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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.

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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 496)

**CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION IN RELATION TO
THE CCT MASTER AGREEMENT
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**

AKRON

Akron Corporate Finance Limited
亚贝隆资本有限公司

Capitalised terms used in this cover shall have the same meanings as those 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 Thursday, 20 October 2016 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 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.

4 October 2016

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DEFINITIONS

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

“Annual Caps”	proposed annual caps in respect of bank facilities contemplated under the CCT Master Agreement, details of which are disclosed in the sub-section headed “Annual Caps” under the section headed “The CCT Master Agreement” in this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Group”	collectively, Haining Kasen Leather, Haining Schinder and Dafeng Huasheng, which formed part of the Disposal Group
“CCT Counter Guarantee”	the counter guarantee provided by the CCT Counter Guarantors to fully indemnify the Company up to the amount of the Annual Caps
“CCT Counter Guarantors”	collectively, Mr. Zhu, the Purchasers and Lingjia New Material
“CCT Master Agreement”	the master agreement dated 12 September 2016 entered into between the Company, the CCT Counter Guarantors and the CCT Group in relation to the CCT Master Guarantee and the CCT Counter Guarantee
“CCT Master Guarantee”	the guarantee provided by the Group to the CCT Group up to the amount of the Annual Caps
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Dafeng Huasheng”	鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*), a company established under the laws of the PRC with limited liability and being part of the Disposal Group
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire interest of each of the Disposal Group by the Vendors to the Purchasers pursuant to the Disposal Agreement
“Disposal Agreement”	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
“Disposal Group”	collectively, Haining Kasen Leather, Haining Schinder, Haining Senmei, Dafeng Huasheng, Haining Home Direct, Wuji Kasen and Haining Kasen Automotive
“EGM”	the extraordinary general meeting to be held by the Company at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Thursday, 20 October 2016 at 9:00 a.m. for the purpose of considering, and if thought fit, approving the CCT Master Agreement and the transaction contemplated thereunder, including the Annual Caps
“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 being part of the Disposal Group
“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 being part of the Disposal Group
“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 being part of the Disposal Group

DEFINITIONS

“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 being part of the Disposal Group
“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 being part of the Disposal Group
“HHD Master Agreement”	the master agreement dated 12 September 2016 entered into between the Company, Hero Time Ventures Limited and Haining Home Direct in relation to the guarantee provided by the Group to Haining Home Direct up to a maximum amount of RMB392.20 million and the counter guarantee provided by Hero Time Ventures Limited to fully indemnify the Company for the aforesaid guarantee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joyview”	Joyview Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Trustee
“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 CCT Master Agreement and the transactions contemplated thereunder, including the Annual Caps
“Independent Financial Adviser”	Akron Corporate Finance Limited, a licenced corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Master Agreement and the transactions contemplated thereunder, including the Annual Caps

DEFINITIONS

“Independent Shareholders”	Shareholders other than those who have material interest in the CCT Master Agreement and the transactions contemplated thereunder and are required to abstain from voting at the EGM
“Latest Practicable Date”	28 September 2016, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
“Lingjia New Material”	海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*), a company established under the laws of the PRC with limited liability and is wholly-owned by the Purchasers
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Zhangjin, being a Director and a controlling shareholder of the Company
“Ms. Zhu Jiayun”	Ms. Zhu Jiayun, being the elder daughter of Mr. Zhu
“Ms. Zhu Lingren”	Ms. Zhu Lingren, being the younger daughter of Mr. Zhu
“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
“Purchasers”	Ms. Zhu Jiayun and Ms. Zhu Lingren
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of USD0.00015 each in the share capital of the Company as at the Latest Practicable Date
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	a family trust established by Mr. Zhu as the settlor to hold interest of family members of Mr. Zhu (excluding Mr. Zhu) in the Company

DEFINITIONS

“Trustee”	Prosperity and Wealth Limited, a private trust company incorporated in Bermuda and acting in its capacity as trustee of the Trust
“USD”	United States dollars, the lawful currency of the United States of America
“Vendor A”	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“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
“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 being part of the Disposal Group
“%”	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.*

LETTER FROM THE BOARD



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

4 October 2016

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION IN RELATION TO
THE CCT MASTER AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 September 2016 in relation to, among other, the continuing connected transaction and major transaction for the Company. The Company, the CCT Counter Guarantors and the CCT Group entered into the CCT Master Agreement pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the Annual Caps of up to RMB675.60 million for each of the period from 12 September 2016 to 31 December 2016 and for the two financial years ending 31 December 2018, subject to the terms and conditions of the CCT Master Agreement.

