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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)**

### **DISCLOSABLE TRANSACTION AGREEMENTS IN RELATION TO EPC SERVICE**

#### **THE AGREEMENTS**

On 14 November 2018, the Contract Letting Party and the Contractor entered into (i) the EPC Service Agreement pursuant to which the Contractor has agreed to complete the engineering, procurement and construction of the Power Project on behalf of the Contract Letting Party; and (ii) the Supplemental Agreement in relation to the financing arrangements for the Power Project. In connection with the EPC Service Agreement, on 14 November 2018, the Contract Letting Party, the Contractor and Zhejiang Kasen entered into the Prepayment Agreement, pursuant to which Zhejiang Kasen agreed to make prepayment of certain funds for the Power Project to the Contractor prior to completion of the Financing.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Agreements exceeds 5% and all applicable percentage ratios are below 25%, the Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

On 14 November 2018, the Contract Letting Party and the Contractor entered into (i) the EPC Service Agreement pursuant to which the Contractor has agreed to complete the engineering, procurement and construction of the Power Project on behalf of the Contract Letting Party; and (ii) the Supplemental Agreement in relation to the financing arrangements for the Power Project. In connection with the EPC Service Agreement, on 14 November 2018, the Contract Letting Party, the Contractor and Zhejiang Kasen entered into the Prepayment Agreement, pursuant to which Zhejiang Kasen agreed to make prepayment of certain funds for the Power Project to the Contractor prior to completion of the Financing.

# **THE EPC SERVICE AGREEMENT**

## **Date**

14 November 2018

## **Parties**

- (i) AIG Kasen (as the Contract Letting Party); and
- (ii) CEEG Northwest (as the Contractor).

## **Scope of Work**

Pursuant to the EPC Service Agreement, the Contractor agreed that it shall be responsible for the engineering, procurement and construction work of the Power Project, including, without limitation:

- (i) evaluation, inspection, demolition, re-building, cleaning, thermal insulation paint preservation, labeling, care, packaging, loading, etc. of the Generators, which is currently located in Hunan, the PRC, and thereafter the unloading, care, equipment installation, operation commission, performance test, spare parts, technical training and quality assurance, etc. of the Generators for the new plant to be located within the Special Economic Zone;
- (ii) geological exploration, design and construction engineering of the new plant to be located within the Special Economic Zone;
- (iii) replacement and procurement of equipment and material;
- (iv) logistics transportation and insurance implementation; and
- (v) all other work to ensure that the Power Project will generate electricity in accordance to the relevant local standards.

## **Time for delivery**

The first power coal-fired generator and the second power coal-fired generator under the Power Project are expected to be delivered by the Contractor for trial production on a date falling after 22 months and 26 months respectively since the date when the Contract Letting Party executes the commencement order.

## **Consideration and payment terms**

The total contract price for the provision of the EPC Service under the EPC Service Agreement by the Contractor is RMB1,090,000,000, which was determined between the Contract Letting Party and the Contractor upon arm's length negotiation with reference to the prevailing market price and estimated costs of similar service to be provided by the Contractor.

The total contract price will be payable to the Contractor by the Bank (as defined below) with reference to the progress of the development of the Power Project based on the construction progress report and the monthly work progress payment list submitted by the Contractor and reviewed by the Contract Letting Party.

The Contract Letting Party intends to fund the contract price for the provision of the EPC Service under the EPC Service Agreement by way of bank loan to be obtained by the Contractor. The bank will be selected by the Contractor and agreed by the Contract Letting Party for financing (the "**Bank**"). The parties intend that China Export & Credit Insurance Corporation (中國出口信用保險公司) ("**Sinosure**") shall be the guarantor for the bank loan and the third party(ies) nominated by the Contract Letting Party will provide counter-guarantee to Sinosure.

## **THE SUPPLEMENTAL AGREEMENT**

### **Date**

14 November 2018

### **Parties**

- (i) AIG Kasen (as the Contract Letting Party); and
- (ii) CEEG Northwest (as the Contractor).

## **Financing arrangements**

Pursuant to the Supplemental Agreement, the parties agreed that:

- (a) Subject to compliance of the applicable laws in the PRC by the Contractor, the Contractor shall be responsible for the construction and financing (“**Financing**”) of the Power Project.
- (b) The source of repayment of the Financing shall be derived from the electricity fee income, as confirmed by Sinosure and the Bank.
- (c) The parties shall agree on the plan for Financing by 31 December 2018, and the Financing shall be completed within three months after the satisfaction of financing conditions by the Contract Letting Party and Zhejiang Kasen. If the Financing cannot be completed within the above period, the Contract Letting Party shall have the right to terminate the EPC Service Agreement and appoint another main contractor, but the Contractor will still have the priority to be appointed as a subcontractor for the Power Project under the same terms.

## **THE PREPAYMENT AGREEMENT**

### **Date**

14 November 2018

### **Parties**

- (i) AIG Kasen (as the Contract Letting Party);
- (ii) CEEG Northwest (as the Contractor); and
- (iii) Zhejiang Kasen.

