THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kasen International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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)

MAJOR DISPOSAL AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AMASSE CAPITAL
寶 積 資 本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

大有融資有限公司
MESSIS CAPITAL LIMITED

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the EGM to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on 18 May 2016 at 9:00 a.m. is set out on pages 71 and 72 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

29 April 2016

CONTENTS

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

"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong
"Cash Consideration"	the cash consideration in RMB after deducting the aggregate amount of the Debts from the Total Consideration, forming part of the Total Consideration
"Company"	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
"Completion"	the completion of the Disposal pursuant to the SPA
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Dafeng Huasheng"	鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*) (formerly known as 大豐華盛皮業有限公司 (Dafeng Huasheng Leather Company Limited*)), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
"Debts"	the audited amount of the interest-bearing loans due and owing by the Remaining Group to the Disposal Group as at 31 March 2016 after the Dividend Net-Off
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Interest by the Vendors to the Purchasers pursuant to the SPA

"Disposal Group"	collectively, Haining Kasen Leather, Haining Schinder, Haining Senmei, Dafeng Huasheng, Haining Home Direct, Wuji Kasen and Haining Kasen Automotive, being indirect wholly-owned subsidiaries of the Company
"Dividend Net-Off"	has the meaning ascribed to it in the sub-paragraph headed "Retained profits of the Disposal Group" of the paragraph headed "The SPA" in the letter from the Board contained in this circular
"EGM"	the extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Haining Home Direct"	海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25.95% by Vendor A and 74.05% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
"Haining Kasen Automotive"	海寧卡森汽車內飾材料有限公司 (Haining Kasen Automotive Interior Materials Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
"Haining Kasen Leather"	海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25% by Vendor A and 75% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
"Haining Schinder"	海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 25.63% by Vendor A and 74.37% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company

"Haining Senmei"	海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Haining Schinder, which in turn is an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors, which has been formed for the purpose of advising the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those who have material interest in the SPA and the transactions contemplated thereunder and are required to abstain from voting at the EGM
"Joyview"	Joyview Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Trustee
"Latest Practicable Date"	27 April 2016, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhu"	Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company

"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan
"Purchaser A"	Ms. Zhu Jiayun, a daughter of Mr. Zhu
"Purchaser B"	Ms. Zhu Lingren, a daughter of Mr. Zhu
"Purchasers"	Purchaser A and Purchaser B
"Remaining Group"	the Group excluding the Disposal Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the entire equity interest of each member of the Disposal Group
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.00015 each in the share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of Share(s)
"SPA"	the conditional sale and purchase agreement dated 1 February 2016 and entered into by the Company, the Vendors, the Purchasers and Mr. Zhu in respect of, among other things, the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules
"Total Consideration"	the consideration of RMB492,755,687 (equivalent to approximately HK$583,834,000) payable by the Purchasers to the Vendors for the purchase of the Sale Interest
"Trust"	a family trust set up by Mr. Zhu as the settlor to hold interest of family members of Mr. Zhu (excluding Mr. Zhu) in the Company and of which the trustee is Trustee

"Trustee"	Prosperity and Wealth Limited, a private trust company incorporated in Bermuda and acting in its capacity as trustee of the Trust
"US$"	United States dollars, the lawful currency of the United States
"Vendor A"	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Vendor B"	浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Vendors"	Vendor A and Vendor B
"Wuji Kasen"	無極卡森實業有限公司 (Wuji Kasen Industrial Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company
"%"	per cent.

* The English name referred herein represents management's best efforts at translating the Chinese name of the company, as no English name has been registered, thus it is for identification purposes only.

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)

Executive Directors:
ZHU Zhangjin
(Chairman and Chief Executive Officer)
SUN Hongyang
ZHANG Mingfa, Michael

Independent Non-Executive Directors:
ZHOU Lingqiang
ZHANG Yuchuan
DU Haibo

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office:
Building 1
236 Haizhou Road West
Haining City
Zhejiang Province 314400
China

Principal place of business in Hong Kong:
Room 1605, Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

29 April 2016

To the Shareholders

Dear Sir or Madam,

MAJOR DISPOSAL AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 1 February 2016 in relation to the Disposal. On 1 February 2016 (after trading hours), the Company, the Vendors, the Purchasers and Mr. Zhu entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest at the Total Consideration; (ii) the Purchasers shall assume all liabilities and obligations in respect of the Debts due and owing by the Remaining Group to the Disposal Group with effect from the Completion whereby the Remaining Group shall be released and discharged from its liabilities and obligations in respect of the Debts with effect from the Completion; and (iii) Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

The purpose of this circular is to provide you with, among other things, the details of the Disposal, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser, the notice of the EGM, and any other information as required by the Listing Rules.

THE SPA

Date

1 February 2016 (after trading hours)

Parties

Company	:	Kasen International Holdings Limited;
Vendor A	:	Cardina International Company Limited;
Vendor B	:	浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*);
Purchaser A	:	Ms. Zhu Jiayun;
Purchaser B	:	Ms. Zhu Lingren; and
Guarantor	:	Mr. Zhu.

The Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, and hence, the Purchasers are connected persons of the Company under the Listing Rules.

Assets to be disposed

The Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest, representing the entire equity interest of the Disposal Group.

Retained profits of the Disposal Group

Pursuant to the SPA, any distributable audited amount of retained profits of the Disposal Group attributable to the Vendors up to 31 March 2016 (the "**Dividend**") will be distributed as dividend by the Disposal Group to the Vendors on or before a date after 31 March 2016 as agreed by all parties to the SPA. Under the SPA, such dividend will first be net off by any loans or current account balances due to the Disposal Group from the Remaining Group as at 31 March 2016 (the "**Dividend Net-Off**").

Notwithstanding the above term of the SPA, subsequently, the parties to the SPA have mutually agreed that if there is any distributable audited retained profits from any individual members of the Disposal Group (disregarding the consolidated position), such members of the Disposal Group shall distribute all such retained profits (if any) to the Vendors in cash and hence in any event, there shall not be any arrangement in respect of the Dividend Net-Off. Such arrangement is not a term under the SPA but is mutually agreed by the parties to the SPA and does not constitute a breach of term of the SPA.

Consideration

The Total Consideration of RMB492,755,687 (equivalent to approximately HK$583,834,000) shall be satisfied by way of (i) the assumption of the Debts by the Purchasers; and (ii) the Cash Consideration payable by the Purchasers to the Vendors.

The interest-bearing loans due and owing by the Remaining Group to the Disposal Group (i) are current account in nature; (ii) are unsecured; (iii) have no fixed terms of repayment; and (iv) bear interest at one-year prime rate(s) as issued by the People's Bank of China.

For indication purpose, the aggregate amount of the interest-bearing loans due and owing by the Remaining Group to the Disposal Group as at 31 December 2015 was approximately RMB168,000,000 and assuming that the audited amount of the distributable retained profits of any individual members of the Disposal Group attributable to the Vendors up to 31 March 2016 (if any) will be distributed by cash to the Vendors by the Disposal Group, the Cash Consideration would be approximately RMB324,800,000. For information purpose, the unaudited distributable retained profits from members of the Disposal Group attributable to the Vendors as at 31 December 2015 were approximately RMB46 million (disregarding the consolidated position).

The Total Consideration shall be paid by the Purchasers to the Vendors on or before Completion.

The Total Consideration was determined after arm's length negotiation between the parties to the SPA with reference to the unaudited net asset value of the Disposal Group as at 30 September 2015 of approximately RMB492.8 million.

The Company had considered other valuation approaches in determining the amount of the consideration such as market approaches including the price-to-earnings ("**P/E**") ratio and price-to-book ("**P/B**") ratio during the negotiation process, and noted that the results were similar to the value of the unaudited net asset value of the Disposal Group as at 30 September 2015. The Company had conducted searches of comparable companies mainly based on the following selection criterions: (i) whose business is principally engaged in manufacturing of automotive or furniture leather and automotive decoration parts in the PRC; and (ii) whose shares are listed on the Stock Exchange. To the best of the Directors' knowledge and endeavor, two companies, namely Guangdong Tannery Limited (stock code: 1058, "**Guangdong Tannery**") and China Automotive Interior Decoration Holdings Limited (stock code: 48, "**China Automotive Interior Decoration**"), were being identified as comparable companies. The Company considered that the Disposal Group, Guangdong Tannery and/or China Automotive Interior Decoration (i) are principally engaged in manufacturing and processing of automotive furniture and decoration parts in the PRC and the costs structure would be similar; (ii) have similar trend of demand for their products from the similar group of end customers; and (iii) operate in the same geographical segment, i.e. the PRC, hence could lead to similar trend in profitability, which together with the similar geographical exposure of business operation, the ratios represented by the share price of Guangdong Tannery and China Automotive Interior Decoration as appraised by the investors in the Hong Kong market could provide insight for a fair and representative comparable analysis as to the valuation of the Disposal Group. Details of the results of the analysis on the P/E ratio and P/B ratio of Guangdong Tannery and China Automotive Interior Decoration considered by the Company are as follows:

Company (Stock code)	**Principal business**	**Market capitalisation as at the date of the SPA** *(Note 1)*	**Latest published audited net asset value of the company prior to the date of the SPA** *(Note 2)*	**Latest published audited net profit of the company prior to the date of the SPA** *(Note 3)*	**Implied P/B ratio**	**Implied P/E ratio**
		HK$ million	*HK$ million*	*HK$ million*	*Times*	*Times*
Guangdong Tannery (1058)	Processing and sale of semi-finished and finished leather	301.3	352.6	2.0	0.85	150.8 *(Note 7)*
China Automotive Interior Decoration (48)	Manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts and trading of rubber and garment accessories	413.1	399.7	31.1	1.03	13.3
		RMB million	*RMB million (Unaudited)*	*RMB million (Unaudited)*	*Times*	*Times*
The Disposal Group		492.8 *(Note 4)*	492.8	39.4	1.00 *(Note 5)*	12.5 *(Note 6)*

Notes:

1. Unless otherwise specified, market capitalisation of a company is calculated based on its closing price per share as quoted on the Stock Exchange and the number of issued shares of such company as at the date of the SPA.

2. Unless otherwise specified, net asset value attributable to the owners of the company refers to the value as disclosed in the relevant company's latest published audited accounts prior to the date of the SPA. The exchange rate adopted for the conversion is RMB1 to HK$1.20.

3. Unless otherwise specified, net profit for the last financial year of the company refers to the value as disclosed in the relevant company's latest published audited accounts prior to the date of the SPA. The exchange rate adopted for the conversion is RMB1 to HK$1.20.

4. Being the Total Consideration.

5. The implied P/B ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net assets value of the Disposal Group as at 30 September 2015.

6. The implied P/E ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net profit after taxation of the Disposal Group for the year ended 31 December 2015.

7. As compared to the P/E ratio of the Hang Seng Indexes ("**HSI**") as at the date of the SPA of approximately 7.79 times as quoted from the HSI official website (http://www.hsi.com.hk/HSI-Net/), the P/E ratio of Guangdong Tannery was approximately 19 times of the P/E ratio of the HSI and hence the Company considered that such P/E ratio of Guangdong Tannery is abnormal and should not serve as a reference for analysis purpose.

Furthermore, the Company had also considered that the income approach such as the discounted cash flow approach is not applicable to the Disposal Group because this approach often heavily relies on and is highly sensitive to a list of assumptions covering macroeconomics and microeconomics factors such as the financial projection of the Company to reflect its potential earnings, which in this case for the Disposal, there are uncertainties over the profitability of the Disposal Group due to the operating costs and fluctuations in the foreign exchange rates as further elaborated below and will impact significantly on the relevant projections, and may result in a distorted value of the Disposal Group. The Company had reviewed the acquisition transactions that took place in the market in the past three months prior to entry of the SPA, and noted that the parties to certain of these transactions also used the net asset value of the underlying target as the basis in determining the consideration. Accordingly, the Company considers that determining the Total Consideration based on the net asset value of the Disposal Group is in line with common market practice and is fair and reasonable.

Considering the poor financial performance of the Disposal Group, the reasons and benefits of the Disposal as further elaborated below and the estimated gain of approximately RMB30 million from the Disposal as further explained below, the Total Consideration represents a premium over the net asset value of the Disposal Group as at 30 September 2015 and the Board considers that the Total Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent:

(i) each of the Company, Vendor A and Vendor B having passed its board resolution(s) in relation to the SPA and the transactions contemplated thereunder;

(ii) the due establishment of the company(ies) by the Purchasers as their nominee(s) in acquiring the Sale Interest, if applicable; and

(iii) the Company having obtained the approval by the Independent Shareholders for the sale of the Sale Interest and all other transactions contemplated under the SPA at the EGM.

If all the conditions have not been fulfilled or waived (except for condition (iii) above which cannot be waived) on or before 31 May 2016 or such later date as the parties to the SPA may agree in writing, the SPA shall be terminated forthwith and each party to the SPA shall have no liability to the other parties save and except for any antecedent breaches of the terms thereof. Condition (i) above has been fulfilled as at the Latest Practicable Date.

Guarantee

Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

Completion

Completion shall take place within 90 Business Days after the fulfillment (or waiver) of the above conditions or such other date as the parties to the SPA may agree in writing.

Upon Completion, the Company shall cease to hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company.

INFORMATION ON THE PURCHASERS

Purchaser A and Purchaser B are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company. As advised by Mr. Zhu, it is his plan to get his daughters participated in his family businesses and to assume management roles in his various business operations as early as possible. Purchaser A began to involve in business operation of the Group since late 2015 as an assistant to Mr. Zhu, and Mr. Zhu is planning a similar arrangement for Purchaser B as and when appropriate. Given that Mr. Zhu is the guarantor to guarantee the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA, the Company considers that the risk of default by Purchaser A and Purchaser B is low.

INFORMATION ON THE VENDORS

Vendor A is a company incorporated in the Cayman Islands and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

Vendor B is a company established in the PRC and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

INFORMATION ON THE DISPOSAL GROUP

Haining Kasen Leather, a company established in the PRC with limited liability and is principally engaged in the manufacturing of upholstered furniture and furniture leather in the PRC. It is owned as to 25% by Vendor A and 75% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Schinder, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather. It is owned as to 25.63% by Vendor A and 74.37% by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Senmei, a company established in the PRC with limited liability and is principally engaged in the trading of leather in the PRC. It is directly wholly-owned by Haining Schinder, which in turn is an indirect wholly-owned subsidiary of the Company.

