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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)

CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE EQUITY INTEREST IN WUJI KASEN INDUSTRIAL CO., LIMITED

On 21 November 2014, Zhejiang Kasen, a wholly-owned subsidiary of the Company, and the Vendors entered into the Equity Transfer Agreement pursuant to which Zhejiang Kasen has agreed to purchase from the Vendors the Acquired Interest at a total consideration of RMB23,260,000 (approximately HK\$29,353,861). As at the date of this announcement, the Target Company is held as to 50% by the First Vendor and 50% by the Second Vendor. Upon completion of the Acquisition, the Target Company will be wholly-owned by Zhejiang Kasen and will become a wholly-owned subsidiary of the Company.

As at the date of this announcement, Mr. Zhu Zhangjin, an executive Director and a substantial shareholder of the Company, indirectly controls 30% of the voting power at the general meeting of the First Vendor. The Second Vendor is a non wholly-owned subsidiary of the First Vendor. Each of the Vendors is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company under the Listing Rules. As such, the entering into of the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios in respect of the Acquisition is less than 5%, the transaction contemplated under the Equity Transfer Agreement is only subject to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhu Zhangjin is considered to be materially interested in the transactions contemplated under the Equity Transfer Agreement and he is required to abstain from voting the relevant resolutions of the Board in respect of the transactions contemplated under the Equity Transfer Agreement in accordance to the articles and association of the Company. Save as disclosed, none of the other Directors has a material interest in the subject transaction or is required to abstain from voting from the relevant resolutions of the Board.

THE EQUITY TRANSFER AGREEMENT

Date: 21 November 2014

- Parties:
- (1) Zhejiang Kasen, a wholly-owned subsidiary of the Company, as the purchaser;
 - (2) Zhejiang Sunbridge Industrial Group Co., Ltd. as the First Vendor; and
 - (3) Zhejiang Sunbridge Import and Export Company Limited as the Second Vendor.

As at the date of this announcement, Mr. Zhu Zhangjin, an executive Director and a substantial shareholder of the Company indirectly controls 30% of the voting power at the general meeting of the First Vendor. The Second Vendor is a non wholly-owned subsidiary of the First Vendor. Each of the Vendors is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company under the Listing Rules. Save as otherwise, to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, each of the Vendors and their respective ultimate beneficial owners are parties independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates.

Asset to be acquired

Pursuant to the Equity Transfer Agreement, Zhejiang Kasen will purchase from the Vendors the Acquired Interest, representing the entire equity interest in the Target Company.

As at the date of this announcement, the Target Company is held as to 50% by the First Vendor and 50% by the Second Vendor. Upon completion of the Acquisition, the Target Company will be wholly-owned by Zhejiang Kasen and will become a wholly-owned subsidiary of the Company.

Consideration

The total consideration for the Acquisition is RMB23,260,000 (equivalent to approximately HK\$29,353,861). The consideration payable by Zhejiang Kasen to the Vendors will be paid in the following manner:

- (1) an aggregate payment of RMB5,000,000 (equivalent to approximately HK\$6,309,945), representing 21.5% of the total consideration for the Acquisition, will be payable by Zhejiang Kasen to the Vendors, in equal sum, within five (5) days upon the signing of the Equity Transfer Agreement; and
- (2) an aggregate payment of RMB18,260,000 (equivalent to approximately HK\$23,043,917), representing the remaining balance of the total consideration for the Acquisition, will be payable by Zhejiang Kasen to the Vendors, in equal sum, within 30 days upon the completion of all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition.

Upon completion of the Acquisition, the Target Company will continue to be liable to all its liabilities in a total amount of RMB13,339,000 (equivalent to approximately HK\$16,833,670), which represents the amount of shareholders' loan due from the Target Company to the First Vendor as at 31 October 2014. The Target Company may repay such amount due to the First Vendor by its internal resources or may consider repaying such amount by way of shareholders' loan or capital injection by Zhejiang Kasen.

The consideration of the Acquisition was arrived at upon arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the unaudited net assets value of the Target Company as of 31 October 2014 of approximately RMB23,260,000 (equivalent to approximately HK\$29,353,861), the valuation of the Target Company assessed by 浙江凱達信資產評估有限責任公司 (Zhejiang Kaidaxin Property Appraisal Co., Ltd), an independent professional valuer as well as the value and growth potential of the business development prospects of the Target Company. Accordingly, the Directors are of the view that the consideration for the Acquisition is fair and reasonable. The consideration for the Acquisition will be financed by the Group's internal resources.

Completion of the Acquisition

Completion of the Acquisition shall take place upon all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition having completed. Upon completion of the Acquisition, the Target Company will be wholly-owned by Zhejiang Kasen and will become a wholly-owned subsidiary of the Company.

