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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 VENTURE**

References are made to the announcements of the Company dated 12 April 2018, 24 April 2018, 18 May 2018, 23 May 2018, 5 July 2018, 10 July 2018 and 19 July 2018 in relation to the Company's potential investment in the Special Economic Zone, the Equipment Purchase, the Land Acquisitions and the Previous JVs Formation.

### **JOINT VENTURE AGREEMENT**

The Board announces that on 12 November 2018, Kasen Cambodia, Attwood Investment and Mr. Fan entered into the JV Agreement pursuant to which Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company which will be held as to 49% by Kasen Cambodia, as to 49% by Attwood Investment and as to 2% by Mr. Fan. The aggregate initial capital commitment towards the JV Company will be approximately US\$5,000,000.

### **LISTING RULES IMPLICATIONS**

#### **Discloseable transaction**

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

## **Connected transaction**

As at the date of the 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 certain non-wholly owned subsidiaries 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 Agreement and the Formation of JV contemplated thereunder also constitute 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 JV as contemplated under the JV Agreement is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the JV Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of the JV Agreement are fair and reasonable, the Formation of JV as contemplated under the JV Agreement is on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the entering into of the JV Agreement 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**

References are made to the announcements of the Company dated 12 April 2018, 24 April 2018, 18 May 2018, 23 May 2018, 5 July 2018, 10 July 2018 and 19 July 2018 in relation to the Company's potential investment in the Special Economic Zone, the Equipment Purchase, the Land Acquisitions and the Previous JVs Formation.

The Board announces that on 12 November 2018, Kasen Cambodia, Attwood Investment and Mr. Fan entered into the JV Agreement pursuant to which Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company which will be held as to 49% by Kasen Cambodia, as to 49% by Attwood Investment and as to 2% by Mr. Fan. The initial capital commitment towards the JV Company will be approximately US\$5,000,000.

## **THE JV AGREEMENT**

Date: 12 November 2018

Parties:

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

As at the date of the 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 certain non-wholly owned subsidiaries of the Company, and thus each of Attwood Investment and Mr. Fan is a connected person at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

## **Formation of Joint Venture**

Pursuant to the JV Agreement, Kasen Cambodia, Attwood Investment and Mr. Fan have agreed to establish the JV Company. The JV Company will be established in Cambodia with limited liability and held as to 49% by Kasen Cambodia, as to 49% by Attwood Investment and as to 2% by Mr. Fan. The JV Company will have an initial registered capital of US\$5,000,000, and the initial capital commitment towards the JV Company will be contributed by the parties as follows:

- (i) US\$2,450,000 will be contributed by Kasen Cambodia by way of cash to the registered share capital of the JV Company;
- (ii) US\$2,450,000 will be contributed by Attwood Investment by way of cash to the registered share capital of the JV Company; and
- (iii) US\$100,000 will be contributed by Mr. Fan by way of cash to the registered share capital 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 development of the Industrial Real Estate Business. 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, Kasen Cambodia 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.

Pursuant to the memorandum of cooperation entered into between the Company (details as set out in the Company's announcement dated 18 May 2018), Attwood Investment and Ms. Lim dated 18 May 2018, the Company has paid an earnest money (the "**Earnest Money**") of US\$3 million to Attwood Investment. Pursuant to the JV Agreement, such Earnest Money has been converted into a Special Shareholder Loan by Kasen Cambodia to the JV Company.

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

The JV Company will be principally engaged in the Industrial Real Estate Business within the Special Economic Zone 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 three directors, two of whom will be appointed by Kasen Cambodia and one of whom will be appointed by Attwood Investment. The chairman of the board of directors of the JV Company will be Mr. Zhu Zhangjin, the chairman of the Company.

The chief executive officer of the JV Company is responsible for the day-to-day management of the JV Company and will be nominated by Kasen Cambodia. The finance matters of the JV Company will be overseen by a chief financial officer to be nominated by the board of the directors of the JV Company.