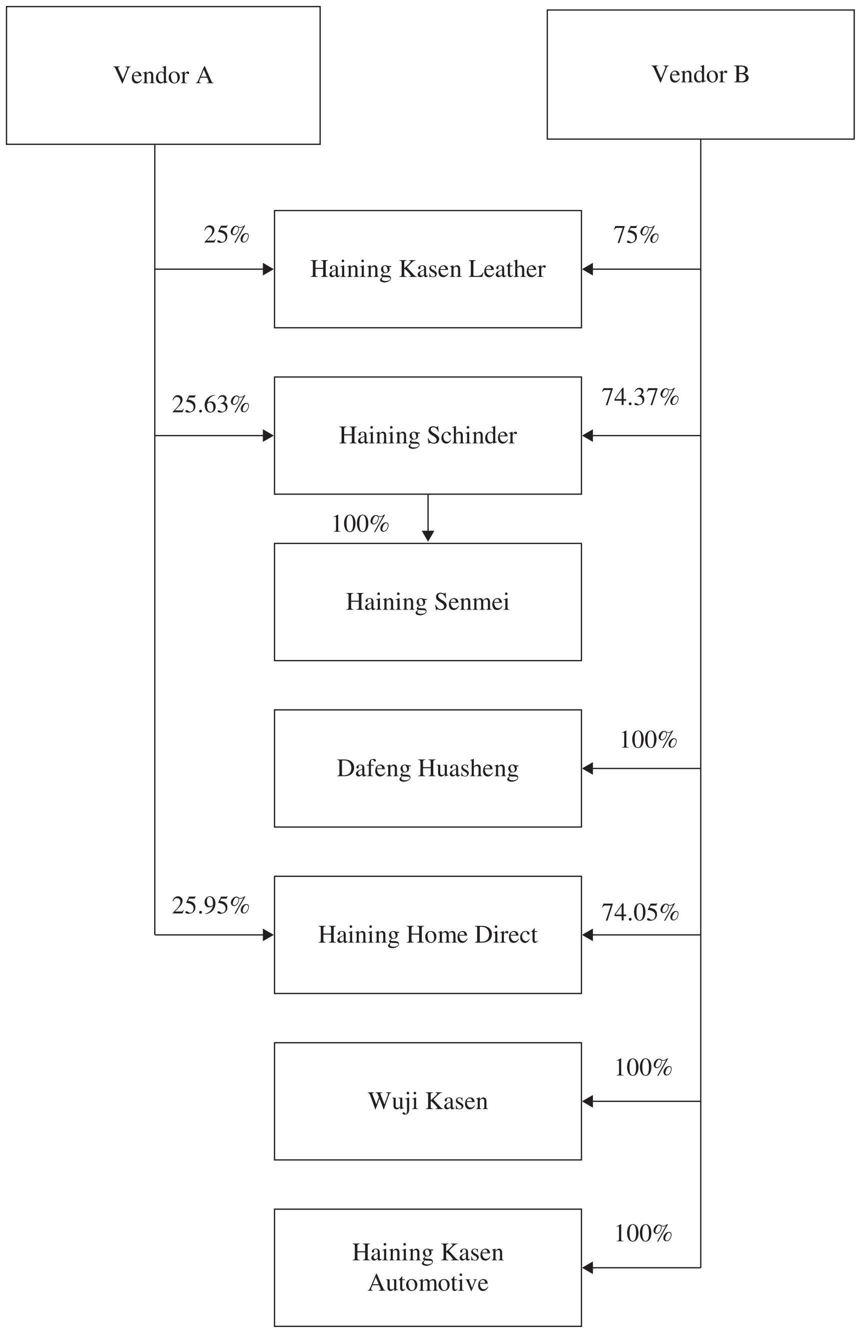
Dafeng Huasheng, a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Home Direct, a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. It is owned as to 25.95% by Vendor A and 74.05% by Vendor B, and which in turn is an indirect wholly-owned subsidiary of the Company.

Wuji Kasen, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Haining Kasen Automotive, a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather in the PRC. It is directly wholly-owned by Vendor B, which in turn is an indirect wholly-owned subsidiary of the Company.

Set out below is the shareholding structure of the Disposal Group as at the Latest Practicable Date:



Financial information of the Disposal Group

The unaudited consolidated net profit before and after taxation of the Disposal Group for each of the three financial years ended 31 December 2013, 2014 and 2015 are set out below:

	For the financial year ended 31 December		
	2013	**2014**	**2015**
	(approximate RMB'000)	*(approximate RMB'000)*	*(approximate RMB'000)*
Turnover	1,578,923	1,991,469	1,907,468
Net profit before taxation	45,383	44,078	21,671
Net profit after taxation	37,861	39,434	15,642

The significant drop in profit for the year ended 31 December 2015 as compared with the two financial years ended 31 December 2013 and 2014 of the Disposal Group was mainly due to (i) the increase in exchange losses from the depreciation in Renminbi in settling purchases of raw materials from overseas from approximately RMB5 million for the year ended 31 December 2014 to approximately RMB18 million for the year ended 31 December 2015 and the Board is of the view that the trend of depreciation in Renminbi will continue based on the recent slowdown in the economy growth and decrease in exports of the PRC, which has led to a relatively lower demand for Renminbi; and (ii) the increase in operating costs from approximately RMB126.0 million for the year ended 31 December 2014 to approximately RMB137.7 million for the year ended 31 December 2015, such as additional expenses arising from the technical consultation fees and the research and development fees for re-designing and re-developing production processes relating to environmental issues due to the increase in compliance standard of a series of applicable PRC regulatory requirements as implemented in March and July 2014 and during the year 2015, and the write-off of scrapped raw materials which had been either used for testing and become unusable in new production processes relating to the environmental issues and increase in compliance standard as aforementioned, or were unusable upon expiry of their life cycle. The above-mentioned series of applicable PRC regulatory requirements primarily include (i) the acceleration of development regarding the techniques, treatments and procedures for dealing with environmental pollution in the leather manufacture business and (ii) the increase of compliance standards relating to the limits of air and water pollutants emission, monitoring and control requirements. In order to comply with these changes, the Group had adopted various production process enhancements and changes mainly in the year 2015 and as a result, certain raw materials had been used for testing and become unusable in the new production processes.

The unaudited consolidated net assets of the Disposal Group as at 31 December 2015 was approximately RMB506.0 million.

Furthermore, according to a valuation report (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent international property valuer appointed by the Company, the value of the land and buildings of the Disposal Group was approximately RMB178.2 million as at 29 February 2016, representing an appreciation of approximately RMB8.2 million as compared to the net book value of the land and buildings of the Disposal Group of approximately RMB170 million as at 31 December 2015. In the valuation of property no. 4 as disclosed in the Valuation Report, JLL has attributed no commercial value to the buildings under construction with a total gross floor area of approximately 53,098 sq.m. as the construction work planning permits or construction work commencement permits (the "**Permits**") in respect of the buildings have not been obtained. However, for reference purpose, JLL was of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB36,363,000 (the "**Reference Value**") assuming that all the Permits have been obtained and the buildings under construction could be freely transferred. The Company considers that the Reference Value reflects the intrinsic value of property no. 4 and therefore has included it into the total value of the land and buildings of the Disposal Group.

In addition, with reference to the Valuation Report, JLL is of the view that (i) the properties of the Disposal Group were purpose built and unique factory complex comprising workshops, warehouse, office and ancillary buildings and structures. The Company built such factory complex according to its own production requirements. Owing to the uniqueness of the nature of such properties, market sale of similar properties are rarely found. For this type of factory complex, cost approach is commonly adopted by market practitioners in carrying out the valuation; (ii) if adequate market sale evidences are available, the market approach is generally adopted. However, when the property is so specialized that there is no relevant sufficient market sale or rental evidence to support the use of either the market approach or income approach, the cost approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables; and (iii) if the factory complex was built for special purpose with unique nature and design, there is rarely evidence of transaction of similar properties having taken place. In most cases, there is limited or no similar comparable market sale or rental information for valuers to consider and so income approach or market approach as valuation method is not applicable due to limited or the lack of relevant market data.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited net asset value of the Disposal Group as at 31 December 2015 of approximately RMB506.0 million and unaudited distributable retained profits from members of the Disposal Group as at 31 December 2015 of approximately RMB46 million (disregarding the consolidated position), it is estimated that the Group will record a gain of approximately RMB30 million (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately RMB2 million.

Shareholders should note that the actual amount of the gain (or loss, as the case may be) on the Disposal to be recognized in the consolidated financial statements of the Company depends on the audited net asset value of the Disposal Group as at the date of Completion and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any equity interest of the Disposal Group and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

Upon Completion, assuming that the audited amount of the distributable retained profits of the Disposal Group attributable to the Vendors up to 31 March 2016 (if any) will be distributed by cash to the Vendors by the Disposal Group, and the aggregate amount of the Debts remains at approximately RMB168,000,000, the estimated gross and net proceeds that arise from the Cash Consideration from the Disposal will be approximately RMB324,800,000 and RMB322,680,000 respectively. The Board intends to apply the net proceeds from the Disposal (i) as to approximately 25% for the repayment of debts of the Remaining Group; (ii) as to not more than approximately 40% for distribution of dividend to the Shareholders (the "**Dividend Distribution**"); and (iii) the remaining balance of approximately 35% for the Group's future acquisition and investment opportunities, including but not limited to the tourism-related business in the PRC and Asian regions, and as general working capital. It is the intention of the Board to approve the Dividend Distribution and to announce the details thereof including the exact amount and the expected payment date as soon as practicable after Completion and in accordance with the Listing Rules. Further, assuming that the audited distributable retained profits from members of the Disposal Group attributable to the Vendors remained at approximately RMB46 million as at 31 March 2016 (disregarding the consolidated position), the Board intends to apply such amount as general working capital for the Group.

The Company has not identified any potential investment or acquisition opportunities, whether or not related to tourism-related business, as at the Latest Practicable Date.

REASONS AND BENEFITS OF THE DISPOSAL

The Group (including the Disposal Group) is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacture of automotive and furniture leather and upholstered furniture in the PRC.

The manufacturing segment of the Group comprises three operating divisions, namely (i) the automotive leather business; (ii) the furniture leather business; and (iii) the upholstered furniture business in the PRC. The Disposal mainly involves the disposal of the Group's automotive leather and the furniture leather businesses, while the upholstered furniture business will remain in the Remaining Group upon Completion. The upholstered furniture business mainly involves the export sale of upholstered furniture including finished sofa and sofa cut-and-sew into the United States market as the major destination. The automotive leather and furniture leather businesses mainly involve the sale of automotive and furniture leather to the automotive and furniture manufacturers respectively. Each of these three operating divisions has its own manufacturing plant(s) and equipment for its own production. It is expected that the upholstered furniture business will not rely on the supply of leather from the furniture leather business upon Completion. The Company had no intention to dispose, terminate and/or scale-down the businesses or major assets of the Remaining Group as at the Latest Practicable Date.

The sales of the automotive and furniture leather businesses are mostly in the domestic PRC market and their raw materials are mainly imported from oversea markets. Owing to the recent depreciation in RMB, the operating costs for these two divisions have been rising rapidly. At the same time, as the sale of the upholstered furniture business is mostly overseas and benefiting from the appreciation of US$ against RMB recently, it has been enjoying stable and strong demand from oversea markets, and hence achieving satisfactory performance.

The Company has been continuously evaluating the current businesses strategies of the Group with an aim to streamline its business, increase its overall performance and prospect and its attractiveness to the investors in the market. The Company is of the view that:

(i) the manufacturing business segment of the Disposal Group, in particular the manufacturing of automotive leather and furniture leather, does not seem to appeal to the investors in Hong Kong based on the Company's communication with potential investors such as fund managers or placing agents from time to time who have expressed that they generally do not foresee any strong or high growth potential in traditional manufacturing businesses in the PRC, coupled with the weak share price performance and low trading volume of the Shares over the years, all of which translated into concerns as to the Company's limited option and ability for future fund raising and a need of the Group's strategy to streamline the principal businesses with an aim to optimize the Group's prospect; and

(ii) in recent years, the Group's manufacturing businesses of automotive and furniture leather in the PRC have been affected by intensified competition in the market, the increase in operating costs, and hence resulting in numerous uncertainties over the prospects of such businesses.

Furthermore, the Company considers that the Disposal represents a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as the tourism resort and hotel operations and the property development.

It is also expected that after Completion, the overall gearing position of the Remaining Group will improve substantially, by using the unaudited financial figures as at 31 December 2015 as reference, from a net debt-to-equity ratio of 46.5% of the Group before Disposal to an estimated net debt-to-equity ratio of approximately 29.7% of the Remaining Group after Disposal, and a gearing ratio of 53.3% of the Group to an estimated gearing ratio of approximately 35.9%. The net debt-to-equity ratio is based on bank borrowings net of cash and cash equivalent to shareholders' equity and the gearing ratio is based on bank borrowings to shareholders' equity. As such, it will put the Company on solid financial footing and allow the Company to focus on growing its businesses in more appealing sectors to the investment public.

Having taking into account the poor financial performance of the Disposal Group, the reasons and benefits of the Disposal and the estimated gain of approximately RMB30 million from the Disposal as aforementioned, the Board is of the view that the Total Consideration represents a premium over the net asset value of the Disposal Group as at 30 September 2015 or 31 December 2015, the terms of the SPA are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group comprises the Disposal Group and the Remaining Group.

The Disposal Group is principally engaged in the business of manufacture of automotive and furniture leather in the PRC.

The Remaining Group is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacture of upholstered furniture in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal are more than 25% but are all less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Zhu as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu), were collectively holding 527,158,635 Shares or approximately 34.89% of the entire issued share capital of the Company (including the 514,798,635 Shares or approximately 34.07% of the entire issued share capital of the Company held by Joyview which in turn is wholly-owned by the Trust).