In the event that the parties agreed to terminate the Equity Transfer Agreement at any time prior to completion of the relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC, all consideration payment having received together with any interests accrued by the Vendors shall be refunded in full by the Vendors to Zhejiang Kasen within three days upon such termination.

INFORMATION ON WUJI KASEN

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in leather manufacturing, processing and trading businesses in the PRC.

The unaudited net asset value of the Target Company as at 31 October 2014 was approximately RMB23,266,199 and the unaudited net loss for the financial year ended 31 December 2013 and ten months ended 31 October 2014 were as follows:

	For the year ended 31 December 2013 RMB'000	For the ten months ended 31 October 2014 RMB'000
Net loss before taxation	–	1,734
Net loss after taxation	–	1,734

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in the production of upholstered furniture, furniture leather and automotive leather. It is also engaged in property development business in the PRC.

Zhejiang Kasen is a wholly-owned subsidiary of the Company and is principally engaged in research, development, production and sales of leather in the PRC.

The First Vendor is an investment holding company and principally engaged, through its various subsidiaries, in furniture manufacturing in China and the Second Vendor is principally engaged in the import and export business.

Taking into consideration of the latest market development, the Company believes that Wujiaochang city will be the regional focus of the leather manufacturing industry in the PRC in the upcoming future. Accordingly, the investment in the Target Company will enable the Group to enhance its footprints and development within the leather manufacturing industry further to the north of the PRC, by taking advantage of the matured leather industrial chain locally in the Wujiaochang city, optimizing the geographical and industrial structure of the Group's leather development, which will be beneficial to the long-term development of the Group's leather manufacturing business as a whole. According to the local government regulations currently being promulgated, no new enterprise is allowed to be established for the purpose of leather manufacturing business in the Wujiaochang area, as such the capabilities of the Target Company to be able to undergo leather manufacturing and related businesses in the Wujiaochang area is of high value. Accordingly, the Group considers that its participation in the Wujiaochang's leather industry through investment in the Target Company is in line with the Group's leather manufacturing business in the PRC. Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the Acquisition contemplated under the Equity Transfer Agreement is in line with the Group's leather manufacturing activities and believe the Acquisition will provide valuable opportunity for the Company to further strengthen the Group's position in leather manufacturing in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and after arm's length negotiations among the parties and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Zhu Zhangjin, an executive Director and a substantial shareholder of the Company, indirectly controls 30% of the voting power at the general meeting of the First Vendor. The Second Vendor is a non wholly-owned subsidiary of the First Vendor. Each of the Vendors is therefore an associate of Mr. Zhu Zhangjin, and hence a connected person of the Company under the Listing Rules. As such, the entering into of the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios in respect of the Acquisition is less than 5%, the transaction contemplated under the Equity Transfer Agreement is only subject to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhu Zhangjin is considered to be materially interested in the transactions contemplated under the Equity Transfer Agreement and he is required to abstain from voting the relevant resolutions of the Board in respect of the transactions contemplated under the Equity Transfer Agreement in accordance to the articles and association of the Company. Save as disclosed, none of the other Directors has a material interest in the subject transaction or is required to abstain from voting from the relevant resolutions of the Board.

DEFINITIONS

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

“Acquired Interest”	the entire interest in the Target Company which is held as to 50% by the First Vendor and 50% by the Second Vendor prior to the completion of the Acquisition
“Acquisition”	the acquisition of the Acquired Interest as contemplated by the Equity Transfer Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for banking business in Hong Kong and the PRC
“Company”	Kasen International Holdings Limited, an exempted 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 meaning ascribed to it under the Listing Rules
“Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2014 entered into among Zhejiang Kasen and the Vendors in relation to the Acquisition
“First Vendor”	Zhejiang Sunbridge Industrial Group Co., Ltd. (浙江聖邦實業集團有限公司), a company incorporated in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Vendor”	Zhejiang Sunbridge Import and Export Company Limited (浙江森橋進出口有限公司), a company incorporated in the PRC
“Shareholders”	holders of the Shares
“Shares”	ordinary shares with a par value of US\$0.00015 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Wuji Kasen Industrial Co., Ltd. (無極卡森實業有限公司), a company incorporated in the PRC
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	the First Vendor and the Second Vendor
“Zhejiang Kasen”	Zhejiang Kasen Industrial Group Co., Limited (浙江卡森實業集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.7924 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

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

PRC, 21 November 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Zhu Zhangjin, Mr. Lee Lawrence and Mr. Zhang Mingfa, Michael; the non-executive Director is Mr. Qiu Jian Ping and the independent non-executive Directors of the Company are Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

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