV Company A. As a result, the JV Company A 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 A

The JV Company A will be principally engaged in the construction, development and operation of a coal fired power plant and supply of electricity generated and such other business and activities as may be reasonably required in furtherance of the foregoing.

The business operation of the JV Company A will be overseen by the board of directors of the JV Company A. The board of directors of the JV Company A will comprise three directors, two of whom will be appointed by Kasen Cambodia and one of whom will be appointed by Attwood Investment. The initial chairman of the board of directors of the JV Company A will be one of the directors appointed by Kasen Cambodia and subsequent chairman of the board of directors of the JV Company A will be appointed among its directors by its board of directors.

The chief executive officer of the JV Company A is responsible for the day-to-day management of the JV Company A and will be nominated by Kasen Cambodia.

Mr. Fan acknowledges that he shall not have any right to elect and nominate any directors of the board of directors.

Reserved matters

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

- (a) the amalgamation or reconstruction of the JV Company A, or merger, consolidation or amalgamation with any company, association, partnership or legal entity;
- (b) the transfer of shares or authorization of new shares or a new class of shares or change of voting rights of any class of shares, or increase or decrease the registered capital, or the redemption of shares, or admission of new shareholder of the JV Company A;
- (c) any encumbrance or grant of right by any shareholder of the JV Company A over any share;
- (d) the provision of any shareholders' loan and the amount and the annual interest rate of such loan;
- (e) any disposal or transfer of any immovable properties owned by the JV Company A or purchase or acquisition of any immovable properties by the JV Company A not in the ordinary course of the Power Project;

- (f) the limitation of the powers, authorities and duties of the board of directors of the JV Company A;
- (g) the public listing or a sale of a majority interest in the JV Company A or the change of the status of the JV Company A from a private limited company to a public limited company;
- (h) the amendments to the articles of the JV Company A;
- (i) the suspension, material alteration or termination of the ordinary course of business by the JV Company A;
- (j) any contract or arrangement between the JV Company A 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 A;
- (l) the distribution of dividends as declared by the directors of the JV Company A;
- (m) the winding up, dissolution, termination or liquidation of the JV Company A;
- (n) the establishment of any branch, representative office or subsidiary of the JV Company A or the acquisition of any shares in any body corporate or participation in any partnership or joint venture or co-operation arrangement or the acquisition, disposal or creating of a new business unit other than the business in the JV Company A; or
- (o) the establishment of reserves or the change in an established reserve by the JV Company A.

Repayment of debt and payment of dividend

Pursuant to the First JV Agreement, the revenue of the JV Company A shall be applied in the following order of priority:

- (a) payment of all operating costs, taxes, licensing and regulatory fees, as required by law;
- (b) repayment of any third party financing as they fall due;
- (c) repayment of any shareholders' loan, provided always that all shareholders' loan will be treated pari passu and shall be repaid by the JV Company A simultaneously;
- (d) reserves required to be maintained by the JV Company A pursuant to the applicable law and as specified in the budget of the JV Company A, or required by third party finance providers; and
- (e) distribution to the shareholders of the JV Company A as dividends to the extent permitted by Law.

Additional financing

In the event that the total capital required for the development and operation of the Power Project exceeds the initial capital contribution, future capital needs of the JV Company A may be financed by way of further equity contribution through increase of the registered capital in separate tranches up to approximately USD180,000,000, and/or interest-bearing shareholders' loan or debt financing from third party lenders.

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 A, 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.

Further, each shareholder shall have pre-emptive rights to subscribe to any additional new shares to be issued by the JV Company A. If the shareholders consider and resolve at any time in accordance with the First JV Agreement that further increase of the share capital is required during the term of the First JV Agreement for the Power Project and/or the business of the JV Company A, the increase of the share capital of the JV Company A shall be done in proportion to the shareholders' respective shareholding proportion in the JV Company A, such that it will not at any time result in a dilution of the shareholders' respective shareholding proportion in the JV Company A.

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

Information of the Lands

The Lands, which consist of multiple plots of lands located at the Steung Hav district, Kingdom of Cambodia measuring approximately sixty (60) hectares in aggregate. The Lands are permitted for agricultural use. It is currently anticipated that the Lands will be used for development and construction of the Power Project to accompany the Company's potential investment at the Special Economic Zone.

THE SECOND JV AGREEMENT

Date: 10 July 2018

Parties: 1. Kasen Cambodia; and
2. Mr. Fan.