As the Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, the Purchasers are associates of Mr. Zhu and connected persons of the Company, and therefore the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, Joyview and the Purchasers, no Shareholder has any material interest in the SPA and the transactions contemplated thereunder. Mr. Zhu, who is holding 12,360,000 Shares under his own name, and Joyview, who is an associate of Mr. Zhu and holding 514,798,635 Shares, collectively hold 527,158,635 Shares or approximately 34.89% of the issued Shares of the Company. Mr. Zhu, Joyview and their associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the SPA and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the SPA at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the SPA and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

A notice convening the EGM to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on 18 May 2016 at 9:00 a.m. is set out on pages 71 and 72 of this circular. A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be taken by poll.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the sub-paragraph headed "Conditions precedent" of the paragraph headed "The SPA" in this letter from the Board. Accordingly, the Disposal may or may not proceed. The turnover of the Group is expected to decrease substantially upon Completion. The Board considers that such substantial decrease in turnover will not have any material adverse effect in the financial, trading position or intrinsic value of the Group. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RECOMMENDATION

Taking into account the letter from the Independent Board Committee and the advice of the Independent Financial Adviser, the Board (including the independent non-executive Directors) considers that the transactions contemplated under the SPA are on normal commercial terms and the terms of the SPA are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular which contains its recommendation to the Independent Shareholders in relation to the Disposal; (ii) the letter from the Independent Financial Adviser set out on pages 22 to 46 of the circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder and the information set out in the appendices of this circular; and (iii) the Valuation Report prepared by JLL in relation to the land and buildings of the Disposal Group set out on pages 54 to 61 of this circular.

Yours faithfully,
By order of the Board
Kasen International Holdings Limited
Zhu Zhangjin
Chairman

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)

29 April 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 29 April 2016 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board on pages 6 to 20 of the Circular, which sets out details of the SPA and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 22 to 46 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder.

Having taken into account the terms of the SPA and the advice and recommendation of the Independent Financial Adviser, we consider that the SPA is on normal commercial terms and that such terms are fair and reasonable so far as the interests of the Independent Shareholders are concerned although it is not in the ordinary and usual course of business of the Group and the SPA and the transactions contemplated thereunder (including the Disposal) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Zhou Lingqiang	**Mr. Zhang Yuchuan**	**Mr. Du Haibo**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

29 April 2016

To: The Independent Board Committee and the Independent Shareholders of Kasen International Holdings Limited

Dear Sir/Madam,

MAJOR DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the SPA and the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 29 April 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 1 February 2016 (after trading hours), the Company, the Vendors, the Purchasers and Mr. Zhu entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest at the Total Consideration; (ii) the Purchasers shall assume all liabilities and obligations in respect of the Debts due and owing by the Remaining Group to the Disposal Group with effect from the Completion whereby the Remaining Group shall be released and discharged from its liabilities and obligations in respect of the Debts with effect from the Completion; and (iii) Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

The Total Consideration shall be satisfied by way of (i) the assumption of the Debts by the Purchasers; and (ii) the Cash Consideration payable by the Purchasers to the Vendors.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, Mr. Zhu as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu), are collectively holding 527,158,635 Shares or approximately 34.89% of the entire issued share capital of the Company (including the 514,798,635 Shares or approximately 34.07% of the entire issued share capital of the Company held by Joyview which in turn is wholly-owned by the Trust).

As the Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, the Purchasers are associates of Mr. Zhu and connected persons of the Company, and therefore the Disposal under the SPA constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, Joyview and the Purchasers, no Shareholder has any material interest in the SPA and the transactions contemplated thereunder. Mr. Zhu, who is holding 12,360,000 Shares under his own name, Joyview, who is an associate of Mr. Zhu and holding 514,798,635 Shares, collectively hold 527,158,635 Shares or approximately 34.89% of the issued Shares of the Company. Mr. Zhu, Joyview and their associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the SPA and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the SPA at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has been established to give recommendation to the Independent Shareholders on the terms of the SPA and the Disposal contemplated thereunder. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion in relation to the SPA and the Disposal contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the Management are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group (including the Disposal Group) and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Information on the Group, the Disposal Group and the Remaining Group

Information on the Group

The Group, including the Disposal Group, is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacturing of automotive and furniture leather and upholstered furniture in the PRC.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2015 as extracted from the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**") and the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**"):

	For the year ended 31 December		
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Turnover	3,237,881	3,230,327	3,439,200
– Manufacturing *(Note)*	2,333,849	2,375,828	1,851,864
– Property Development *(Note)*	711,991	718,348	1,468,074
– Retail *(Note)*	19,583	17,913	16,041
– Others *(Note)*	172,458	118,238	103,221
Gross profit	466,812	377,459	677,424
Profit attributable to owners of the Company	190,458	32,418	173,422

	As at 31 December		
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Total assets	8,223,605	9,137,332	9,133,894
Total liabilities	4,943,508	6,030,024	5,715,690
Net assets	3,280,097	3,107,308	3,418,204

Note: Turnover of each business segment only included external sales and excluded inter-segment sales.

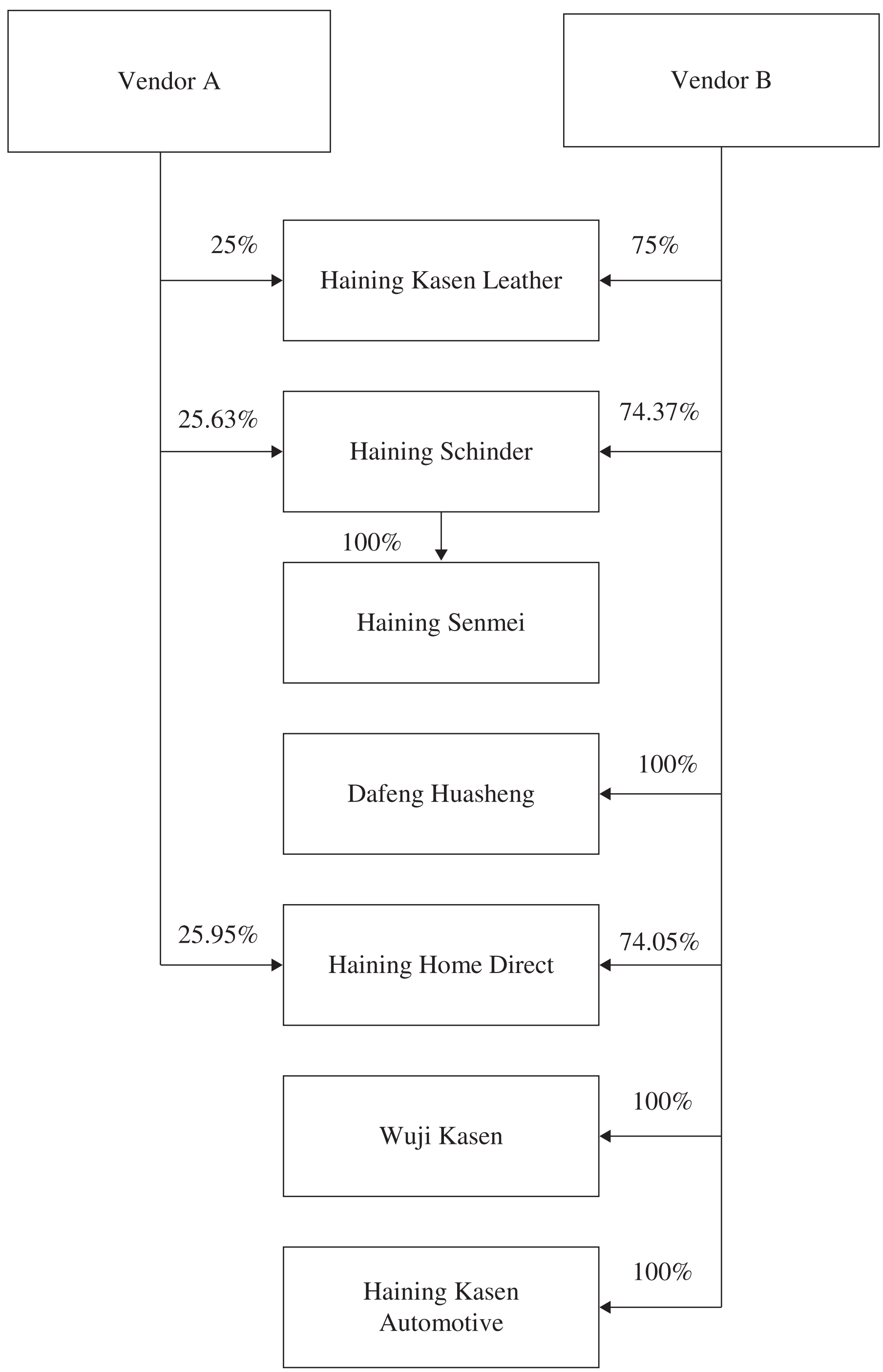
The Group's turnover for the year ended 31 December 2014 amounted to approximately RMB3,230 million, slightly decreased by approximately RMB209 million as compared to that of approximately RMB3,439 million recorded for the year ended 31 December 2013. For the year ended 31 December 2015, the Group's turnover amounted to approximately RMB3,238 million, representing a growth of approximately 0.2% as compared to the turnover of the previous year. Among the four core business segments of the Group, manufacturing contributed approximately RMB2,376 million and RMB2,334 million for the year ended 31 December 2014 and 2015, respectively, continued to be the segment that generated most of the Group's turnover.

The Group recorded profit attributable to owners of the Company of approximately RMB32 million for the year ended 31 December 2014, which represented a decrease of approximately 81.3% as compared to approximately RMB173 million for the year ended 31 December 2013. According to the 2014 Annual Report, such decrease was mainly due to (i) the substantial decrease in the delivery of properties during the year of 2014 which in turn translated into a substantial decline in the Group's revenue generated from the property development segment; (ii) the sharp increase of raw material prices for the Group's manufacturing segment; and (iii) the increase of loss suffered by a subsidiary of the Group due to increase in operational expenses during the year. For the year ended 31 December 2015, the Group's profit attributable to owners of the Company amounted to approximately RMB190 million, representing a significant increase of approximately 487.5% as compared to the same for the year ended 31 December 2014. According to the 2015 Annual Report, such increase was mainly due to (i) an increase in the gain on disposal of 1.29% of equity securities in Haining China Leather Market Co., Ltd. by approximately RMB100.8 million; and (ii) the increase in contribution of the net profit from the upholstered furniture business during the year.

As at 31 December 2015, the Group's total assets and total liabilities were approximately RMB8,224 million and RMB4,944 million, respectively. The net assets of the Group amounted to approximately RMB3,280 million as at 31 December 2015.

Information on the Disposal Group

The Disposal Group consists of seven indirect wholly-owned subsidiaries of the Company, namely (i) Haining Kasen Leather; (ii) Haining Schinder; (iii) Haining Senmei; (iv) Dafeng Huasheng; (v) Haining Home Direct; (vi) Wuji Kasen; and (vii) Haining Kasen Automotive, which are all established in the PRC with limited liability. The Disposal Group is principally engaged in the business of manufacturing of automotive and furniture leather, and upholstered furniture in the PRC. The Company, through Vendor A and Vendor B, holds 100% equity interest of the Disposal Group. The diagram below illustrates the shareholding structure of the Disposal Group:



The financial information as extracted from the unaudited management accounts of the Disposal Group for the three financial years ended 31 December 2013, 2014 and 2015, respectively, is set out below:

	For the year ended 31 December		
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	1,907,468	1,991,469	1,578,923
Gross profit	185,233	194,561	170,163
Net profit before taxation	21,671	44,078	45,383
Net profit after taxation	15,642	39,434	37,861

The Disposal Group's turnover for the year ended 31 December 2014 amounted to approximately RMB1,991 million, representing an increase of approximately 26.1% as compared to that of approximately RMB1,579 million recorded for the year ended 31 December 2013. The gross profit of the Disposal Group was approximately RMB195 million and RMB170 million for the years ended 31 December 2014 and 2013, respectively. The net profit after taxation of the Disposal Group slightly increased from approximately RMB38 million for the year ended 31 December 2013 to approximately RMB39 million for the year ended 31 December 2014. The gross profit margin and profit margin of the Disposal Group dropped from approximately 10.8% and 2.4% for the year ended 31 December 2013 to approximately 9.8% and 2.0% for the year ended 31 December 2014, respectively.

The turnover of the Disposal Group decreased by approximately 4.2% from approximately RMB1,991 million for the year ended 31 December 2014 to approximately RMB1,907 million for the year ended 31 December 2015. The net profit after taxation of the Disposal Group dropped from approximately RMB39 million for the year ended 31 December 2014 to approximately RMB16 million for the year ended 31 December 2015, representing a decrease of approximately 60.3%. For the year ended 31 December 2015, the gross profit margin and profit margin of the Disposal Group further dropped to approximately 9.7% and 0.8%, respectively.

The significant drop in profit for the year ended 31 December 2015 as compared with the two financial years ended 31 December 2013 and 2014 of the Disposal Group was mainly due to (i) the increase in exchange losses from the depreciation in RMB in settling purchases of raw materials from overseas from approximately RMB5 million for the year ended 31 December 2014 to approximately RMB18 million for the year ended 31 December 2015 and the Board is of the view that the trend of depreciation in RMB will continue based on the recent slowdown in the economy growth and decrease in exports of the PRC, which has led to a relatively lower demand for RMB; and (ii) the increase in operating costs from approximately RMB126.0 million for the year ended 31 December 2014 to approximately RMB137.7 million for the year ended 31 December 2015, such as additional expenses arising from the technical consultation fees and the research and development fees for re-designing and re-developing production processes relating to environmental issues due to the increase in compliance standard of a series of applicable PRC regulatory requirements implemented in March and July 2014 and during the year 2015, and the write-off of scrapped raw materials which had been either used for testing and become unusable in new production processes relating to the environmental issues and increase in compliance standard as aforementioned, or were unusable upon expiry of their life cycle. The above-mentioned series of applicable PRC regulatory requirements primarily include (i) the acceleration of development regarding the techniques, treatments and procedures for dealing with environmental pollution in the leather manufacture business and (ii) the increase of compliance standards relating to the limits of air and water pollutants emission, monitoring and control requirements. In order to comply with these changes, the Group had adopted various production process enhancements and changes mainly in the year 2015 and as a result, certain raw materials had been used for testing and become unusable in the new production processes.

The unaudited consolidated net assets of the Disposal Group as at 31 December 2015 was approximately RMB506.0 million.

Information on the Remaining Group

Upon Completion, the Company will cease to hold any equity interest of the Disposal Group and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

The Remaining Group is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacture of upholstered furniture in the PRC.

2. Reasons for and benefits of the Disposal

The Group, including the Disposal Group, is principally engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacturing of automotive and furniture leather and upholstered furniture in the PRC. As set out in the Letter from the Board, the manufacturing segment of the Group comprises three operating divisions, namely (i) the automotive leather business; (ii) the furniture leather business; and (iii) the upholstered furniture business in the PRC.