LETTER FROM THE BOARD

Reference is made to the announcement of the Company dated 1 February 2016 and the circular of the Company dated 29 April 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 Disposal Agreement, pursuant to which, among others, the Vendors agreed to sell and the Purchasers (or their nominee(s)) agreed to acquire the entire equity interest of the Disposal Group at the total consideration of RMB492,755,687. The transactions contemplated under the Disposal Agreement were approved by the independent Shareholders on 18 May 2016.

The CCT Group formed part of the Disposal Group under the Disposal Agreement.

With regard to the Group's general business operation and practice, on one hand, the Group, as guarantor, provided guarantee for the performance and repayment obligations of bank facilities to the CCT Group which were pledged by the assets of the Group. On the other hand, the CCT Group, as guarantor, provided guarantee for the performance and repayment obligations of bank facilities to the Group. Details of the said guaranteed bank facilities and loans drawdown as at the Latest Practicable Date are summarized as follows:–

	Facility Amount		Guarantee with Asset Pledge		Guarantee	
	Total Amount <i>(Approximate RMB'million)</i>	Drawdown <i>(Approximate RMB'million)</i>	Total Amount <i>(Approximate RMB'million)</i>	Drawdown <i>(Approximate RMB'million)</i>	Total Amount <i>(Approximate RMB'million)</i>	Drawdown <i>(Approximate RMB'million)</i>
Bank facilities to the CCT Group	637.36	579.24	351.70	346.70	285.66	232.54
Bank facilities to the Group	382.50	376.00	–	–	382.50	376.00

The assets provided by the Group for the above guarantee included land use rights, properties and equity investment.

Save for the provision of guarantees under the HHD Master Agreement (details of which were disclosed on the announcement of the Company dated 12 September 2016), the Group neither provided any guarantee to the remaining companies under the Disposal Group or vice versa.

In addition, the completion of disposal of the CCT Group by the Company to the Purchasers in accordance with the terms and conditions of the Disposal Agreement (the “**CCT Group Completion**”) is expected to take place on or before 6 October 2016. Upon the CCT Group Completion, (i) the provision of guarantees and asset pledge by the Group in favor of the CCT Group will constitute major and connected transactions for the Company under the Listing Rules; and (ii) pursuant to Rule 14A.90 of the Listing Rules, the provision of guarantees by the CCT Group in favor of the Group will be fully exempt as it is conducted on normal commercial terms or better and is not secured by the assets of the Group.

In view of the above, the Company entered into the CCT Master Agreement to govern the said provision of guarantees and asset pledge and to facilitate the completion of the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) details of the CCT Master Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice of the EGM.

THE CCT MASTER AGREEMENT

On 12 September 2016 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the CCT Master Agreement pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group up to the amount of the Annual Caps, subject to the terms and conditions of the CCT Master Agreement.

Principal Terms of the CCT Master Agreement

Date: 12 September 2016

Parties: (1) the Company;

(2) Mr. Zhu;

(3) Ms. Zhu Jiayun;

(4) Ms. Zhu Lingren;

(5) Lingjia New Material;

(6) Haining Kasen Leather;

(7) Haining Schinder; and

(8) Dafeng Huasheng.

As at the Latest Practicable Date, Mr. Zhu is a Director and the controlling shareholder of the Company. The Purchasers are the daughters of Mr. Zhu and wholly own Lingjia New Material. Therefore, Mr. Zhu, the Purchasers and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under 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 Trustee).

LETTER FROM THE BOARD

Subject matter

Pursuant to the CCT Master Agreement, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the Annual Caps, subject to the terms and conditions of the CCT Master Agreement.

Annual caps

The proposed Annual Caps for the period from 12 September 2016 to 31 December 2016 and for the two financial years ending 31 December 2018 (the “**CCT Guarantee Period**”) under the CCT Master Agreement are as follows:–

	For the period from 12 September 2016 to 31 December 2016 RMB'million	For the financial year ending 31 December 2017 RMB'million	For the financial year ending 31 December 2018 RMB'million
Maximum amount	675.60	675.60	675.60

The Annual Caps was determined after arm’s length negotiations between the Company and the CCT Counter Guarantors with reference to, among others, the existing bank facilities of RMB637.36 million guaranteed by the Group to the CCT Group and the associated costs, without limitation to interest payment.

The term of the existing guaranteed bank facilities provided to the CCT Group ranges from two months to one year and can be renewed for the same term under the respective bank facilities. Pursuant to the CCT Master Agreement, the Company agreed to provide the CCT Master Guarantee up to 31 December 2018. According to the mutual understanding between the Company, the CCT Counter Guarantors and the CCT Group, the CCT Counter Guarantors will procure the CCT Group to repay all the outstanding loans and/or to change guarantor of the CCT Group in respect of the bank facilities to the CCT Counter Guarantors (or their nominee(s)) in order to fully release the Group’s guarantee obligations in respect of the bank facilities to the CCT Group on or before the end of the CCT Guarantee Period.