## **Prepayment**

Pursuant to the Prepayment Agreement,

- (a) Zhejiang Kasen agreed to make prepayments to the Contractor for the construction fees of the Power Project based on the construction progress report and the monthly work progress payment list submitted by the Contractor and reviewed by the Contract Letting Party.
- (b) Within seven days of the receipt of funds from the Financing, the Contractor shall return all prepaid amounts to Zhejiang Kasen.
- (c) In the event that completion of the Financing has not taken place which resulted in any suspension of funding, the Contractor may not suspend construction and the parties shall negotiate separately on the requisite funding for construction.

## **REASONS FOR AND BENEFITS OF THE AGREEMENTS**

Reference is made to the announcement of the Company dated 12 April 2018 in relation to, among others, the Company's potential investment in developing a thermal power plant within the Special Economic Zone in Cambodia. Reference is also made to the announcement of the Company dated 10 July 2018 in relation to, among others, the formation of a joint venture (i.e. the Contract Letting Party) for the development and operation of the two coal fired power plants of 1,200 MW and 25 MW respectively within the Special Economic Zone in the form as a partnership. Having considered the background of the Contractor, the Directors are of the view that the Contractor possesses the relevant experience and expertise in the provision of relevant main contractor services for large scale power plant and ancillary facilities construction projects, and the entering of the Agreements and the transactions contemplated thereunder, including without limitation, the provision of the EPC Service by the Contractor and the prepayment of construction fees by Zhejiang Kasen as an interim measure prior to completion of the Financing, would be essential to speed up the progress of the project, ensure the smooth construction and successful completion of the Power Project. Accordingly, the Directors consider that the transactions contemplated under the Agreements are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **Information on the Company, the Contract Letting Party and Zhejiang Kasen**

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.

The Contract Letting Party, a non-wholly owned subsidiary of the Company, is incorporated in Cambodia with limited liability which is held as to 49% by Kasen International Eco-Manufacture Co., Ltd. (a wholly-owned subsidiary of the Company), as to 30% by Attwood Investment Group Co., Ltd. and 21% by Mr. Fan Dehua for the purpose of the development and operation of the two coal fired power plants of 1,200 MW and 25 MW respectively within the Special Economic Zone.

Zhejiang Kasen, a wholly owned subsidiary of the Company, is a company established in the PRC and currently engaged in investment holding and import/export trading as its principal activities.

### **Information on the Contractor**

The Contractor is a company established in the PRC and a wholly-owned subsidiary of China Energy Engineering Corporation Limited (“**CEEG**”), the shares of which are listed on the main board of the Stock Exchange (stock code: 3996). CEEG is a comprehensive service provider engaged in construction project planning and consultancy, survey and design, construction and contracting, equipment manufacturing and investment operations. The Contractor is principally engaged in construction activities.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, the Contractor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Agreements exceeds 5% and all applicable percentage ratios are below 25%, the Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Agreements”	collectively, the EPC Service Agreement, the Supplemental Agreement and the Prepayment Agreement
“associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Contract Letting Party” or “AIG Kasen”	AIG Kasen International Power Co. Ltd., a company incorporated in Cambodia with limited liability which is held as to 49% by Kasen International Eco-Manufacture Co., Ltd. (a wholly-owned subsidiary of the Company), as to 30% by Attwood Investment Group Co., Ltd. and 21% by Mr. Fan Dehua for the purpose of the development and operation of the two coal fired power plants of 1,200 MW and 25 MW respectively within the Special Economic Zone; and a non-wholly owned subsidiary of the Company
“Contractor” or “CEEG Northwest”	中國能源建設集團西北電力建設工程有限公司 (China Energy Engineering Group Northwest Electric Power Construction Engineering Co., Ltd.*), a company incorporated in the PRC
“Director(s)”	directors(s) of the Company
“EPC Service”	the engineering, procurement and construction work for the Power Project
“EPC Service Agreement”	the agreement dated 14 November 2018 entered into between the Contract Letting Party and the Contractor in relation to the provision of EPC Service by the Contractor
“Generators”	two sets of 300 mega-watts coal-fired generators together with certain ancillary components purchased by Zhejiang Kasen, pursuant to the agreement dated 24 April 2018, as further detailed in the announcement of the Company dated 24 April 2018

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Power Project”	phase one of the power project (in relation to the construction of the two coal fired power plants of 1,200 MW and 25 MW respectively within the Special Economic Zone), which will involve the construction of power plant for two units of coal fired power generation equipment of 300 MW each within the Special Economic Zone
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prepayment Agreement”	the agreement dated 14 November 2018 entered into between the Contract Letting Party, the Contractor and Zhejiang Kasen, pursuant to which Zhejiang Kasen agreed to make prepayment of certain funds for the Power Project to the Contractor on behalf of the Contract Letting Party prior to completion of the Financing
“RMB”	Renminbi, the lawful currency of the PRC
“Special Economic Zone”	the Steung Hav International Port and Special Economic Zone, being special economic zone located nearby to the coast of Chhak Kanmpong Som in the Sihanoukville Province, Cambodia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 14 November 2018 entered into between the Contract Letting Party and the Contractor in relation to the financing arrangements for the Power Project



“Zhejiang Kasen” Zhejiang Kasen Industrial Group Co., Ltd.\* (浙江卡森實業集團有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company

“%” per cent.

\* *for identification purposes only*

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

PRC, 14 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>*