As advised by the Management, the upholstered furniture business mainly involves the export sale of upholstered furniture including finished sofa and sofa cut-and-sew into the United States market as the major destination. The automotive leather and furniture leather businesses mainly involve the sale of automotive and furniture leather to the automotive and furniture manufacturers respectively. The sales of the automotive and furniture leather businesses are mostly in the domestic PRC market and their raw materials are mainly imported from oversea markets. Owing to the recent depreciation in RMB, the operating costs for these two divisions have been rising rapidly. At the same time, as the sale of the upholstered furniture business is mostly overseas and benefiting from the appreciation of US$ against RMB recently, it has been enjoying stable and strong demand from oversea markets, and hence achieving satisfactory performance. According to Bloomberg, the exchange rate between US$ against RMB increased from approximately US$1:RMB6.0517 as at 3 January 2014 to approximately US$1:RMB6.2077 as at 2 January 2015 and further raised to approximately US$1:RMB6.5335 as at 4 January 2016. The gross profit margin of the Disposal Group dropped from approximately 10.8% for the year ended 31 December 2013 to approximately 9.8% for the year ended 31 December 2014 and the Disposal Group incurred an exchange loss of approximately RMB18 million for the year ended 31 December 2015. In view of the aforesaid and the recent slowdown in the economy growth of the PRC, particularly decrease in exports which has led to relatively lower demand for RMB, we are of the view that RMB will continue to face depreciation pressure and we concur with the Board's view that the depreciation in RMB increases the cost of sales of the automotive leather and furniture leather business while the upholstered furniture business benefits from the appreciation of US$ against RMB.

Since the Disposal only involves the disposal of the automotive leather and the furniture leather businesses of the Group and the upholstered furniture business of the Group will remain in the Remaining Group upon Completion, we have discussed with the Management whether the upholstered furniture business of the Remaining Group would have reliance on the Disposal Group. We were given to understand that each of these three operating divisions has its own manufacturing plant(s) and equipment for its own production and hence the Remaining Group shall continue the operation of the upholstered furniture business in its own manufacturing plant. Although the Disposal Group is a supplier of furniture leather of the Remaining Group's upholstered furniture business, we have reviewed the internal purchases record of the Group's upholstered furniture business and noted that (i) the purchases of furniture leather from the Disposal Group have been decreased by approximately 20.7% while the purchases from independent third parties have been increased by approximately 24.5% in 2015 as compared with the figures in 2014; (ii) based on the unaudited consolidated management account of the Disposal Group, the purchases of furniture leather by the Group from the Disposal Group to the total turnover of the Disposal Group dropped from approximately 6.3% for the year ended 31 December 2014 to approximately 5.2% for the year ended 31 December 2015; and (iii) based on the unaudited consolidated management account of the Group, the purchases of furniture leather by the Group from the Disposal Group declined from approximately 31.3% of the total cost of sales of the upholstered furniture business of the Group for the year ended 31 December 2014 to approximately 23.6% for the year ended 31 December 2015. Given that the Group has been able to procure from outside suppliers of furniture leather which as understood from the management of the Company the supply of furniture leather is ample in the market, we consider that the upholstered furniture business is not dependent on the Disposal Group. As advised by the Directors, the Remaining Group may or may not purchase from the Disposal Group following the Completion and in any event the Remaining Group shall obtain more than one quotation while making purchase order for furniture leather from either the Disposal Group or other independent third parties to ensure that the chosen quotation is fair, reasonable and in the best interest in the Company and the Shareholders. In view of the above, we consider that the upholstered furniture business will not rely on the Disposal Group upon Completion. Furthermore, the Directors confirmed that the Company has no intention to dispose, terminate and/or scale-down the businesses or major assets of the Remaining Group as at the Latest Practicable Date.

According to the Letter from the Board, the Board has been continuously evaluating the current business strategies of the Group with an aim to streamline its business, increase its overall performance and prospect, and its attractiveness to the investors in the market. The Board is of the view that (i) the manufacturing business segment of the Disposal Group, in particular the manufacturing of automotive leather and the furniture leather, does not seem to appeal to the investors in Hong Kong based on the Company's communication with potential investors such as fund managers or placing agents from time to time who have expressed that they generally do not foresee any strong or high growth potential in traditional manufacturing business in the PRC, coupled with the weak share price performance and low trading volume of the Shares over the years, all of which translated into concerns as to the Company's limited option and ability for future fund raising and a need of the Group's strategy to streamline the principal businesses with an aim to optimise the Group's prospect; and (ii) in recent years, the Group's manufacturing businesses of automotive leather and furniture leather in the PRC have been affected by intensified competition in the market, the increase in operating costs, and hence resulting in numerous uncertainties over the prospects of such businesses. Furthermore, the Board considers that the Disposal represents a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as the tourism resort and hotel operations and the property development. We are of the view that hesitation of the potential investors, weak share price performance and low trading volume of the Shares would limit the fund raising options and abilities of the Group which in turn may affect the Group's ability to capture any appropriate investment opportunities in a timely manner.

In order to assess the market conditions in the PRC, we have reviewed and conducted analysis on the statistical data published on the website of the National Bureau of Statistics of the PRC (http://data.stats.gov.cn/). Since the statistical information for 2015 is not yet published, we have adopted the statistical information for the latest five to ten years to analyse the long-term market trend in arriving our opinion on the current market conditions. According to the information published on the website of the National Bureau of Statistics of the PRC (http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0E0H&sj=2014), the annual wage per manufacturing worker in the PRC increased from approximately RMB46,431 in 2013 to approximately RMB51,369 in 2014, representing an increase of approximately 10.6% with a compounded annual growth rate of approximately 13.5% during 2010 to 2014, demonstrating the persistent increase in local wages. As discussed above, the increase in the costs of raw material for the automotive leather and furniture leather due to the depreciation of RMB leads to a significant drop in the profit margin of the Disposal Group from approximately 2.0% for the year ended 31 December 2014 to approximately 0.8% for the year ended 31 December 2015. We consider that the persistent increasing costs of sales and operating costs adversely affect the profitability and competitiveness of the Disposal Group. Meanwhile, we have also reviewed the production of saloon car in the PRC, as we consider that saloon car is one of the major car types which requires consumption of leather for its interior design as compared to other car types such as trucks, buses and vans. We noted from the website of the National Bureau of Statistics of the PRC (http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0E0H&sj=2014) that the number of saloon car production in the PRC slightly increased from approximately 12.1 million in 2013 to approximately 12.5 million in 2014, representing the lowest annual growth rate of approximately 3.1% during the last decade while the annual growth rate in 2013 was approximately 12.4%. In view of the foregoing, we consider that the manufacturing businesses of automotive leather and furniture leather in the PRC are facing deteriorating profitability prospect due to the combined effect of increasing costs of sales and operating costs, and reducing demand for automotive leather.

We noted that the Group is currently engaged in the businesses of (a) provisions of property management service business, tourism resort operations, restaurant, hotel operations and provisions of travel-related services; (b) property development; and (c) manufacturing of automotive and furniture leather and upholstered furniture in the PRC. As confirmed by the Management, upon Completion, the Remaining Group will no longer engage in manufacturing of automotive leather and furniture leather. The Board considers that the Disposal allows the Company to restructure its strategic business position and allocate its resources in the other existing businesses of the Group.

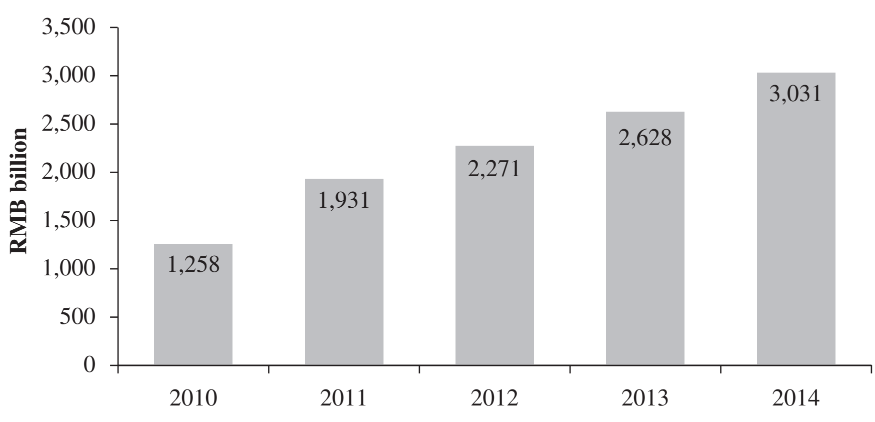
As set out in Appendix I, the property development business of the Group had recorded (i) turnover of approximately RMB718 million and RMB712 million for the two years ended 31 December 2014 and 2015 respectively; and (ii) losses of approximately RMB11.7 million and approximately RMB32.0 million for the two years ended 31 December 2014 and 2015 respectively. We noted that the turnover of the Group's property development business remained stable for the year ended 31 December 2015, yet the loss has increased by approximately RMB20.3 million. As advised by the Management, many of the Group's property projects are in third and fourth tiered cities of the PRC and hence there are likely to be more uncertainties and demand is relatively low, the Group will carry out aggressive market campaigns with attractive promotion packages to reduce inventories. Given the uncertain market condition, in particular the demand and the impact of the PRC policies in supporting the development of the property market in the third and fourth tiered cities of the PRC, the Group is not expecting to expand its land acquisition while weighing out options to dispose some of its early stage projects. As at the Latest Practicable Date, the Group was not in negotiation to dispose of any of its existing property projects. We consider that the Disposal allows the Group to allocate extra resources for the market campaigns to promote its property inventories.

According to the 2015 Annual Report, the Company continued to evaluate the existing business of the Group, so as to streamline its business structure and enhance overall performance, prospects and attraction to market investors. As a result, the Group has initiated its business reorganisation plan and entered into the SPA on 1 February 2016, pursuant to which the Group had conditionally agreed to dispose the Disposal Group in order to lower the liability ratio and improve financial position of the Group. Upon Completion, the Group will concentrate its resources on the exploration of opportunities for tourism resorts, hotel operation and property development. We were given to understand that the Group's current tourism-related projects include operations of (i) two hotels located in Hainan and Jilin and a spa resort located in Zhejiang which are in full operation; and (ii) a water theme park located in Sanya which has completed its trial operation and is expected to be in full operation in May 2016. As shown in the 2014 Annual Report and the 2015 Annual Report, turnover of the Group's tourism-related business was approximately RMB118 million for the year ended 31 December 2014 and approximately RMB172 million for the year ended 31 December 2015, respectively. As stated in the Letter from the Board, approximately 35% of the net proceeds that arises from the Disposal will be applied to the Group's future acquisition and investment opportunities, including but not limited to the tourism-related business in the PRC and Asian regions, and as general working capital.

As set out in Appendix I, the water park and hot spring resort operations of the Group had recorded (i) turnover of approximately RMB14.7 million and approximately RMB49.7 million for the two years ended 31 December 2014 and 2015 respectively; and (ii) recorded a loss of approximately RMB21 million and a profit of approximately RMB1 million for the two years ended 31 December 2014 and 2015 respectively. On the other hand, the resort hotel operation of the Group had also recorded (i) turnover of approximately RMB38.8 million and RMB55.1 million for the two years ended 31 December 2014 and 2015 respectively; and (ii) losses of approximately RMB6.6 million and approximately RMB2.5 million for the two years ended 31 December 2014 and 2015 respectively. We noted that both of these segments recorded a growth in the turnover and a reduction in net loss. As advised by the Management, a joint venture company is expected to be established in Cambodia in the first half of 2016 by 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Co., Limited*), an indirect wholly-owned subsidiary of the Company, and Cambo Guilincity Construction Engineering Corporation Co., Ltd., a company established in Cambodia, for the purpose of the development of the water park located in Phnom Penh, of which the Company considers that it is a good opportunity to expand the Group's tourism-related businesses into Cambodia. We are of the view that the Disposal enables the Group to restructure its businesses and focus on the operations of the Group's water park, hot spring resort and resort hotels, as well as the investment in the water park in Cambodia.

We consider that the performance of tourism-related business is mainly driven by the number of domestic and international visitors and their spending during their visits to the PRC and hence we have reviewed the latest statistical information published on the website of the National Bureau of Statistics of the PRC regarding the tourism market of the PRC. According to the National Bureau of Statistics of the PRC, the number of tourists visited the PRC in 2014, including both international visitors and domestic visitors, was approximately 128.5 million. We have compared the historical figures of the revenue generated from domestic tourism and the foreign currency earnings generated from international tourism of the PRC from 2010 to 2014 as below:

Revenue from domestic tourism of the PRC from 2010 to 2014



Source: National Bureau of Statistics of the PRC (http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0K01&sj=2014)

Source: National Bureau of Statistics of the PRC (http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0K01&sj=2014)

We noted that the tourism market in the PRC has demonstrated a steady growth trend in the past five years from the charts above. The revenue from domestic tourism of the PRC, representing the aggregate spending of domestic tourists, increased from approximately RMB1,258 billion in 2010 to approximately RMB3,031 billion in 2014, representing a compounded annual growth rate of approximately 24.6% during such five calendar years. The foreign currency earnings from international tourism of the PRC, representing the aggregate spending of international tourists on transportation, sightseeing, accommodation and dining etc. during their trip in the PRC, increased from approximately US$46 billion in 2010 to approximately US$57 billion in 2014, representing a compounded annual growth rate of approximately 5.6% during such five calendar years. Therefore, we concur with the Board's view that the tourism market in the PRC has great development potential and the Disposal enables the Group to dedicate its management and other resources to expand its tourism-related business.

On the other hand, it is expected that the Disposal would enhance and strengthen the financial position and cash flow of the Group. We noted from the 2014 Annual Report that, as at 31 December 2014, the Group's bank and other borrowings amounted to approximately RMB2,346 million while its equity was approximately RMB3,107 million. Since part of the Total Consideration will be satisfied by way of (i) the assumption of the Debts by the Purchasers and approximately 25% of the net proceeds from the Disposal will be applied to debt repayment of the Remaining Group, it is expected that the Group's gearing position will be enhanced as a result of the Disposal. As set out in the Letter from the Board, based on the unaudited net asset value of the Disposal Group as at 31 December 2015, it is estimated that the Group will record a gain of approximately RMB30 million (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately RMB2 million.