***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 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;
- (c) any encumbrance or grant of right by any shareholder of the JV Company over any share;
- (d) the annual interest rate of such shareholder loan which exceeds 8%;
- (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 not in the ordinary course of the JV Company;
- (f) any alteration of 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 the JV Company;
- (i) the suspension, material alteration or termination of the ordinary course of business by the JV Company;
- (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 directors of the JV Company;
- (m) the winding up, dissolution, termination or liquidation of the JV Company;

- (n) the establishment of any branch, representative office or subsidiary of the JV Company 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;
- (o) the establishment of reserves or the change in an established reserve by the JV Company;
- (p) the entry into any contract, arrangement or commitment to acquire or dispose of assets including but not limited to any plant, immovable properties, movable assets (whether by a single transaction or a series of related transaction) involving expenditure on capital account or the realisation of capital assets or for amounts or consideration in excess of US\$50,000 which is not in the normal course of business or within the business and not contained in the approved budget of the JV Company; or
- (q) the acquiring of any debt in excess of US\$50,000 (contingent or vested) including but not limited to any third party financing by the JV Company, or guaranteeing the payment in excess of US\$50,000 in total or satisfaction of any obligation, which is not in the normal course of business or within the Business and not contained in the approved budget of the JV Company.

### ***Repayment of debt and payment of dividend***

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

- (a) payment of all operating costs, taxes, licensing and regulatory fees, as required by law for the project and/or the business of the JV Company;
- (b) repayment of any third party financing as they fall due;
- (c) repayment of any facility or loan to the JV Company from Kasen Cambodia with interest rate not exceeding 8%, to be utilized for the sole purpose of formation and reclamation of the 360 ha Land (the “**Special Shareholder Loan**”) as they fall due, all of which shall be treated *pari passu* and shall be repaid by the JV Company simultaneously in proportion to the relevant shareholders’ respective shareholding proportion in the JV Company;
- (d) repayment of the shareholders’ loan(s) with annual interest rate not exceeding 8% (the “**Shareholder Loan**”) as they fall due provided always that all such shareholders’ loan(s) will be treated *pari passu* and shall be repaid by the JV Company simultaneously;
- (e) reserves required to be maintained by the JV Company pursuant to the applicable law and as specified in the budget of the JV Company, or required by third party finance providers; and
- (f) distribution to the shareholders of the JV Company as dividends which shall be made strictly in accordance with the shareholders’ respective shareholding proportions in the JV Company to the extent permitted by Law.

### ***Additional financing***

- (i) After the signing of the sale and purchase agreement for the purchase of the 360 ha Land with Attwood Investment, the Company will be in charge to procure the funding for costs and expenses of the formation and reclamation of the 360 ha Land. Such costs and expenses shall be financed by loans to the JV Company from Kasen Cambodia or third parties procured by the Company.
- (ii) Subject to (i) above, all future cash needs of the JV Company shall be funded from Shareholder Loan to be provided by shareholders according to their respective shareholding proportion in 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.

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

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

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

Reference is made to the announcement of the Company dated 10 July 2018 in relation to, among others, the Previous JVs Formation for the purpose of the development of the Power Project and the Paper-making Project. In addition to the Power Project and the Paper-making Project, the Industrial Real Estate Business is also one of the areas where the Group as decided to invest into within the Special Economic Zone. The Industrial Real Estate Business is a business where the JV Company will identify and acquire suitable lands within the Special Economic Zone for further development, upon which the JV Company will also identify interested buyers with a view to sell or grant long term lease over the lands.