LETTER FROM THE BOARD

The term of the existing guaranteed bank facilities provided to the Group ranges within three months to three years and can be renewed for the same term under the respective bank facilities. Reciprocally, according to the CCT Master Agreement, the CCT Group shall continue to provide such guaranteed bank facilities in an aggregate amount of RMB382.50 million during the CCT Guaranteed Period and release of which shall be subject to the Company's approval. Such arrangement allows the Group to renew such guaranteed bank facilities and serves the purpose of ensuring the stable operation of the Group in the short run. Further, additional time is required by the CCT Counter Guarantors to arrange settlement of the CCT Group's outstanding loans and/or change of guarantor to the CCT Group and the Group is protected by the CCT Counter Guarantee. As a result, the Directors consider it is acceptable to provide the CCT Master Guarantee for the period up to the CCT Guarantee Period and that the existing guaranteed bank facilities are renewable.

Consideration

Neither the Company nor the CCT Counter Guarantors will receive any fee or commission from providing the CCT Master Guarantee and the CCT Counter Guarantee, respectively.

Having considered that, among others, (i) the arrangement of no fee or commission payment is reciprocal; (ii) the major purpose of providing the CCT Master Guarantee is to facilitate the Disposal but not for profit making; and (iii) the CCT Counter Guarantee will fully indemnify the Group's exposure to the provision of the CCT Master Guarantee, the Directors are of the view that the arrangement of no fee or commission is payable by the Company and the CCT Counter Guarantors is fair and reasonable and under normal commercial terms.

Effectiveness Conditions

The CCT Master Guarantee and the CCT Counter Guarantee shall become effective upon fulfillment of the following conditions:

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the CCT Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Independent Shareholders' approval for the CCT Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived.

As at the Latest Practicable Date, none of the above conditions were fulfilled.

LETTER FROM THE BOARD

Collateral

The Company agreed to continue to provide guarantee and pledge the Group's assets for the CCT Master Guarantee.

The assets provided by the Group for the guarantee included land use right, properties and equity investment.

The land use right represents a residential land in the total site area of 69,579 square meters, with a net book value of approximately RMB116,699,000 as at 30 June 2016, located in Haining, the PRC. As at the Latest Practicable Date, it was a vacant land.

The properties represent (i) certain commercial properties in a total gross floor area of approximately 5,730 square meters, with a net book value of approximately RMB17,529,000 as at 30 June 2016, located in Haining, the PRC that are used as offices of the Group for general administrative purposes; (ii) certain completed residential properties in a total gross floor area of approximately 5,617 square meters, with a net book value of approximately RMB60,962,000 as at 30 June 2016, located in Haining, the PRC; and (iii) certain factories and land in a total gross floor area of 253,513 square meters, with a net book value of approximately RMB33,972,000 as at 30 June 2016, owned by 海寧漢林沙發有限公司 (Haining Hainix Sofa Co., Limited* ("**Haining Hainix**")), a wholly owned subsidiary of the Company, that are used for the production of upholstered furniture. The revenue of Haining Hainix represented approximately 6.8% of the total revenue of the Group for the year ended 31 December 2015 ("**FY2015**") or 13.9% of the total revenue of the Group for FY2015 after the adjustment of the effect from the Disposal.

Equity investment represents 3,999,900 shares of Haining China Leather Market Company Limited, with a total market value of approximately RMB40,639,000 as at the Latest Practicable Date, a listed company on the Shenzhen Stock Exchange, held by the Group for investment purpose.

In addition, the provision of the CCT Counter Guarantee will fully indemnify the Group's exposure to the provision of the CCT Master Guarantee.

Having considered the above, the Directors are of the view that there will not have any material adverse effect to the operation of the Group.

LETTER FROM THE BOARD

Major representations and warranties of the CCT Counter Guarantors

The major representations and warranties of the CCT Counter Guarantors are summarized as follows:–

- (i) the CCT Group shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of RMB382.50 million during the CCT Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the Disposal Group (other than Haining Home Direct) during the CCT Guarantee Period;
- (iii) without the written consent of the Group, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of RMB637.36 million provided by the Group to the CCT Group during the CCT Guarantee Period;
- (iv) without the written consent of the Group, the Disposal Group (other than Haining Home Direct) shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the Disposal Group (other than Haining Home Direct), without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period; and
- (v) the CCT Counter Guarantors agree to, at the request of the Company, provide any information of the CCT Group (including their financial statements) from time to time to the Company.

Information on Parties under the CCT Master Agreement

As at the Latest Practicable Date, Mr. Zhu is a Director and the controlling shareholder of the Company. The Purchasers are the daughters of Mr. Zhu and wholly own Lingjia New Material. Therefore, Mr. Zhu, the Purchasers and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under 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 Trustee).

LETTER FROM THE BOARD

Lingjia New Material is a company established under the laws of the PRC with limited liability. Its principal business is research and development of new material.