In light of that (i) the depreciation in RMB increases the cost of sales of the Disposal Group while the upholstered furniture business benefits from the appreciation of US$ against RMB; (ii) the upholstered furniture business will not rely on the Disposal Group upon Completion; (iii) the manufacturing businesses of automotive leather and furniture leather in the PRC are facing deteriorating profitability prospect; (iv) the Disposal allows the Group to restructure its strategic business position and allocate its resources in the other existing businesses of the Group; (v) the prospects of the tourism market in the PRC; (vi) the Disposal could enhance the Group's gearing position; and (vii) the Group will record a gain before tax of approximately RMB30 million from the Disposal, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the SPA

On 1 February 2016 (after trading hours), the Company, the Vendors, the Purchasers and Mr. Zhu entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest at the Total Consideration; (ii) the Purchasers shall assume all liabilities and obligations in respect of the Debts due and owing by the Remaining Group to the Disposal Group with effect from the Completion whereby the Remaining Group shall be released and discharged from its liabilities and obligations in respect of the Debts with effect from the Completion; and (iii) Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

The principal terms of the SPA are summarised as follows:

Date

1 February 2016 (after trading hours)

Parties

Company:	Kasen International Holdings Limited;
Vendor A:	Cardina International Company Limited;
Vendor B:	浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*);
Purchaser A:	Ms. Zhu Jiayun;
Purchaser B:	Ms. Zhu Lingren; and
Guarantor:	Mr. Zhu.

The Purchasers are the daughters of Mr. Zhu, a Director and the controlling Shareholder of the Company, and hence, the Purchasers are connected persons of the Company under the Listing Rules. As advised by Mr. Zhu, it is his plan to get his daughters participated in his family businesses and to assume management roles in his various business operations as early as possible. Purchaser A began to involve in business operation of the Group since late 2015 as an assistant to Mr. Zhu, and Mr. Zhu is planning a similar arrangement for Purchaser B as and when appropriate. Given that Mr. Zhu has been the guarantor to guarantee the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA, the Company considers that the risk of default by Purchaser A and Purchaser B is low.

Vendor A is a company incorporated in the Cayman Islands and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

Vendor B is a company established in the PRC and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

Assets to be disposed

The Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Interest, representing the entire equity interest of the Disposal Group.

Retained profits of the Disposal Group

Pursuant to the SPA, any distributable audited amount of retained profits of the Disposal Group attributable to the Vendors up to 31 March 2016 (the "**Dividend**") will be distributed as dividend by the Disposal Group to the Vendors on or before a date after 31 March 2016 as agreed by all parties to the SPA. Under the SPA, such dividend will first be net off by any loans or current account balances due to the Disposal Group from the Remaining Group as at 31 March 2016 (the "**Dividend Net-Off**").

Notwithstanding the above term of the SPA, subsequently, the parties to the SPA have mutually agreed that if there is any distributable audited retained profits from any individual members of the Disposal Group (disregarding the consolidated position), such members of the Disposal Group shall distribute all such retained profits (if any) to the Vendors in cash and hence in any event, there shall not be any arrangement in respect of the Dividend Net-Off. Such arrangement is not a term under the SPA but is mutually agreed by the parties to the SPA and does not constitute a breach of term of the SPA.

We are of the view that regardless the Dividend will be distributed by cash or by the Dividend Net-Off, the impact on the Remaining Group's financial position would be similar and the only difference would be that the Dividend will be paid by cash to the Vendors on or before 31 March 2016 or the Dividend will be net off by any loans and the Group will receive the Cash Consideration upon Completion, which is expected to take place within 90 Business Days after the fulfillment (or waiver) of the conditions under the SPA. We consider that the cash distribution arrangement would generate positive cash inflow to the Remaining Group sooner than the Dividend Net-Off arrangement and hence we consider the cash distribution arrangement on the Dividend is fair, reasonable and in the interest of the Company and the Shareholders.

Consideration

The Total Consideration of RMB492,755,687 (equivalent to approximately HK$583,834,000) shall be satisfied by way of (i) the assumption of the Debts by the Purchasers; and (ii) the Cash Consideration payable by the Purchasers to the Vendors.

The interest-bearing loans due and owing by the Remaining Group to the Disposal Group (i) are current account in nature; (ii) are unsecured; (iii) have no fixed terms of repayment; and (iv) bear interest at one-year prime rate(s) as issued by the People's Bank of China.

For indication purpose, the aggregate amount of the interest-bearing loans due and owing by the Remaining Group to the Disposal Group as at 31 December 2015 was approximately RMB168,000,000 and assuming that the audited amount of the distributable retained profits of any individual members of the Disposal Group attributable to the Vendors up to 31 March 2016 (if any) will be distributed by cash to the Vendors by the Disposal Group, the Cash Consideration would be approximately RMB324,800,000.

The Total Consideration shall be paid by the Purchasers to the Vendors on or before Completion.

The Total Consideration was determined after arm's length negotiation between the parties to the SPA with reference to the unaudited net asset value of the Disposal Group as at 30 September 2015 of approximately RMB492.8 million. The Company had considered other valuation approaches in determining the amount of the consideration such as market approaches including the price-to-earnings ratio and price-to-book ratio during the negotiation process, and noted that the results were similar to the value of the unaudited net asset value of the Disposal Group as at 30 September 2015. Furthermore, the Company had also considered that the income approach such as the discounted cash flow approach is not applicable to the Disposal Group because this approach often heavily relies on and is highly sensitive to a list of assumptions covering macroeconomics and microeconomics factors such as the financial projection of the Company to reflect its potential earnings, which in this case for the Disposal, there are uncertainties over the profitability of the Disposal Group due to the operating costs and fluctuations in the foreign exchange rates as elaborated in the Letter from the Board and will impact significantly on the relevant projections, and may result in a distorted value of the Disposal Group. The Company had reviewed the acquisition transactions that took place in the market in the past three months prior to entry of the SPA, and noted that the parties to certain of these transactions also used the net asset value of the underlying target as the basis in determining the consideration. Accordingly, the Company considers that determining the Total Consideration based on the net asset value of the Disposal Group is in line with common market practice and is fair and reasonable.

Considering the poor financial performance of the Disposal Group, the reasons and benefits of the Disposal and the estimated gain of approximately RMB30 million from the Disposal as elaborated in the Letter from the Board, the Total Consideration represents a premium over the net asset value of the Disposal Group as at 30 September 2015 and the Board considers that the Total Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent:

(i) each of the Company, Vendor A and Vendor B having passed its board resolution(s) in relation to the SPA and the transactions contemplated thereunder;

(ii) the due establishment of the company(ies) by the Purchasers as their nominee(s) in acquiring the Sale Interest, if applicable; and

(iii) the Company having obtained the approval by the Independent Shareholders for the sale of the Sale Interest and all other transactions contemplated under the SPA at the EGM.

If all the conditions have not been fulfilled or waived (except for condition (iii) above which cannot be waived) on or before 31 May 2016 or such later date as the parties to the SPA may agree in writing, the SPA shall be terminated forthwith and each party to the SPA shall have no liability to the other parties save and except for any antecedent breaches of the terms thereof. Condition (i) above has been fulfilled as at the Latest Practicable Date.

Guarantee

Mr. Zhu has agreed to irrevocably and unconditionally guarantee to the Vendors and the Company the due and punctual performance, observance and discharge by the Purchasers of all of their obligations, representations, warranties and agreements under or pursuant to the SPA.

Completion

Completion shall take place within 90 Business Days after the fulfillment (or waiver) of the above conditions or such other date as the parties to the SPA may agree in writing.

Upon Completion, the Company shall cease to hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company.

4. Basis for determining the consideration for the Disposal

Pursuant to the Letter from the Board, the Total Consideration was determined after arm's length negotiation between the parties to the SPA with reference to the unaudited net asset value of the Disposal Group as at 30 September 2015. As at 30 September 2015, the unaudited consolidated net assets of the Disposal Group were approximately RMB492.8 million, which represents the amount of the Total Consideration.

The Total Consideration shall be satisfied by way of (i) the assumption of the Debts by the Purchasers; and (ii) the Cash Consideration payable by the Purchasers to the Vendors. As advised by the Management, as at 31 December 2015, the interest-bearing loans due and owing by the Remaining Group to the Disposal Group amounted to approximately RMB168.0 million and accordingly the Cash Consideration would be approximately RMB324.8 million.

Valuation on the land and buildings of the Disposal Group

JLL was appointed by the Company to perform a valuation on the market value of the land and buildings of the Disposal Group as at 31 December 2015. As disclosed in the Valuation Report set out in Appendix II, the aggregate market value of the four properties of the Disposal Group was approximately RMB141.8 million. In the valuation of property no. 4 as disclosed in the Valuation Report, JLL has attributed no commercial value to the buildings under construction with a total gross floor area of approximately 53,098 sq.m. as the Permits in respect of the buildings have not been obtained. However, for reference purpose, JLL was of the opinion that the Reference Value would be RMB36,363,000 assuming that all the Permits have been obtained and the buildings under construction could be freely transferred. The Company considers that the Reference Value reflects the intrinsic value of property no. 4 and therefore has included it into the total value of the land and buildings of the Disposal Group. Therefore, including the Reference Value, the value of the land and buildings of the Disposal Group as at 29 February 2016 was approximately RMB178.2 million, representing an appreciation of approximately RMB8.2 million as compared to the net book value of the land and buildings of the Disposal Group of approximately RMB170 million as at 31 December 2015.

We have interviewed JLL as to its expertise and independence. JLL confirmed that except for its engagement in respect of the valuation of the land and buildings of the Disposal Group, it has no current or prior relationships with the Company and the Company's connected persons. We are not aware of any matters that would cause us to question the JLL's expertise and independence. We have also reviewed the terms of engagement of JLL in particular paying attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might have negative impact on the degree of assurance given by the Valuation Report.

We understand from JLL that they have relied on certain information made available to them by the Company and the Company's PRC legal advisers. We noted that such representations made by the Company and its PRC legal advisers to JLL are consistent with the information contained in the Circular. We also understand that JLL have physically inspected the land and buildings of the Disposal Group in February 2016 in the PRC. JLL confirmed that they were not aware of any serious defect or other matters that would cause it to question the truthfulness or reasonableness of the information provided by the Company.

We noted from the Valuation Report that JLL have valued (i) the land portion of the Disposal Group by market approach with reference to the sales evidence as available in the locality, which is a common used approach for lands valuation; and (ii) the buildings of the Disposal Group by the depreciated replacement cost method under the cost approach. We understand from JLL that there is no relevant sufficient market sale or rental evidence to support the use of either the market approach or income approach for the valuation of the buildings of the Disposal Group. Therefore JLL has chosen the cost approach, which generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. According to the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors, the depreciated replacement cost method is recognised as an application of the cost approach in the absence of sufficient market data to arrive at the market value of real property, JLL further confirmed that such valuation was prepared in accordance with (i) Chapter 5 and Practice Note 12 of the Listing Rules; (ii) the RICS Valuation Standards – Professional Standards published by the Royal Institution of Chartered Surveyors; (iii) the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and (iv) the International Valuation Standards published by the International Valuation Standards Council.

Based on all of the foregoing, we concur with the JLL's view that (i) the valuation methods adopted by JLL are common and recognised valuation methods for lands and properties valuation; (ii) given that there is lack of sufficient market data to adopt direct comparison approach, the valuation methodology of depreciated replacement cost method under the cost approach adopted by JLL is appropriate for determining the market value of the buildings of the Disposal Group; (iii) the bases and assumptions for the valuations of the land and buildings of the Disposal Group are fair and reasonable; and (iv) the aggregate market value of approximately RMB178.2 million (including the Reference Value of approximately RMB36,363,000) was fairly and reasonably derived.

Comparison with other comparable companies

As set out in the Letter from the Board, the Company had considered other valuation approaches in determining the amount of the consideration such as market approaches including the price-to-earnings ratio ("**P/E ratio**") and price-to-book ratio ("**P/B ratio**") during the negotiation process, and noted that the results were similar to the value of the unaudited net asset value of the Disposal Group as at 30 September 2015.

In order to assess the fairness and reasonableness of the Total Consideration, we have conducted valuation on the Disposal Group independently. We have considered various valuation approaches to find out the most suitable and reasonable valuation approach to value the Disposal Group. The discounted cash flow methodology under the income approach is often used for companies that have limited or no operating history and historical finance figures, and this methodology focuses on the further earnings potential of the valuation target and heavily relies on the financial projection of the company to reflect its potential earnings. Given that the Disposal Group is developed with sufficient financial performance details available, we do not consider that using the income approach to value the Disposal Group based on financial projection with uncertainties is the most suitable approach. The cost approach is also deemed as inappropriate because this approach is more common in valuing tangible assets, while the Disposal Group is engaged in manufacturing business of automotive and furniture leather. Since the Disposal Group has a long-established operating history with sufficient financial performance details available, including positive earnings, we have chosen the market approach as the most suitable and reasonable approach to evaluate the current value of the Disposal Group and to evaluate the fairness and reasonableness of the Total Consideration of the Disposal. We have applied P/B ratio and P/E ratio in our analysis, being the two of the most commonly adopted valuation ratios for evaluating the value of a company. The comparable companies for our below two separate sets of independent analyses have been selected based on the criteria determined by us which in our view could to the most extent resemble the Disposal Group in terms of profitability prospect with similar geographical exposure under certain common economic and market factors, of which the valuation represented by their share price as appraised by the investors in the Hong Kong market could provide meaningful insight for our independent analysis as to the valuation of company subject to such common factors.

We have conducted independent searches of comparable companies for our comparison analysis based on the selection criteria that these companies are (i) principally engaged in manufacturing of automotive or furniture leather in the PRC; and (ii) listed on the Stock

Exchange. To the best of our knowledge and endeavor, we have identified one comparable company, Guangdong Tannery Limited ("**Guangdong Tannery**"). Guangdong Tannery represents a complete and an exhaustive list of companies meeting the aforementioned criteria as identified by us. Although there is only one comparable company that meets the aforesaid criteria, Guangdong Tannery is principally engaged in the same business, i.e. processing and sale of semi-finished and finished leather, in the same geographical area, i.e. the PRC. We noted that while the target customers of the Disposal Group and Guangdong Tannery may not be similar, both the Disposal Group and Guangdong Tannery are principally engaged in manufacturing and processing of leathers in the PRC and the costs of raw materials and other operating expenses would be similar, which could lead to similar trend in profitability, which together with the similar geographical exposure of business operation, the ratios represented by the share price of Guangdong Tannery as appraised by the investors in the Hong Kong market could provide insight for our analysis as to the valuation of company subject to such common factors. Therefore, we consider that Guangdong Tannery is a fair and representative comparable and the analysis of which is useful for assessing the fairness and reasonableness of the Disposal.

