

**KASEN INTERNATIONAL HOLDINGS LTD:
HERE ARE THE REASONS THAT THIS FLOTATION WAS AN UTTER FLOP !**

The flotation of Kasen International Holdings Ltd (卡森國際控股有限公司) (Code: 496, Main Board, The Stock Exchange of Hongkong Ltd) in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was, as far as the investing public was concerned, a complete and utter flop.

There were good and valid reasons for the failure of this Company to attract general investor support in the 416 square miles that constitute the HKSAR.

The Company went public on October 10, 2005, when it announced a Global Offering of 304.22 million, \$US0.00015 Shares at an Offer Price of not more than \$HK3.15 per Share.

When the applications for the New Shares were counted, the Offer Price was set at \$HK2.55.

Of the total number of shares on Offer, the Company issued 202,809,074 New Shares and another tranche of 101,410,926 Shares were designated as being Sale Shares.

The Selling Shareholders were:

Warburg Pincus Funds*	70,983,176 Shares
Cao Hai Qiang	19,316,640 Shares
Symbiopartners Private Equity Ltd	6,666,666 Shares
Ocean Creator Investments Ltd	<u>4,444,444 Shares</u>
TOTAL :	<u>101,410,926 Shares</u>

* This is a group of 6 funds

Kasen International is a manufacturer of upholstered furniture and leather products, based in the PRC, proper, according to the Global Offering Prospectus.

According to the Company's Prospectus, *'In 2004, we were the largest leather products and the largest upholstered furniture manufacturer in China based on revenue ...'*

The Company went to the HKSAR money 'well', its Management said, in order to collect about \$HK537.80 million, that money to be used for the following purposes:

1. Repay about 50 percent of short-term borrowings, amounting to about \$HK268.90 million;
2. To fund an expansion plan up to about 40 percent – \$HK215.10 million; and,
3. \$HK53.80 million to be used as Working Capital.

As it turned out, Kasen International only obtained about \$HK479 million, net of expenses, from its flotation on the Main Board of The Stock Exchange of Hongkong Ltd ... and that amount of money did not even cover Points One and Two, above: \$HK484 million.

On October 19, 2005, the Company announced that the number of valid applications for shares in the Public Offer Tranche (30,422,000 Shares) was 223 applications *'for a total of 7,001,000 Public Offer Shares ...'*

representing approximately 23% of the total number of Public Offer Shares initially available for subscription under the Public Offer.'

But the 273,798,000 Shares, being the International Placing Shares, offered to institutions, friends of the Selling Shareholders and other investors, etc, were fully subscribed, one was told.

Therefore, one is led to believe that international funds/investors, etc, had more faith in the immediate future of Kasen International than did the investing public of the HKSAR.

Which is quite likely, depending on whose glib tongue(s) is presenting certain select facts, relating to the flotation, and the financials, of Kasen International.

Alternatively, a great number of Kasen International Shares were conveniently '*buried*' into discretionary accounts of certain funds, permitting some, or all, of the Selling Shareholders to unload a material portion of their holdings at the Initial Public Offering.

Whatever was the situation, the Selling Shareholders walked away with about \$HK258.60 million, gross, while Kasen International ended up with about \$HK479 million, net.

The Debts

As at April 30, 2005, Kasen International owed about 1.69 billion renminbi (about \$HK1.63 billion) to banks and other lenders ... [CLICK TO ORDER FULL ARTICLE](#)

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