Reasons and Benefits for the Entering into of the CCT Master Agreement

It was the intention of the parties to the Disposal Agreement to discharge and release all the guarantee obligations and liabilities of the Group in respect of the bank facilities to the CCT Group before completion of the disposal of the entire equity interest of the CCT Group. However, despite several rounds of negotiation between the Group and the relevant banks in the PRC for the said discharge and release, the Group has yet to reach a consensus with such relevant banks. Concurrently, the CCT Group has provided guarantees in respect of bank facilities to the Group in an aggregate amount of RMB382.50 million as at the Latest Practicable Date. The Directors consider that the continuous provision of such guarantees by the CCT Group will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

The Directors believe that the Group is further protected and compensated by the CCT Counter Guarantee provided. 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 Trustee). Based on the closing price of the Company of HK\$1.49 as at the Latest Practicable Date, the total market value of such Shares was approximately HK\$785.50 million. Having reviewed the relevant documents in relation to the Trust, the Company noted that the beneficiaries of the Trust are close family members of Mr. Zhu.

In addition, upon completion of the Disposal, the entire interest of the Disposal Group (other than Haining Home Direct) will also become one of the major assets of the CCT Counter Guarantors. Pursuant to the CCT Master Agreement, among others, without the written consent of the Group, (i) the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the Disposal Group (other than Haining Home Direct); (ii) the Disposal Group (other than Haining Home Direct) shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the Disposal Group (other than Haining Home Direct), without limitation to material acquisition and disposal and dividend distribution, during the CCT Guarantee Period.

LETTER FROM THE BOARD

In view of the above, the Directors consider that the CCT Counter Guarantors have the financial abilities to fulfill their obligations under the CCT Counter Guarantee.

Under the circumstances that the CCT Counter Guarantors fail to perform their obligations under the CCT Counter Guarantee, the Group will be required to settle the outstanding bank loans due from the CCT Group and the relevant lenders may take possession of the Group's pledged assets as repayment for such loans.

Notwithstanding the above, the Directors are of the view that (i) the risk of default by the CCT Group is remote given that there was no single default in relation to the repayment of loan by the CCT Group in the past and the CCT Group's repayment capability is expected to be maintained given that, according to the CCT Master Agreement, the CCT Group shall conduct its ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group; (ii) the risk of default by the CCT Counter Guarantors is remote given that their sufficient financial abilities as discussed above. In addition, the provision of the CCT Master Guarantee will only be reported as contingent liabilities of the Group. As such, the Directors are also of the view that the provision of the CCT Master Guarantee under the CCT Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

Having considered the above and in order to facilitate the completion of the Disposal as a whole, the Company has decided to continuously provide the CCT Master Guarantee by entering into the CCT Master Agreement.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the CCT Master Agreement are on normal commercial terms, fair and reasonable and the entering into of the CCT Master Agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the businesses of (a) manufacturing of automotive and furniture leather and upholstered furniture, (b) property development and (c) tourism resort-related business (comprising mainly tourism resort-related operation, operation of restaurant and hotel and provision of travel-related services) in the PRC.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, Mr. Zhu, the Purchasers and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Annual Caps under the CCT Master Agreement, on an annual basis, are higher than 5%, it constitutes a non-exempt continuing connected transaction for the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Annual Caps under the CCT Master Agreement, on an annual basis, exceed 25% but all are less than 75%, it also constitutes a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, Joyview and their associates, no Shareholder has any material interest in the CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu, who holds 12,360,000 Shares under his own name, and Joyview, who is an associate of Mr. Zhu 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 CCT Master Agreement 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 CCT Master Agreement and the transactions contemplated thereunder, including the Annual Caps, at the EGM.

Mr. Zhu has abstained from voting on the relevant board resolutions approving the CCT Master Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the CCT Master Agreement and the transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

A notice convening the EGM of the Company to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Thursday, 20 October 2016 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 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, 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 Independent Shareholders at the EGM will be by poll.

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 terms of CCT Master Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the entering into the CCT Master Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the CCT Master Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular which contains its recommendation to the Independent Shareholders in relation to the CCT Master Agreement. Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 18 to 29 of the circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the CCT Master Agreement and the transactions contemplated thereunder and the information set out in the appendices of this circular.

Yours faithfully

By order of the Board

Kasen International Holdings Limited

Zhu Zhangjin

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

4 October 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION IN RELATION TO
THE CCT MASTER AGREEMENT**

We refer to the circular of the Company dated 4 October 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 CCT Master Agreement and the transactions contemplated thereunder. Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 6 to 16 of the Circular, which sets out details of the CCT Master Agreement and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 18 to 29 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the CCT Master Agreement and the transactions contemplated thereunder.