We have performed an analysis on the P/B ratio and the P/E ratio of Guangdong Tannery based on its closing price as at 1 February 2016, being the date of the SPA, and its latest published audited financial information. The comparison of the P/B ratio and P/E ratio between Guangdong Tannery and the Disposal Group are set out below:

Company (Stock code)	**Principal business**	**Market capitalisation as at the date of the SPA**	**Latest published audited net asset value of the company**	**Latest published audited net profit of the company**	**Implied P/B ratio**	**Implied P/E ratio**
		(Note 1)	*(Note 2)*	*(Note 3)*		
		HK$ million	*HK$ million*	*HK$ million*	*Times*	*Times*
Guangdong Tannery Limited (1058)	Processing and sale of semi-finished and finished leather.	301.3	352.6	2.0	0.85	150.8
		RMB million	*RMB million* (Unaudited)	*RMB million* (Unaudited)	*Times*	*Times*
The Disposal Group		492.8 *(Note 4)*	492.8	39.4	1.00 *(Note 5)*	12.5 *(Note 6)*

Notes:

1. Unless otherwise specified, market capitalisation of a company is calculated based on its closing price per share as quoted on the Stock Exchange and the number of issued shares of such company as at the date of the SPA.

2. Unless otherwise specified, net asset value attributable to the owners of the company refers to the value as disclosed in the relevant company's latest published annual report.

3. Unless otherwise specified, net profit for the last financial year of the company refers to the value as disclosed in the relevant company's latest published annual report.

4. Being the Total Consideration.

5. The implied P/B ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net asset value of the Disposal Group as at 30 September 2015.

6. The implied P/E ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net profit after taxation of the Disposal Group for the year ended 31 December 2015.

We noted from the above table that the implied P/B ratio of Guangdong Tannery was approximately 0.85 times. Thus, the implied P/B ratio of the Disposal Group of approximately 1.00 time is higher than that of Guangdong Tannery. The implied P/E ratio of Guangdong Tannery was approximately 150.8 times. As compared to the P/E ratio of the Hang Seng Indexes ("**HSI**") as at 1 February 2016 of approximately 7.79 times as quoted from the HSI official website (http://www.hsi.com.hk/HSI-Net/), the P/E ratio of Guangdong Tannery is approximately 19 times of the P/E ratio of the HSI and hence we consider that such P/E ratio of Guangdong Tannery is abnormal and should not serve as a reference for analysing the fairness and reasonableness of the Total Consideration.

On the other hand, as alternative, we have conducted independent searches of comparable companies that are (i) principally engaged in manufacturing of automotive decoration parts in the PRC; and (ii) listed on the Stock Exchange to evaluate the fairness of the Total Consideration by looking at comparable companies that have similar demand for their products from the similar group of end customers, being automotive manufacturers. To the best of our knowledge and endeavor, we have identified one comparable company, China Automotive Interior Decoration Holdings Limited ("**China Automotive Interior Decoration**"). China Automotive Interior Decoration represents a complete and an exhaustive list of companies meeting the aforementioned criteria as identified by us. We consider that the products of China Automotive Interior Decoration targets the similar group of end customers, being automotive manufacturers. As the Disposal Group and China Automotive Interior Decoration both operate in the same geographical segment, i.e. the PRC, the demand of their products would face similar trend. Therefore, we consider that China Automotive Interior Decoration is also a fair and representative comparable and the analysis of which is useful for us to assess the fairness and reasonableness of the Disposal from another perspective.

We have performed an analysis on the P/B ratio and the P/E ratio of China Automotive Interior Decoration based on its closing price as at 1 February 2016, being the date of the SPA, and its latest published audited financial information. The comparisons of the P/B ratio and P/E ratio between China Automotive Interior Decoration and the Disposal Group are set out below:

Company (Stock code)	**Principal business**	**Market capitalisation as at the date of the SPA** *(Note 1)* *HK$ million*	**Latest published audited net asset value of the company** *(Note 2)* *HK$ million*	**Latest published audited net profit of the company** *(Note 3)* *HK$ million*	**Implied P/B ratio** *Times*	**Implied P/E ratio** *Times*
China Automotive Interior Decoration Holdings Limited (48)	Manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts and trading of rubber and garment accessories.	413.1	399.7	31.1	1.03	13.3
		RMB million	*RMB million* (Unaudited)	*RMB million* (Unaudited)	*Times*	*Times*
The Disposal Group		**492.8** *(Note 4)*	**492.8**	**39.4**	**1.00** *(Note 5)*	**12.5** *(Note 6)*

Notes:

1. Unless otherwise specified, market capitalisation of a company is calculated based on its closing price per share as quoted on the Stock Exchange and the number of issued shares of such company as at the date of the SPA.

2. Unless otherwise specified, net asset value attributable to the owners of the company refers to the value as disclosed in the relevant company's latest published annual report. The exchange rate adopted for the conversion from Renminbi to Hong Kong Dollars is RMB1:HK$1.20.

3. Unless otherwise specified, net profit for the last financial year of the company refers to the value as disclosed in the relevant company's latest published annual report. The exchange rate adopted for the conversion from Renminbi to Hong Kong Dollars is RMB1:HK$1.20.

4. Being the Total Consideration.

5. The implied P/B ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net asset value of the Disposal Group as at 30 September 2015.

6. The implied P/E ratio of the Disposal Group was calculated based on the Total Consideration and the consolidated unaudited net profit after taxation of the Disposal Group for the year ended 31 December 2015.

We noted from the above table that the implied P/B ratio of China Automotive Interior Decoration was approximately 1.03 times, which is approximate to the implied P/B ratio of the Disposal Group of approximately 1.00 time. The implied P/E ratio of China Automotive Interior Decoration is approximately 13.3 times, which is slightly higher than the implied P/E ratio of the Disposal Group of approximately 12.5 times. Given that the net profit of the Disposal Group for the nine months ended 30 September 2015 was approximately RMB2 million, representing a drop of approximately 88.7% as compared to the net profit of approximately RMB21 million for the corresponding period in 2014, we are of the view that such variation in the P/E ratio between the Disposal Group and China Automotive Interior Decoration is justifiable.

On the other hand, we noted that the net profit after taxation of the Disposal Group of approximately RMB15.6 million for the year ended 31 December 2015 represents a significant decrease of approximately 60% as compared to the year ended 31 December 2014 of approximately RMB39.4 million and the consolidated net asset value of the Disposal Group has marginally increased by less than 2.7% from approximately RMB492.8 million as of 30 September 2015 to approximately RMB506.0 million as of 31 December 2015.

Having discussed with the Management, we were given to understand that despite the appreciation of approximately RMB8.2 million in the Disposal Group's land and buildings as at 29 February 2016 as compared to the same as at 31 December 2015, after taking into account of the unaudited distributable retained profits from members of the Disposal Group as at 31 December 2015, the net asset value of the Disposal Group is expected to be lower than the Total Consideration. Furthermore, the Group is expected to record a gain of approximately RMB30 million (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately RMB2 million, therefore we concur with the Board's view that the Total Consideration represents a premium over the net asset value of the Disposal Group as at 31 December 2015, and the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered that (i) part of the Total Consideration will be satisfied by assumption of the Debts by the Purchasers; (ii) the implied P/B ratio of the Disposal Group is higher than the implied P/B ratio of Guangdong Tannery; and (iii) the implied P/B ratio of China Automotive Interior Decoration is approximate to the implied P/B ratio of the Disposal Group, while the implied P/E ratio of China Automotive Interior Decoration is slightly higher than the implied P/E ratio of the Disposal Group, which in our view such variation is justifiable considering the significant decrease in the net profit of the Disposal Group, we are of the view that the Total Consideration is fair, reasonable and in the interest of the Company and the Shareholders as a whole.

5. Financial effects of the Disposal

The financial effects of the Disposal on the Group are summarised below:

Net assets

Upon Completion, the Company shall cease to hold any interest in the Disposal Group and the assets and liabilities of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Company. The net assets of the Group will increase by approximately RMB30 million as a result of the Disposal.

Earnings

According to the 2015 Annual Report, the Group recorded profit attributable to owners of the Company of approximately RMB190 million for the financial year ended 31 December 2015. As extracted from the unaudited financial information of the Disposal Group, the Disposal Group recorded net profit of approximately RMB16 million for the financial year ended 31 December 2015. As stated in the Letter from the Board, the Group is expected to record a gain of approximately RMB30 million (before tax) from the Disposal. Upon Completion, the Company shall cease to hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company. Therefore, the profits or losses of the Disposal Group will no longer be accounted for in the income statement of the Group.

Gearing and liquidity

Upon Completion, the total borrowings of the Group would decrease to approximately RMB1,147 million and the capital and reserves attributable to the owners of the Company would increase to approximately RMB3,197 million. Based on the financial information of the Group as at 31 December 2015, the gearing ratio of the Group was approximately 53.3%. It is expected that upon Completion, the overall gearing position of the Remaining Group will be improved substantially and reduced to approximately 35.9%.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we consider that the terms of the SPA are fair and reasonable so far as the Shareholders are concerned. We are of the opinion that the Disposal is conducted on normal commercial terms although it is not in the ordinary and usual course of business of the Group. Accordingly, the SPA and the Disposal are in the interests of the Company and the Shareholders as a whole. Therefore, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the relevant resolution at the EGM to approve the SPA and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Robert Siu	**Wallace Cheung**
Managing Director	*Associate Director*

Note: Mr. Robert Siu is a licensed person registered with the SFC and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Mr. Wallace Cheung is a licensed person registered with the SFC and regarded as a licensed representative of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 5 years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE FOUR FINANCIAL YEARS ENDED 31 DECEMBER 2015

Financial information of the Group for each of the four years ended 31 December 2012, 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com) respectively:

- Annual Report 2015 (pages 44 to 130):
  http://www.irasia.com/listco/hk/kasen/annual/ar157725-e101.pdf

- Annual Report 2014 (pages 36 to 116):
  http://www.irasia.com/listco/hk/kasen/annual/ar139401-e101.pdf

- Annual Report 2013 (pages 39 to 114):
  http://www.irasia.com/listco/hk/kasen/annual/ar122416-e101.pdf

- Annual Report 2012 (pages 39 to 116):
  http://www.irasia.com/listco/hk/kasen/annual/ar106828-e101.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

The borrowings are denominated principally in RMB. As at the close of business on 29 February 2016, the Group had outstanding borrowings of approximately RMB1,910,918,000, details of which are set out below:

	As at 29 February 2016 *RMB'000*
Bank borrowings	1,721,082
Other borrowings	189,836
	1,910,918
Analysed as:	
Secured	1,661,382
Unsecured	249,536
	1,910,918
Carrying amount repayable:	
Within one year	1,081,053
Within one to five year	829,865
After five years	–
	1,910,918

Pledge of assets

As at the close of business on 29 February 2016, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the assets of the Group as at 29 February 2016 is as follows:

	As at 29 February 2016
	RMB'000
Building	278,612
Prepaid lease payment	57,783
Bank deposits	168,216
Properties under development and held for sale	2,305,912
Available for sale investment	68,756
	2,879,279

Contingent liabilities

As at 29 February 2016, the Group provided guarantees in an aggregate amount of RMB416,110,000 (31 December 2015: RMB335,469,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

Save as aforesaid or otherwise disclosed herein, and apart from the intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities as at 29 February 2016.

3. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group including the internally generated funds and present available banking facilities, the Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular. The working capital forecast has been prepared based on (i) the existing events, plans and intentions of the Directors and events anticipated by the Directors; (ii) the audited consolidated results of the Group for the year ended 31 December 2015; (iii) management account of the Group for the month ended 31 January 2016; and (iv) cash flows forecast of the Group for the period from 1 January 2016 to 31 December 2017.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The slowdown in Chinese economy poses many challenges to the Group's core manufacturing business with continuously rising labor costs, shortage of bank loans, and industrial wide overcapacity. As mentioned in the paragraph "Reasons and benefits of the Disposal" under the letter from the board of this circular, the sales of the automotive and furniture leather businesses are mostly domestic in the PRC market and are currently experiencing weak demand. The operating costs for these two businesses have also been rising rapidly due to, among others, the recent depreciation in RMB. As for the upholstered furniture business, its sale is mostly overseas, in particular, to the United States market and hence is benefiting from the recent appreciation of US$ against RMB as well as the compelling economy recovery of the United States, resulting in stable and strong demand. The Group is confident that with its more than 20 years of experience in the upholstered furniture industry, this segment will maintain its momentum for further growth. To enhance its core competitiveness, the Group will (i) transform from an original equipment manufacturer ("**OEM**") to an original design manufacturer in order to enhance the standard of its product design; (ii) develop the sale channels directly to the retailers instead of the wholesalers so as to reduce the costs arising from intermediaries; (iii) increase the production effectiveness by further growing and achieving economies of scale; and (iv) further invest in production machineries to offset labor cost increases. In addition, the Group will also implement innovative marketing strategies to broaden its customer base.

For the upholstered furniture business, (i) the main target customers of the Group are worldwide upholstered furniture retailers; (ii) the main suppliers of the Group are located in Europe, Asia, South America and the PRC for the provision of raw materials; (iii) the main product categories include stationery upholstery, motion upholstery and upholstery beds; and (iv) the target geographic locations in sales are 80% to North America (United States of America) and 20% to the United of Kingdom. The upholstered furniture business of the Remaining Group (disregarding the consolidated position) had recorded (i) turnovers of approximately RMB344 million, RMB464 million and RMB527 million for the three years ended 31 December 2013, 2014 and 2015 respectively; and (ii) a profit of approximately RMB10.6 million, a loss of approximately RMB6.2 million and a profit of approximately RMB63.8 million for three years ended 31 December 2013, 2014 and 2015 respectively. The recovery of the economy of the United States of America has provided the Group with further opportunities to expand. The Group is optimistic that with a good foundation already laid out in 2014, revenue and profitability in this segment will be further improved.