As at the date of the Second JV Agreement, Mr. Fan is a substantial shareholder of a non-wholly owned subsidiary of the Company, and thus a connected person at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Formation of JV Company B

Pursuant to the Second JV Agreement, Kasen Cambodia and Mr. Fan have agreed to establish the JV Company B. The JV Company B will be established in Cambodia with limited liability and held as to 49% by Kasen Cambodia and as to 51% by Mr. Fan. The JV Company B will have an initial registered capital of US\$1,000,000, and the initial capital commitment towards the JV Company B will be contributed by Kasen Cambodia and Mr. Fan in proportion to their respective equity interest in the JV Company B, in the amount of US\$490,000 and US\$510,000, respectively.

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 B for the development of the Paper-making Project. The capital contribution of the Group in the JV Company B will be funded by internal resources and/or external borrowings of the Group.

In the event that the total capital required for the development and operation of the Paper-making Project exceeds the initial capital contribution, Kasen Cambodia will look financing from third party lenders and/or to fund any future capital need of the JV Company B by way of interest-bearing shareholders' loan.

Upon establishment of the JV Company B, Kasen Cambodia will be interested in 49% of the interest in the JV Company B. The JV Company B will comprise of one director as appointed by Kasen Cambodia. Further, Mr. Fan will not participate in the day-to-day matter and operation of the JV Company B. As a result, the JV Company B 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 B

The JV Company B will be principally engaged in production and sales of various types of packaging base paper or other base paper.

The business operation of the JV Company B will be overseen by the sole director appointed by Kasen Cambodia, who will be responsible for the day-to-day management and finance matter of the JV Company B.

Further, Mr. Fan unconditionally agreed that he will vote in accordance with Kasen Cambodia in all matters which require to be approved by the shareholders of the JV Company B under the articles of association or equivalent constitutional documents of the JV Company B. In the event that Mr. Fan is in disagreement with Kasen Cambodia on any matter to be resolved by the shareholders of the JV Company B, Kasen Cambodia (or its designated party) will have the right to acquire all the interest of Mr. Fan in JV Company B.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENTS

Upon thorough studies and research, the Company has decided to increase its investment in the Special Economic Zone. Cambodia is one of the important regions along the “One Belt, One Road” roadmap. The government of the Kingdom of Cambodia has formulated various governmental policies, including the “Rectangular Strategy” (“四角戰略”) and “Cambodia Industrial Development Policy 2015-2025” (“2015-2025工業發展計劃”) to enhance and promote the integration of the developmental strategies of the PRC and Cambodia by both the government of the Kingdom of Cambodia and the PRC government. The Special Economic Zone is an area which is supported by the government of the Kingdom of Cambodia. Together with the advantageous natural condition by locating near the port area, it has been the government’s initiative to build a large-scale port terminal and focus on the development of large industrial heavy industry. Together with the strategic partnership that the Company has established with Attwood Investment, it is the intention of the Company to introduce investment from leading industrial enterprises in the PRC into the Special Economic Zone, to develop international capacity and manufacturing cooperation, and to help industrial enterprises in the PRC to be able to enjoy benefits of the recent rapid development and tax incentives in Cambodia. Further, the Group will also provide electricity supply and other public utility services for those industrial enterprises located in the Special Economic Zone.

Reference is made to the announcements of the Company dated 12 April 2018 and 18 May 2018 in relation to, among others, the entering of the cooperation agreements with Attwood Investment in relation to the potential investment by the Company in developing a thermal power plant within the Special Economic Zone. Pursuant to the First JV Agreement, it is currently contemplated that the shareholders of the JV Company A will cooperate in the development and operation of the Power Project in the form as a partnership. By entering into the First 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 Power Project and utilise the Lands currently owned and/or to be acquired by Attwood Investment for the development of the Power Project. The Directors regard the development of the Power Project, if materialized, as a strategic development milestone of the Group to further enhance the Group’s revenue stream and broaden return to its Shareholders.

Reference is also made to the announcements of the Company dated 12 April 2018, 18 May 2018, 23 May 2018 and 5 July 2018 in relation to the Company’s potential investment in the Special Economic Zone and the Land Acquisitions. Pursuant to the Second JV Agreement, it is currently contemplated that the shareholders of the JV Company B will cooperate in the development and operation of the Paper-making Project. By entering into the Second JV Agreement, the Directors consider that the Group can leverage on the local knowledge of Mr. Fan into the development of the Paper-making Project, taking advantages of the social network of Mr. Fan to expedite any license application for the Paper-making Project and to accelerate and smoothen the promotion and development of the same.

The Directors (including the independent non-executive Directors) consider that the Formation of the JVs contemplated under the JV Agreements has 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 Formation of JVs are in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND KASEN CAMBODIA

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 and trade of upholstered furniture in the PRC.

Kasen Cambodia, an indirect wholly-owned subsidiary of the Company, incorporated in Cambodia in 2018 principally engaged in investment holding. Kasen Cambodia will act as the principal investment channel for the Group's investment and development in the Special Economic Zone.