Having taken into account the terms of the CCT Master Agreement and the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the CCT Master Agreement are on normal commercial terms, fair and reasonable so far as the interests of the Independent Shareholders are concerned and the entering into of the CCT Master Agreement and the transactions contemplated thereunder is 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 CCT Master Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhou Lingqiang
*Independent
Non-executive Director*

Mr. Zhang Yuchuan
*Independent
Non-executive Director*

Mr. Du Haibo
*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Master Agreement and the transactions contemplated thereunder, and is prepared for inclusion in this circular.



4 October 2016

The Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE CCT MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Master Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 4 October 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 12 September 2016 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the CCT Master Agreement pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the Annual Caps of up to RMB675.60 million for each of the period from 12 September 2016 to 31 December 2016 and for the two financial years ending 31 December 2018, subject to the terms and conditions of the CCT Master Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Zhu is a Director and the controlling shareholder of the Company. The Purchasers are the daughters of Mr. Zhu and wholly own Lingjia New Material. Therefore, Mr. Zhu, the Purchasers and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Annual Caps under the CCT Master Agreement, on an annual basis, are higher than 5%, it constitutes a non-exempt continuing connected transaction for the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Annual Caps under the CCT Master Agreement, on an annual basis, exceed 25% but all are less than 75%, it also constitutes a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since Mr. Zhu has a material interest in the CCT Master Agreement and the transactions contemplated thereunder, Mr. Zhu, Joyview (an associate of Mr. Zhu) and their associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the CCT Master Agreement 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 CCT Master Agreement and the transactions contemplated thereunder, including the Annual Caps, at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on the CCT Master Agreement and the transactions contemplated thereunder. We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with 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 we are independent pursuant to the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the management of the Company and the Directors. 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 management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCT Master Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the CCT Master Agreement and the transactions contemplated thereunder, we have taken into consideration the following factors and reasons:

1. Background information

(a) Background of the CCT Master Agreement

On 12 September 2016 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the CCT Master Agreement pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the Annual Caps of up to RMB675.60 million for each of the period from 12 September 2016 to 31 December 2016 and for the two financial years ending 31 December 2018, subject to the terms and conditions of the CCT Master Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Information of the Group

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

As disclosed in the announcement of the Company dated 1 February 2016 and circular of the Company dated 29 April 2016 (the “**Disposal Circular**”), on 1 February 2016, the Group proposed the Disposal which involves the disposal of the Disposal Group which is principally engaged in automotive leather and the furniture leather businesses. As stated in the Disposal Circular, net profit after taxation of the Disposal Group dropped significantly from approximately RMB37.9 million for the year ended 31 December 2013 to approximately RMB15.6 million for the year ended 31 December 2015.

(c) Information on parties under the CCT Master Agreement

As at the Latest Practicable Date, Mr. Zhu is a Director and the controlling shareholder of the Company. The Purchasers are the daughters of Mr. Zhu and wholly own Lingjia New Material. Therefore, Mr. Zhu, the Purchasers and Lingjia New Material, being the CCT Counter Guarantors, are connected persons of the Company under 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 Trustee).

Lingjia New Material is a company established under the laws of the PRC with limited liability. Its principal business is research and development of new material.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principle terms of the CCT Master Agreement

- Date: 12 September 2016
- Parties:
- (1) the Company;
 - (2) Mr. Zhu;
 - (3) Ms. Zhu Jiayun;
 - (4) Ms. Zhu Lingren;
 - (5) Lingjia New Material;
 - (6) Haining Kasen Leather;
 - (7) Haining Schinder; and
 - (8) Dafeng Huasheng.
- Subject matter: Pursuant to the CCT Master Agreement, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the Annual Caps, subject to the terms and conditions of the CCT Master Agreement
- Consideration: Neither the Company nor the CCT Counter Guarantors will receive any fee or commission from providing the CCT Master Guarantee and the CCT Counter Guarantee respectively.
- Effectiveness Conditions: The CCT Master Guarantee and the CCT Counter Guarantee shall become effective upon fulfillment of the following conditions:
- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the CCT Master Agreement and the transactions contemplated thereunder having been obtained; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the obtaining of the Independent Shareholders' approval for the CCT Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived.

Collateral: The Company agreed to continue to provide guarantee and pledge the Group's assets for the CCT Master Guarantee.

Upon our review of the CCT Master Agreement, we note that guarantee obligations of the Group under the CCT Master Guarantee is fully indemnified by the back-to-back CCT Counter Guarantee up to the amount of the Annual Caps.