For the property development business, the Group had recorded (i) turnovers of approximately RMB718 million and RMB712 million for the two years ended 31 December 2014 and 2015 respectively; and (ii) losses of approximately RMB11.7 million and approximately RMB32.0 million for the two years ended 31 December 2014 and 2015 respectively. The Group will take a more prudent approach and focus on the projects that are already under development. As at the Latest Practicable Date, the Group had a total of five existing property development projects in the PRC with a total gross floor area ("**GFA**") of approximately 3,051,000m^2, with details as follows:

Name of project	Location	Saleable GFA (Unsold GFA) as of 31 December 2015	Status	Approximate % of development as of 31 December 2015	Estimated year/year of completion	Estimated further capital injection	Usage
		(approximate m^2)		*(%)*	*(year)*	*(approximate RMB million)*	
Asia Bay	Boao, Hainan, PRC	590,165 (487,048)	Under development and/or pre-sale	48	2023	2,500	Residential and tourism resort
Qianjiang Continent	Yancheng, Jiangsu, PRC	670,065 (19,163)	Completed and under pre-sale	100	2015	–	Residential and commercial
Kasen Star City	Haining, Zhejiang, PRC	709,009 (522,266)	Under development and/or pre-sale	56	2022	1,700	Residential and commercial
Changbai Paradise	Changbai Mountain, Jilin, PRC	120,743 (97,704)	Completed and under pre-sale	100	2015	–	Residential and hotel
Qianjiang Oasis	Yancheng, Jiangsu, PRC	266,206 (229,641)	Under development and/or pre-sale	32	2022	900	Residential

The PRC government has recently announced certain policies in supporting the development of the PRC property market such as, among other, the ease of down payment for apartments, the reduction in applicable tax and the encouragement of banks in promoting mortgages. The Board is of the view that the development of the existing property projects of the Group will be benefited from these policies in the long term.

As many of the Group's property projects are in third and fourth tiered cities of the PRC where there are likely to be more uncertainties and demand is relatively lower, the Group will carry out aggressive market campaigns with attractive promotion packages to reduce inventories. Given the uncertain market condition, in particular the demand and the impact of the PRC policies in supporting the development of the property market in the third and fourth tiered cities of the PRC, the Group is not expecting to expand its land acquisition while weighing out options to dispose some of its early stage projects. As at the Latest Practicable Date, the Group was not in negotiation to dispose of any of its existing property projects.

The Group's other businesses, such as the water park development and resort hotel operations, have all made positive progress in recent years. The Group had recorded (i) turnovers of approximately RMB14.7 million and approximately RMB49.7 million for the two years ended 31 December 2014 and 2015 respectively for the water park and hot spring resort operations; and (ii) a loss of approximately RMB21 million and a profit of approximately RMB1 million for the two years ended 31 December 2014 and 2015 respectively. On the other hand, the Group had also recorded (i) turnovers of approximately RMB38.8 million and RMB55.1 million for the two years ended 31 December 2014 and 2015 respectively for the resort hotel operations; and (ii) a loss of approximately RMB6.6 million and a loss of approximately RMB2.5 million for the two years ended 31 December 2014 and 2015 respectively. As at the Latest Practicable Date, the Group had a total of four projects in relation to water park development and resort hotel businesses in the PRC. Among them, three of them are resort hotels in full operation and one of them is a water park which has completed its trial operation and is expected to be in full operation in May 2016. However, these businesses are still at early stage and will not contribute significantly to the Group's result in the near future. Details of these projects are as follows:

Name of project	Location	GFA	Number of rooms as of 31 December 2015	Major facilities	Occupancy rate in 2015	Proposed usage	Estimated funds for future development (if any)
		(approximate m^2)			*(approximate %)*		*(approximate RMB million)*
Asia Bay	Boao, Hainan, PRC	39,951	603	Hotel	32	Hotel and restaurant	–
Changbai Paradise	Changbai Mountain, Jilin, PRC	19,707	178	Hotel	35	Hotel and restaurant	5
Sanya Project	Sanya, Hainan, PRC	13,772	N/A	Water park	N/A	Water park and hotel	15
Hangzhou Xinanjiang Hot Spring Resort	Xinanjiang, Hangzhou, PRC	7,112	103	Hot spring resort and hotel	43	Restaurant and hot spring resort	–

The Directors consider that upon completion of the Disposal, the Group's financial and cash positions will be further strengthened, and the Group will be able to make investment promptly when opportunities arise. The Directors will continue to enhance the Group's businesses through review of its existing business portfolio from time to time and also seek suitable investment opportunities in the long run so as to broaden the source of income of the Group. For its existing businesses, the Group will allocate more resources to develop those businesses with high growth potential and will consider to divest those businesses with unsatisfactory financial performance or facing intensive competition. The Company believes that the formation of a joint venture company to be established in Cambodia by 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Co., Limited*), an indirect wholly-owned subsidiary of the Company, and Cambo Guilincity Construction Engineering Corporation Co., Ltd. (the "**Cambo Guilincity**"), a company established in Cambodia, for the purpose of the development of the water park located in Phnom Penh is a good opportunity to expand the Group's tourism-related businesses into Cambodia. In this regard, the Group is currently working with Cambo Guilincity on, among others, (i) the establishment of the joint venture company(ies) and is expected to be completed in the first half of 2016; (ii) the business plan; and (iii) the related financing issues. The Group will closely monitor the progress of the formation of the joint venture in the upcoming months. The Company believes that this joint venture will build a stronger business foundation and enlarge the source of income of the Group, thereby creating value for the Shareholders. Save for the above mentioned, as at the Latest Practicable Date, the Company was not in negotiation to acquire or develop any new water park or resort hotel.

The Group has established operations with sufficient operational, administrative and technical capabilities to effectively manage the businesses of the Remaining Group, and the management of the Group possesses relevant knowledge and professional experiences in carrying out each of the upholstered furniture, property development and water park and resort hotel development businesses. Details of the profiles, qualifications and experiences of the management of the Group, among others, are as follows:

- Mr. Zhu, the founder of the Group, an executive Director, the chairman and chief executive officer of the Company. Before founding the Group in 1995, Mr. Zhu was involved in several business ventures in the areas of textile, leather processing, garment, trading, etc. With over 28 years of experience in the leather manufacturing industry, Mr. Zhu has extensive knowledge in the upholstered furniture industry in the PRC and has been a successful entrepreneur in leather manufacturing related businesses. Mr. Zhu is also the vice chairman of the China Leather Association. In recognition of his contribution to promote the development of the leather manufacturing industry, Mr. Zhu was awarded the "Top Ten Businessmen in Zhejiang" in 2004. In 2006, Mr. Zhu was one of the 10 recipients of the prestigious "National May 4th Youth Award (全國五四青年獎章)". In 2007, Mr. Zhu received the National May Day Award.

- Ms. Zeng Sheng ("**Ms. Zeng**"), the vice president of the Group, is responsible for the Group's sofa fabrics products. Ms. Zeng graduated from Guizhou Normal University, majoring in English and has more than 22 years of experience in furniture business.

- Mr. Pan Yougen ("**Mr. Pan**"), the general manager of Yancheng Sujia Real Estate Development Co., Ltd., a subsidiary of the Group. Mr. Pan is responsible for the operation of the property projects in Yancheng, Jiangsu Province. He has more than 30 years of experience in the property development industry. Mr. Pan graduated from Southwest Jiaotong University with a bachelor degree in engineering and received a master degree in architecture from Shanghai Tongji University.

- Mr. Wang Dong ("**Mr. Wang**"), the general manager of Hainan Boao Kasen Property Development Co., Ltd. and Hainan Sanya Kasen Property Development Co., Ltd, both subsidiaries of the Group. Mr. Wang is responsible for the operation of property projects in Hainan Province. He has 26 years of experience in the property development industry. Mr. Wang graduated from Chongqing Institute of Architecture and Engineering with a bachelor degree in architecture.

- Ms. Ni Lin ("**Ms. Ni**"), the assistant to the president of the Group and the general manager of Sihai Zhijia Tourism and Vacation Management Co., Ltd., a subsidiary of the Group. Ms. Ni is in charge of the tourism-related business of the Group and responsible for the operation management and strategy development of the Group's tourism-related business. She graduated from Hangzhou University with an English major and further studied in the major of tourism promotion and management in Zhejiang University. Ms. Ni has more than 20 years of experience in tourism industry. She was one of the first batch of certificate holders of the "Qualification of General Manager of Travel Agency (旅行社總經理資格)" issued by the China National Tourism Administration and the travel agency she managed was granted the four-star international travel agency.

- Ms. Shen Minna ("**Ms. Shen**"), the operation director of Sihai Zhijia Tourism and Vacation Management Co., Ltd., a subsidiary of the Group. Ms. Shen is responsible for the hotel operation of the Group. Ms. Shen graduated in the major of international trade from Jilin University and received a master degree in the major of world economics from Northeast Normal University. Ms. Shen has 17 years of experience in the hotel management business and continuously worked in four-star and/or above hotels.

As at the Latest Practicable Date, save for the above mentioned, the Company did not expect any capital needs for the year ending 31 December 2016 based on the assessment of the Group's existing development plans nor any future fund raising needs.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 29 February 2016 of the property interests held by the Disposal Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

29 April 2016

The Board of Directors
Kasen International Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111, Cayman Islands

Dear Sirs,

On 1 February 2016, Kasen International Holdings Limited (the "Company"), Cardina International Company Limited, a wholly-owned subsidiary of the Company, 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited), a wholly-owned subsidiary of the Company (collectively, the "Vendors"), Ms. Zhu Jiayun and Ms. Zhu Lingren (collectively, the "Purchasers"), who are the daughters of Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company and Mr. Zhu Zhangjin entered into the conditional sale and purchase agreement to which the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the entire equity interest of Haining Kasen Leather Company Limited, Haining Schinder Leather Company Limited, Haining Senmei Trading Company Limited, Yancheng Dafeng Huasheng Leather Company Limited, Haining Home Direct Furniture Company Limited, Wuji Kasen Industrial Company Limited and Haining Kasen Automotive Interior Materials Company Limited, being indirect wholly-owned subsidiaries of the Company (collectively, the "Disposal Group").

In accordance with your instructions to value the properties held by the Disposal Group in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 29 February 2016 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of property nos. 1 to 3 in Group I and the particular location in which they are situated, there are no market sales comparables readily available, the property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation of property nos. 1 to 3 in Group I, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property no. 4 in Group II which was under construction as at the valuation date, we have attributed no commercial value to the buildings under construction with a total planned gross floor area of approximately 53,098 sq.m. which have not obtained any Construction Work Planning Permits or Construction Work Commencement Permits and we have valued the land portion of this property by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards – Professional Standards published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Zhejiang ChaoXiang Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in February 2016 by Ms. Jasper Jia and Mr. Edward Yang. Ms. Jasper Jia is a member of RICS and has 7 years' experience in the valuation of properties in the PRC and Mr. Edward Yang has 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Disposal Group. We have also sought confirmation from the Company and Disposal Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T.W. Yiu
MRICS MHKIS RPS(GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Disposal Group in the PRC

No.	Property	Market Value in existing state as at 29 February 2016 *RMB*
1.	2 parcels of land and various buildings located at No. 6 Qingdong Road, Xieqiao Town Jiaxing City Zhejiang Province The PRC	22,618,000
2.	A parcel of land and various buildings located at No. 2 Qingdong Road, Xieqiao Town Jiaxing City Zhejiang Province The PRC	27,892,000
3.	2 parcels of land and various buildings located at the northern side of Weisi Road and the western side of Jingyi Road Yancheng City Jiangsu Province The PRC	82,323,000

Group II – Property interests held under development by the Disposal Group in the PRC

No.	Property	Market Value in existing state as at 29 February 2016 *RMB*
4.	A parcel of land and various buildings under construction located at the eastern side of No. 707 Country Road and the southern side of Hengchang Road Wuji County Shijiazhuang City Hebei Province The PRC	9,014,000 *(Refer to note 3 in page 61)*
	Total:	**141,847,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Disposal Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2016 *RMB*
1.	2 parcels of land and various buildings located at No. 6 Qingdong Road Xieqiao Town Jiaxing City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 41,018 sq.m. and fourteen 1 to 3-storey buildings erected thereon which were completed in 2002. The property has a total gross floor area ("GFA") of approximately 28,659.39 sq.m., the details of the property are listed as follows: **Building** / **GFA** *(sq.m.)* 7 workshops: 26,572.38 1 warehouse: 103.32 6 auxiliary buildings: 1,983.69 Total: 28,659.39 The land use rights of the property have been granted for a term expiring on 29 June 2049 for industrial use.	The property was occupied by Haining Home Direct for production, office and auxiliary purposes as at the valuation date.	22,618,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Guo Yong (2009) Di Nos. 6005100118 and 6005100117, the land use rights of 2 parcels of land with a total site area of approximately 41,018 sq.m. have been granted to Haining Home Direct Furniture Company Limited ("海寧家值傢俬有限公司, "Haining Home Direct", one of the companies in the Disposal Group) for a term of 50 years expiring on 29 June 2049 for industrial use.

2. Pursuant to 14 Building Ownership Certificates – Hai Fang Zi Di Nos. 00183223 to 00183236, 14 buildings of the property with a total gross floor area of approximately 28,659.39 sq.m. are owned by Haining Home Direct.

3. Pursuant to a Maximum Amount Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favour of Bank of China Limited Haining Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Haining Home Direct for a maximum amount of RMB41,000,400 with the security term from 27 October 2015 to 27 October 2018.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Haining Home Direct legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Haining Home Direct is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2016 *RMB*
2.	A parcel of land and various buildings located at No. 2 Qingdong Road Xieqiao Town Jiaxing City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 58,335 sq.m. and ten 1-storey buildings erected thereon which were completed in 2002. The property has a total gross floor area ("GFA") of approximately 31,345.84 sq.m., the details of the property are listed as follows:	The property was occupied by Haining Schinder for production, office and auxiliary purposes at the valuation date.	27,892,000

Building	**GFA** *(sq.m.)*
4 workshops	27,251.81
1 warehouse	2,141.44
5 auxiliary buildings	1,952.59
Total:	31,345.84

The land use rights of the property have been granted for a term expiring on 24 April 2050 for industrial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2009) Di No. 6005100119, the land use rights of a parcel of land with a site area of approximately 58,335 sq.m. have been granted to Haining Schinder Leather Company Limited ("海寧森德皮革有限公司, "Haining Schinder", one of the companies in the Disposal Group) for a term of 50 years expiring on 24 April 2050 for industrial use.