Pursuant to the JV Agreement, it is currently contemplated that the shareholders of the JV Company will cooperate in the development and operation of the Industrial Real Estate Business in the form as a joint venture company. Kasen Cambodia will mainly be responsible for the planning, construction and operation as well as the day-to-day operation of the Industrial Real Estate Business, whilst Attwood Investment will leverage on its local knowledge and expertise and mainly to provide assistance in the application for all relevant licenses, liaise with local governmental entities, manage to hold valid approval and license to develop and manage the Special Economic Zone and to carry out land reclamation, and identify suitable lands for the Industrial Real Estate Business. The development of the Industrial Real Estate Business forms part of the Group's overall strategic development within the Special Economic Zone and is expected to further enhance the Group's revenue stream and broaden return to its Shareholders in the long-run.

The Directors (including the independent non-executive Directors) consider that the Formation of the JV contemplated under the JV Agreement 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 JV is 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 is 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 JV (when aggregated with the Equipment Purchase, the Land Acquisitions and the Previous JVs Formation) are more than 5% but less than 25%, the entering into of the JV Agreement and the Formation of JV as contemplated thereunder constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Connected transaction**

As at the date of the 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 certain non-wholly owned subsidiaries 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 Agreement and the Formation of JV contemplated thereunder also constitute 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 JV as contemplated under the JV Agreement is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the JV Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of the JV Agreement are fair and reasonable, the Formation of JV as contemplated under the JV Agreement is on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the entering into of the JV Agreement 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
“Formation of JV”	the establishment of the JV Company by Kasen Cambodia, Attwood Investment and Mr. Fan pursuant to the JV Agreement
“Group”	the Company and its subsidiaries
“Industrial Real Estate Business”	(a) the acquisition and purchase of the Lands, and the formation, reclamation and levelling of the same; (b) development and operation of a special economic zone on the Lands; and (c) sale and grant of long term lease over the Lands
“JV Agreement”	the joint venture agreement dated 12 November 2018 entered into between Kasen Cambodia, Attwood Investment and Mr. Fan in relation to the Formation of JV
“JV Company”	a private company (tentatively to be named Steung Hav Kasen SEZ Co., Ltd.) to be established in Cambodia with limited liability which will be held as to 49% by Kasen Cambodia, as to 49% by Attwood Investment and 2% by Mr. Fan for the purpose of the development and operation of the Industrial Real Estate Business
“Kasen Cambodia”	Kasen International Eco-Manufacture Co., Ltd., a company incorporated in Cambodia and a wholly-owned subsidiary of the Company
“Land Acquisitions”	the acquisition of: <ul style="list-style-type: none"> <li>(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;</li> <li>(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; and</li> </ul>

- (iii) one plot of land located at Phum 2, Kampenh Commune, Steung Hav district, Cambodia with a total site area of approximately 800,000 square meters by an indirect non-wholly owned subsidiary of the Company pursuant to the sale and purchase agreement dated 19 July 2018 entered into with Ms. Lim

For further details, please refer to the announcements of the Company dated 23 May 2018, 5 July 2018 and 19 July 2018

“Lands”	the plots of land measuring not more than 5,000 hectares located at Steung Hav District, Sihanoukville Province, Cambodia
“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
“Power Project”	construction and development of two coal fired power plants of 1,200 MW and 25 MW
“PRC”	People’s Republic of China
“Previous JVs Formation”	the formation of joint ventures pursuant to:  (i) the joint venture agreement dated 10 July 2018 entered into between Kasen Cambodia, Attwood Investment and Mr. Fan in relation to the development and operation of the Power Project; and  (ii) the joint venture agreement dated 10 July 2018 entered into between Kasen Cambodia and Mr. Fan in relation to the development and operation of the Paper-making Project

For further details, please refer to the announcement of the Company dated 10 July 2018

“Shareholder(s)”	shareholder(s) of the Company
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“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
“360 ha Land”	part of a plot of land with a site area of approximately 700 hectares in total located at Steung Hav District, Sihanoukville Province, Cambodia currently registered under the name of Attwood Investment, which measures a site area of approximately 360 hectares
“%”	per cent.

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

PRC, 12 November 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>*