3. Major representations and warranties of the CCT Counter Guarantors

The major representations and warranties of the CCT Counter Guarantors are summarized as follows:-

- (i) the CCT Group shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of RMB382.50 million during the CCT Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the Disposal Group (other than Haining Home Direct) during the CCT Guarantee Period;
- (iii) without the written consent of the Group, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of RMB637.36 million provided by the Group to the CCT Group during the CCT Guarantee Period;
- (iv) without the written consent of the Group, the Disposal Group (other than Haining Home Direct) shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the Disposal Group (other than Haining Home Direct), without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period; and
- (v) the CCT Counter Guarantors agree to, at the request of the Company, provide any information of the CCT Group (including their financial statements) from time to time to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Annual caps

The proposed Annual Caps for the CCT Guarantee Period under the CCT Master Agreement are as follows:-

	For the period from 12 September 2016 to 31 December 2016 <i>RMB'million</i>	For the financial year ending 31 December 2017 <i>RMB'million</i>	For the financial year ending 31 December 2018 <i>RMB'million</i>
Maximum amount	675.60	675.60	675.60

The Annual Caps was determined after arm's length negotiations between the Company and the CCT Counter Guarantors with reference to, among others, the existing bank facilities of RMB637.36 million guaranteed by the Group to the CCT Group (the "**Existing Guaranteed Bank Facilities**") and the associated costs, without limitation to interest payment.

The term of the existing guaranteed bank facilities provided to the CCT Group ranges from two months to one year and can be renewed for the same term under the respective bank facilities. Pursuant to the CCT Master Agreement, the Company agreed to provide the CCT Master Guarantee up to 31 December 2018. According to the mutual understanding between the Company, the CCT Counter Guarantors and the CCT Group, the CCT Counter Guarantors will procure the CCT Group to repay all the outstanding loans and/or to change guarantor of the CCT Group in respect of the bank facilities to the CCT Counter Guarantors (or their nominee(s)) in order to fully release the Group's guarantee obligations in respect of the bank facilities to the CCT Group on or before the end of the CCT Guarantee Period.

The term of the existing guaranteed bank facilities provided to the Group ranges within three months to three years and can be renewed for the same term under the respective bank facilities. Reciprocally, according to the CCT Master Agreement, the CCT Group shall continue to provide such guaranteed bank facilities in an aggregate amount of RMB382.50 million during the CCT Guaranteed Period and release of which shall be subject to the Company's approval. Such arrangement allows the Group to renew such guaranteed bank facilities and serves the purpose of ensuring the stable operation of the Group in the short run. Further, additional time is required by the CCT Counter Guarantors to arrange settlement of the CCT Group's outstanding loans and/or change of guarantor to the CCT Group and the Group is protected by the CCT Counter Guarantee. As a result, we concur with the view of the Directors that it is acceptable to provide the CCT Master Guarantee for the period up to the CCT Guarantee Period and that the existing guaranteed bank facilities are renewable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the paragraph headed “Major representations and warranties of the CCT Counter Guarantors” above, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the Existing Guaranteed Bank Facilities of RMB637.36 million provided by the Group to the CCT Group during the CCT Guarantee Period without the written consent of the Group (the “**Bank Loan Cap Representation**”). Therefore, the bank loans amount will be capped at the Existing Guaranteed Bank Facilities of RMB637.36 million during the CCT Guarantee Period.

To assess the fairness and reasonableness of the Annual Caps, we have enquired with the Directors regarding the basis and assumptions in estimating the Annual Caps. In determining the Annual Caps, reference is made to (i) the Annual Caps are expected to cover the aggregate amount (including associated costs, without limitation to interest payment) in respect of maximum amount of bank loans available under the Existing Guaranteed Bank Facilities of RMB637.36 million; (ii) the Bank Loan Cap Representation provided by the CCT Counter Guarantors; and (iii) the maximum estimated interests payment of bank loans and associated costs under the Existing Guaranteed Bank Facilities, we consider that the basis of determining the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

5. Reasons for the CCT Master Agreement

On 1 February 2016 (after trading hours), the Group proposed the Disposal. As stated in the Disposal Circular, the Company has been continuously evaluating the current businesses strategies of the Group with an aim to stream line its business, increase its overall performance and prospect and its attractiveness to the investors in the market. 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.

According to the Letter from the Board, completion of disposal of the CCT Group (being part of the Disposal Group) by the Company to the Purchasers (the “**CCT Group Completion**”) is expected to take place on or before 6 October 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, it was the intention of the parties to the Disposal Agreement to discharge and release all the guarantee obligations and liabilities of the Group in respect of the Existing Guaranteed Bank facilities to the CCT Group before the CCT Group Completion. However, despite several rounds of negotiation between the Group and the relevant banks in the PRC for the said discharge and release, the Group has yet to reach a consensus with such relevant banks. Based on our discussion with the management of the Company, we noted that although the Group had negotiated with the relevant banks in the PRC in respect of the release of the Group from its guarantee obligations and liabilities in exchange for alternative guarantee (including but not limited to the guarantee from CCT Counter Guarantors) in favour of the relevant banks, such proposal was refused by the banks since the exchange of guarantee is very time-consuming and involves substantial administrative work in which the banks may need to conduct due diligence on the new guarantors.