2. Pursuant to 10 Building Ownership Certificates – Hai Fang Zi Di Nos. 00183237 to 00183246, 10 buildings of the property with a total gross floor area of approximately 31,345.84 sq.m. are owned by Haining Schinder.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Haining Schinder legally owns the land use rights and building ownership rights of the property; and

   b. Haining Schinder is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2016 *RMB*
3.	2 parcels of land and various buildings located at the northern side of Weisi Road and the western side of Jingyi Road Yancheng City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 200,000 sq.m. and seven 1 to 3-storey buildings erected thereon which were completed in 2013. The property has a total gross floor area ("GFA") of approximately 34,525.51 sq.m., the details of the property are listed as follows: **Building** — **GFA** *(sq.m.)* 5 workshops — 29,924.10 1 office building — 2,118.96 1 auxiliary building — 2,482.45 Total: — 34,525.51 The land use rights of the property have been granted for terms expiring on 8 October 2061 and 19 January 2063 for industrial use.	The property was occupied by Dafeng Huasheng for production, office and auxiliary purposes at the valuation date.	82,323,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts, the land use rights of the property were contracted to be granted to Yancheng Dafeng Huasheng Leather Company Limited (鹽城市大豐華盛皮革有限公司, "Dafeng Huasheng", one of the companies in the Disposal Group) for terms expiring on 8 October 2061 and 19 January 2063 for industrial use. The land premium was RMB28,800,000.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Da Tu Guo Yong (2014) Di No. 1724 and Da Tu Guo Yong (2015) Di No. 600955, the land use rights of 2 parcels of land with a total site area of approximately 200,000 sq.m. have been granted to Dafeng Huasheng for terms expiring on 8 October 2061 and 19 January 2063 for industrial use.

3. Pursuant to 3 Building Ownership Certificates – Da Feng Fang Quan Zheng Gang Qu Zi Di Nos. 201315158 to 201315160, 7 buildings of the property with a total gross floor area of approximately 34,525.51 sq.m. are owned by Dafeng Huasheng.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Dafeng Huasheng legally owns the land use rights and building ownership rights of the property; and

   b. Dafeng Huasheng is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

Group II - Property interests held under development by the Disposal Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2016 *RMB*
4.	A parcel of land and various buildings under construction located at the eastern side of No. 707 Country Road and the southern side of Hengchang Road Wuji County Shijiazhuang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 41,733.60 sq.m. and 7 buildings erected thereon which were under construction at the valuation date. The development is scheduled to be completed in December 2016. As advised by the Company, upon completion, the development will have a total gross floor area of approximately 53,098 sq.m. As advised by the Company, the total construction cost of the property is estimated to be approximately RMB52,176,587, of which RMB34,372,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 9 January 2064 for industrial use.	The property was under construction as at the valuation date.	9,014,000 *(Refer to note 3)*

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, the land use rights of the property were contracted to be granted to Wuji Kasen Industry Company Limited (無極卡森實業有限公司, “Wuji Kasen”, one of the companies in the Disposal Group) for a term expiring on 9 January 2064 for industrial use. The land premium was RMB8,650,000.

2. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2014) Di No. 074, the land use rights of a parcel of land with a site area of approximately 41,733.60 sq.m. have been granted to Wuji Kasen for a term expiring on 9 January 2064 for industrial use.

3. In the valuation of this property, we have attributed no commercial value to the buildings under construction with a total planned gross floor area of approximately 53,098 sq.m. which have not obtained any Construction Work Planning Permits or Construction Work Commencement Permits. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings under construction (excluding the land) as at the valuation date would be RMB36,363,000 assuming all Construction Work Planning Permits or Construction Work Commencement Permits have been obtained and the buildings under construction could be freely transferred. Due to the lack of approved official record of development scheme, the estimated capital value after completion of the property cannot be ascertained.

4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

   a. Wuji Kasen legally owns the land use rights of the property; and

   b. Wuji Kasen is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land of the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**") were as follows:

(i) Long positions in shares and underlying shares of the Company

		Number of shares held in the Company			
Name of Directors	**Capacity in which interests are held**	**Directly beneficially owned**	**Through controlled corporation**	**Total number of shares interested**	**Total interests as to percentage of the Company's issued share capital as at the Latest Practicable Date**
Zhu Zhangjin	Beneficial owner	12,360,000	514,798,635	527,158,635	34.89%
Zhang Mingfa, Michael	Beneficial owner	1,980,000	–	1,980,000	0.13%

Note: Mr. Zhu Zhangjin, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu Zhangjin (excluding Mr. Zhu Zhangjin) in the Company), being the substantial shareholders of the Company, are collectively holding 527,158,635 Shares or approximately 34.89% of the total number of issued Shares (including the 514,798,635 Shares or approximately 34.07% of the issued Shares held by Joyview which in turn is wholly owned by the trustee of such family trust). As at the Latest Practicable Date, this figure did not include the options granted to Mr. Zhu to subscribe for 1,000,000 Shares under the share option scheme (the "**Scheme**") adopted by a resolution of the Shareholders on 24 September 2005 and adopted by a resolution of the Board on 26 September 2005 and 26 May 2015.

(ii) Long positions in underlying shares of equity derivatives of the Company

Pursuant to the Scheme, the following share options were granted on 9 March 2006, 5 May 2008 and 26 May 2015, respectively.

			Number of share options						
Name of Director	Exercise price HK$	Outstanding as at 1 January 2016	Granted from 1 January 2016 to the Latest Practicable Date	Lapsed from 1 January 2016 to the Latest Practicable Date	Exercised from 1 January 2016 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
Zhu Zhangjin	2.38	1,000,000	–	(1,000,000)	–	–	–	1/1/2007 to 8/3/2016	1, 6, 7
	2.38	1,000,000	–	(1,000,000)	–	–	–	1/1/2008 to 8/3/2016	2, 6, 7
	1.37	1,000,000	–	–	–	1,000,000	0.06%	1/1/2016 to 25/5/2025	5, 6, 7
Zhang Mingfa, Michael	2.38	500,000	–	(500,000)	–	–	–	1/1/2007 to 8/3/2016	1, 6, 7
	2.38	500,000	–	(500,000)	–	–	–	1/1/2008 to 8/3/2016	2, 6, 7
	1.18	250,000	–	–	–	250,000	0.02%	1/1/2009 to 4/5/2018	3, 6, 7
	1.18	250,000	–	–	–	250,000	0.02%	1/1/2010 to 4/5/2018	4, 6, 7
	1.37	3,000,000	–	–	–	3,000,000	0.20%	1/1/2016 to 25/5/2025	5, 6, 7
		7,500,000	–	(3,000,000)	–	4,500,000	0.30%		

Notes:

1. These share options were granted pursuant to the Scheme on 9 March 2006 and are exercisable at HK$2.38 per Share from 1 January 2007 to 8 March 2016.

2. These share options were granted pursuant to the Scheme on 9 March 2006 and are exercisable at HK$2.38 per Share from 1 January 2008 to 8 March 2016.

3. These share options were granted pursuant to the Scheme on 5 May 2008 and are exercisable at HK$1.18 per Share from 1 January 2009 to 4 May 2018.

4. These share options were granted pursuant to the Scheme on 5 May 2008 and are exercisable at HK$1.18 per Share from 1 January 2010 to 4 May 2018.

5. These share options were granted pursuant to the Scheme on 26 May 2015 and are exercisable at HK$1.37 per Share from 1 January 2016 to 25 May 2025.

6. These share options represent personal interests held by the relevant participants as beneficial owners.

7. Up to the Latest Practicable Date, except for the lapsed share options as stated above, none of these share options had been cancelled or exercised.

Interests in the associated corporation of the Company

Name of Director	Associated Corporation	Number of Shares	Approximate percentage of shareholding in associated corporation
Zhu Zhangjin (*Note*)	Joyview	1	100%

Note: Mr. Zhu Zhangjin, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu Zhangjin (excluding Mr. Zhu Zhangjin) in the Company), being the substantial shareholders of the Company, are collectively holding 527,158,635 Shares or approximately 34.89% of the total number of issued Shares (including the 514,798,635 Shares or approximately 34.07% of the issued Shares held by Joyview which in turn is wholly-owned by the trustee of such family trust).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Mr. Zhu Zhangjin's shareholdings stated herein this circular) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(i) Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity	Short position	Long position	Number of issued shares held	Percentage of the Company's issued share capital
Joyview[1]	Beneficial owner	–	514,798,635	514,798,635	34.07%
Hangzhou Great Star Industrial Co., Ltd.[2]	Interest of controlled corporation	–	235,134,057	235,134,057	15.56%
Hongkong Greatstar International Co., Ltd.[2]	Beneficial owner	–	235,134,057	235,134,057	15.56%

Notes:

1. Joyview is a company beneficially owned as to 100% by Mr. Zhu Zhangjin, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu Zhangjin (excluding Mr. Zhu Zhangjin) in the Company).

2. Hongkong Greatstar International Co., Ltd. is a wholly-owned subsidiary of Hangzhou Great Star Industrial Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange.

(ii) Long positions in shares and underlying shares of the subsidiaries of the Company

Name of Shareholder	Subsidiary	Nature of interest	Percentage of interest in subsidiaries
Zhejiang Zhongyu Trading Investment Development Co., Ltd. (浙江中宇經貿投資發展有限公司)	Hainan Sanya Kasen Property Development Co., Ltd[1] (海南三亞卡森置業有限公司)	Beneficial	23%
Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司)	Hainan Boao Kasen Property Development Co., Ltd.[2] (海南博鰲卡森置業有限公司)	Beneficial	8%
Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司)	Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.[3] (長白山保護開發區卡森置業有限公司)	Beneficial	8%
Juxing Holdings Co., Ltd. (巨星控股集團有限公司)	Hangzhou Xinanjiang Hot Spring Development Co., Ltd (杭州新安江溫泉度假村開發有限公司)[4]	Beneficial	30%
Hangzhou Anwei Industrial And Investments Co., Ltd. (杭州安維實業投資有限公司)	Hangzhou Xinanjiang Hot Spring Development Co., Ltd (杭州新安江溫泉度假村開發有限公司)[4]	Beneficial	10%
Fei Guangcheng (費廣成)	Jiangsu Kasen Property Development Co., Ltd. (江蘇卡森置業有限公司)[5]	Beneficial	37%

Notes:

1. The Company has approximately 77% indirect interest in Hainan Sanya Kasen Property Development Co., Ltd.

2. The Company has approximately 90% indirect interest in Hainan Boao Kasen Property Development Co., Ltd.

3. The Company has approximately 89% indirect interest in Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.

4. The Company has 55% indirect interest in Hangzhou Xinanjiang Hot Spring Development Co., Ltd.

5. The Company has 55% indirect interest in Jiangsu Kasen Property Development Co., Ltd.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

6. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(i) the agreement dated 21 November 2014 entered into between Zhejiang Kasen Industrial Group Co., Limited (浙江卡森實業集團有限公司); Zhejiang Sunbridge Import and Export Company Limited (浙江森橋進出口有限公司), a connected person of the Company; and Zhejiang Sunbridge Industrial Group Co., Ltd. (浙江聖邦實業集團有限公司), a connected person of the Company, in relation to the acquisition of equity interest in Wuji Kasen Industrial Co., Ltd. (無極卡森實業有限公司) by the Company, for a total cash consideration of RMB23,260,000;

(ii) the agreement dated 23 January 2015 entered into between the Company and Xiangyuan Group Company Limited ("**Xiangyuan Group**"), in relation to the formation of an equity joint venture enterprise in which the Company agreed to make a capital contribution of RMB45,400,000 by way of shareholder's loan;

(iii) the agreement dated 10 November 2015 entered into between the Company as issuer and Fortune (HK) Securities Limited as placing agent in relation to the placing of up to 348,696,896 new Shares of the Company at the placing price of HK$0.60 per placing share;

(iv) the agreement dated 26 January 2016 entered into between Zhejiang Kasen Industrial Group Co., Limited (浙江卡森實業集團有限公司), a wholly owned subsidiary of the Company; and Cambo Guilincity Construction Engineering Corporation Co., Ltd. in relation to the formation of a joint venture company for the purpose of the development of a water park located in Phnom Penh, Cambodia; and

(v) the SPA.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Messis Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer

The experts above have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their report or letter or opinion as set out in this circular and references to their names in the form and context in which they appear in this circular.

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset which since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

(c) The company secretary of the Company is Ms. Yiu Hoi Yan who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(e) The principal place of business of the Company in Hong Kong is at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

(f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(g) The principal share registrar of the Company is Royal Bank of Canada Trust Company (Cayman) Limited.

(h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Independent Board Committee to the Independent Shareholders;

(c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;

(d) the annual reports of the Company for each of the four years ended 31 December 2015;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(f) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;

(g) the valuation report of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix II to this circular; and

(h) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Kasen International Holdings Limited (the "**Company**") will be held at 9:00 a.m. on 18 May 2016 at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 1 February 2016 (the "**SPA**") and entered into by the Company, Cardina International Company Limited and 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*) (collectively, the "**Vendors**"), Ms. Zhu Jiayun and Ms. Zhu Lingren (collectively, the "**Purchasers**") and Mr. Zhu Zhangjin in respect of, among other things, the disposal by the Vendors to the Purchasers of the entire equity interest of each of 海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), 海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), 海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), 鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*) (formerly known as 大豐華盛皮業有限公司 (Dafeng Huasheng Leather Company Limited*)), 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*), 無極卡森實業有限公司 (Wuji Kasen Industrial Company Limited*) and 海寧卡森汽車內飾材料有限公司 (Haining Kasen Automotive Interior Materials Company Limited*), being indirect wholly-owned subsidiaries of the Company, for a total consideration of RMB492,755,687 (equivalent to approximately HK$583,834,000) (copy of the SPA has been tabled at the meeting and marked "A" signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the SPA and the transactions contemplated thereunder."

Yours faithfully,
By order of the Board
Kasen International Holdings Limited
Zhu Zhangjin
Chairman

PRC, 29 April 2016

Notes:

1. Every member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more persons as his proxy to attend and vote on behalf of himself. A proxy need not be a member of the Company.

2. A form of proxy for the extraordinary general meeting is enclosed. To be valid, a form of proxy, together with the power of attorney or other document of authority, if any, under which the form is signed, or a certified copy thereof, must be deposited with the Company's Hong Kong branch registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if Shareholders so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

* The English name referred herein represents management's best efforts at translating the Chinese name of the company, as no English name has been registered, thus it is for identification purposes only.

As at the date of this notice, the executive Directors of the Company are Mr. Zhu Zhangjin, Mr. Sun Hongyang and Mr. Zhang Mingfa, Michael and the independent non-executive Directors are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.