INFORMATION ABOUT ATTWOOD INVESTMENT, MS. LIM AND MR. FAN

Attwood Investment is a company incorporated in Cambodia and principally engaged in the development and operation of the Special Economic Zone. As at the date of this announcement, Attwood Investment is wholly-owned by Ms. Lim.

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.

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

LISTING RULES IMPLICATIONS

Discloseable transaction

As all the applicable percentage ratios as set out in the Listing Rules in respect of the Formation of JVs (when aggregated with the Equipment Purchase and Land Acquisitions) is more than 5% but less than 25%, the entering of the JV Agreements and the Formation of JVs as contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

As at the date of the JV Agreements, (i) Attwood Investment is wholly-owned by Ms. Lim; and (ii) each of Ms. Lim and Mr. Fan is a substantial shareholder of a non-wholly owned subsidiary of the Company, and thus a connected person at the subsidiary level pursuant to Chapter 14A of the Listing Rules. The entering into of the JV Agreements and the Formation of JVs contemplated thereunder also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, as (i) each of Attwood Investment and Mr. Fan is only a connected person at the subsidiary level; (ii) the Formation of JVs as contemplated under the JV Agreements is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the JV Agreements; and (iv) the independent non-executive Directors have confirmed that the terms of the JV Agreements are fair and reasonable, the Formation of JVs as contemplated under the JV Agreements is on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the entering of the JV Agreements is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Attwood Investment”	Attwood Investment Group Co., Ltd., a company incorporated in Cambodia
“Board”	the board of Directors
“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
“Equipment Purchase”	the purchase of two sets of 300 mega-watts coal-fired generators together with certain ancillary components pursuant to an agreement dated 24 April 2018. For further details, please refer to the announcement of the Company dated 24 April 2018
“First JV Agreement”	the joint venture agreement dated 10 July 2018 entered into between Kasen Cambodia, Attwood Investment and Mr. Fan in relation to the formation of JV Company A

“Formation of JVs”	the establishment of the JV Company A and the JV Company B pursuant to the JV Agreements
“Group”	the Company and its subsidiaries
“JV Agreements”	the First JV Agreement and the Second JV Agreement
“JV Company A”	a private company (tentatively to be named as AIG Kasen International Power Co. Ltd.) to be established in Cambodia with limited liability which will be held as to 49% by Kasen Cambodia, as to 30% by Attwood Investment and 21% by Mr. Fan for the purpose of the development and operation of the Power Project
“JV Company B”	a private company (tentatively to be named as Kasen International Paper Co., Ltd.) to be established in Cambodia with limited liability which will be held as to 49% by Kasen Cambodia and as to 51% by Mr. Fan for the purpose of the development and operation of the Paper-making Project
“Kasen Cambodia”	Kasen International Eco-Manufacture Co., Ltd., a company incorporated in Cambodia and a wholly-owned subsidiary of the Company
“Land Acquisitions”	<p>the acquisition of:</p> <ul style="list-style-type: none"> (i) one plot of land located at Kom Penh sub-district, Steung Hav district, Cambodia with a total site area of approximately 90,000 square meters by Fun Waterpark Co., Ltd., a company established in Cambodia with limited liability which is held as to 49% by the Group and as to 15% by Ms. Lim, and an indirect non-wholly owned subsidiary of the Company pursuant to the agency agreement dated 23 May 2018 entered into with Ms. Lim; and (ii) one plot of land located at Kom Penh sub-district, Steung Hav district, Cambodia with a total site area of approximately 100,000 square meters by Kasen Cambodia pursuant to the agency agreement dated 5 July 2018 entered into with Ms. Lim
“Lands”	multiple plots of lands located at the Steung Hav district, Kingdom of Cambodia measuring not less than sixty (60) hectares in aggregate, whereby fifty (50) hectares shall be adjoining and the remaining ten (10) hectares shall be separately adjoining

“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
“Paper-making Project”	a manufacturing plant to be constructed within the Special Economic Zone for the production and sales of various types of packaging base paper or other base paper by the JV Company B
“Power Project”	two coal fired power plants of 1,200 MW and 25 MW respectively to be constructed on the land to be developed by the JV Company A
“PRC”	People’s Republic of China
“Second JV Agreement”	the joint venture agreement dated 10 July 2018 entered into between Kasen Cambodia and Mr. Fan in relation to the formation of JV Company B
“Shareholder(s)”	shareholder(s) of the Company
“Special Economic Zone”	the Steung Hav International Port and Special Economic Zone, being a 1,000 hectare special economic zone located on the coast of Chhak Kanmpong Som in the Sihanoukville Province, Cambodia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency in the United States of America
“%”	per cent.

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

PRC, 10 July 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>