In view of (i) the proposed timing for the CCT Group Completion; (ii) reluctance of the banks towards release of guarantee obligations and liabilities of the Group in respect of the Existing Guaranteed Bank Facilities; and (iii) the Disposal is in line with the Group's business strategy, we concur with the Directors that continuous provision of guarantee by the Group to the CCT Group for the Existing Guaranteed Bank Facilities to facilitate completion of the Disposal will be commercially justifiable.

Concurrently, the CCT Group has provided a guarantee to the Group in an aggregate loans amount of RMB382.50 million as at the Latest Practicable Date. We concur with the view of the Directors that the continuous provision of such guarantees by the CCT Group will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

In addition, the Group is further protected and compensated by the CCT Counter Guarantee provided to fully indemnify the obligations of the Group borne towards the provision of the CCT Master Guarantee.

Pursuant to the CCT Master Agreement, the CCT Group shall conduct its ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group. As confirmed by the management of the Company, the CCT Group remains in healthy financial position and never defaulted in loan repayment in the past and up to the Latest Practicable Date, reflecting a good credit record. In view of the above, we concur with the view of the Directors that the provision of the CCT Master Guarantee under the CCT Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is understood that the CCT Counter Guarantee is technically a back to back guarantee provided to the Company by the CCT Counter Guarantors to fully indemnify the Company's exposure to the provision of the CCT Master Guarantee in respect of the Annual Caps, and the major purpose of providing the CCT Master Guarantee is to facilitate the Disposal but not for profit making. In view of (i) the risk for the Company to indemnify the banks for the loan default is insignificant given this back to back guarantee; (ii) the provision of the CCT Master Guarantee under the CCT Master Agreement will not have any material adverse effects on the financial performance, assets and liabilities of the Group; and (iii) arrangement of no fee or commission payment is reciprocal under the CCT Master Guarantee and the CCT Counter Guarantee, we consider that it is fair and reasonable for the Group to provide the CCT Master Guarantee without receiving a fee or commission from the CCT Group.

In accordance with the CCT Counter Guarantee, each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the Annual Caps. In view of the financial background of Mr. Zhu who is the controlling shareholder of the Company and 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 with the market value of approximately HK\$785.50 million as at the Latest Practicable Date, we concur with the view of the Directors that Mr. Zhu will be financially capable to perform his obligations under the CCT Counter Guarantee considering that the beneficiaries of the Trust are close family members of Mr. Zhu.

In addition, upon completion of the Disposal, the entire interest of the Disposal Group (other than Haining Home Direct) will also become one of the major assets of the CCT Counter Guarantors. According to the interim report of the Group, as at 30 June 2016, net assets of the Disposal Group (other than Haining Home Direct) was approximately RMB416.6 million. We note that pursuant to the CCT Master Agreement, among others, without written consent of the Group, (i) the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the Disposal Group (other than Haining Home Direct); and (ii) the Disposal Group (other than Haining Home Direct) shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the Disposal Group (other than Haining Home Direct), without limitation to material acquisition and disposal and dividend distribution, during the CCT Guarantee Period. Based on the foregoing, we concur with the Directors that the CCT Counter Guarantors have the financial abilities to fulfill their obligations under the CCT Counter Guarantee and hence the risk of the Company may suffer loss and damages as a result of the CCT Master Guarantee is low.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, we concur with the view of the Directors that the terms of the CCT Master Agreement are on normal commercial terms, fair and reasonable and the entering into of the CCT Master Agreement which will be essential to facilitate completion of the Disposal is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the CCT Master Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the CCT Master Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

Mr. Ross Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Akron Corporate Finance Limited to carry on Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and has over 14 years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2015

Financial information of the Group for the six months ended 30 June 2016 and each of the three years ended 31 December 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/listco/kasen/index.htm) respectively:

- Interim Report 2016 (pages 18 to 42):
<http://www.irasia.com/listco/hk/kasen/interim/ir164959-e101.pdf>
- 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>

2. STATEMENT OF INDEBTEDNESS

Borrowings

The borrowings are denominated principally in RMB. As at the close of business on 31 August 2016, the Group had outstanding borrowings of approximately RMB1,383,246,000, details of which are set out below:

	As at 31 August 2016 RMB'000
Bank borrowings	1,235,119
Other borrowings	<u>148,127</u>
	<u><u>1,383,246</u></u>

	As at 31 August 2016
	<i>RMB'000</i>
Analysed as:	
Secured	1,048,670
Unsecured	<u>334,576</u>
	<u><u>1,383,246</u></u>
Carrying amount repayable:	
Within one year	976,246
Within one to five year	407,000
After five years	<u>—</u>
	<u><u>1,383,246</u></u>

Pledge of assets

As at the close of business on 31 August 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 31 August 2016 is as follows:

	As at 31 August 2016
	<i>RMB'000</i>
Building	178,995
Prepaid lease payment	54,087
Bank deposits	238,717
Properties under development and held for sale	2,172,318
Available for sale investment	<u>120,640</u>
	<u><u>2,764,757</u></u>

Contingent liabilities

As at 31 August 2016, the Group provided guarantees in an aggregate amount of RMB657,835,000 (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 31 August 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.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were 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 Group has carried out ongoing assessment on its current business strategy to streamline its operations and improve its overall performance and attractiveness to investors in the market. Based on the Company's communication with its potential investors from time to time, the Group is of the view that the existing leather business seems unattractive to Hong Kong investors. In addition, in recent years, the Group's leather manufacturing business in China has been challenged by intensified market competition, fluctuations in operating costs and raw material price and increasing labour costs and manufacturing overheads, bringing about a number of uncertainties to the prospect of such business. As such, in February 2016, the Group entered into the Disposal Agreement to dispose the Disposal Group which was engaged in the leather manufacturing business. The Group believes that the Disposal has provided a good opportunity for the Group to restructure its strategic business position and to focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as the tourism resorts, hotel operation and property development.

Looking ahead, the Group will focus on the development of tourism resort industry and cultural industry. Despite the generally lackluster growth in various industries in China, the tourism industry has maintained a rapid growth. According to the statistics released by the National Tourism Administration, from January to June 2016, investment in national tourism projects increased by approximately 30.5% as compared with that of the corresponding period of the previous year. Transformation and upgrade trends of tourism products are evident as holiday products, rural tourism, cultural tourism, etc. of having become investment hot spots. The Group will focus on continuously developing and improving its Asia Bay Project in Boao, Hainan and water park resort in Sanya, and explore new tourism development projects in due course. On June 7, 2016, the Company entered into a non-legally binding letter of intent in relation to a potential acquisition of 51% equity interest in a project company which is principally engaged in provision of electronic market and online trading platform services for the collection of coins, banknotes, stamps and cards in China. Through such acquisition, if materialized, the Group will expand into the field of cultural products trading to open up a new business segment and secure a new profit driver, with a view to deliver more returns to its Shareholders. As at the Latest Practicable Date, no binding agreement in relation to such potential acquisition has been entered into by the Company.

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

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital as at the Latest Practicable Date
	Directly beneficially owned	Through controlled corporation	Total number of shares interested	
Zhu Zhangjin	12,360,000	514,798,635 (Note)	527,158,635	34.89%
Zhang Mingfa, Michael	1,980,000	–	1,980,000	0.13%

Note: Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu), being the controlling 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). 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.

Name of Director	Exercise price HK\$	Number of share option			Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
		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				
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
		<u>7,500,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>4,500,000</u>	<u>0.30%</u>	

Notes:

- 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.
- 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.
- 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.
- 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 forfeited 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 (<i>Note</i>)	Joyview	1	100%

Note: Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu), being the controlling 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).

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'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:

- Joyview is a company beneficially owned as to 100% by Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of the Trust (excluding Mr. Zhu).
- 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. ⁴ (杭州新安江溫泉度假村開發有限公司)	Beneficial	30%
Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司)	Hangzhou Xinanjiang Hot Spring Development Co., Ltd. ⁴ (杭州新安江溫泉度假村開發有限公司)	Beneficial	10%
Fei Guangcheng (費廣成)	Jiangsu Kasen Property Development Co., Ltd. ⁵ (江蘇卡森置業有限公司)	Beneficial	37%

Notes:

- The Company has approximately 77% indirect interest in Hainan Sanya Kasen Property Development Co., Ltd.
- The Company has approximately 90% indirect interest in Hainan Boao Kasen Property Development Co., Ltd.
- The Company has approximately 89% indirect interest in Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.
- 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 which were recorded in the register required to be kept by the Company pursuant to Section 336 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 close 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. 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.

6. 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;
- (v) the Disposal Agreement;
- (vi) the HHD Master Agreement; and
- (vii) the CCT Master Agreement.

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Akron Corporate Finance Limited	a licenced corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, the above expert had no 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, the above expert had no interest, direct or indirect, in any asset 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.

8. 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 were 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. Ms. Yiu 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.

9. 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 interim report of the Company for the six months ended 30 June 2016 and annual reports of the Company for each of the three 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 circular of the Company dated 29 April 2016 in relation to the Disposal; and
- (h) this circular.

NOTICE OF THE EGM



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”, together with its subsidiaries, the “Group”) will be held at 9:00 a.m. on Thursday, 20 October 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 master agreement dated 12 September 2016 entered into between (i) the Company; (ii) Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and 海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*) (collectively, the “CCT Counter Guarantors”); and (iii) 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*) and 鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*) (collectively, the “CCT Group”) in relation to the guarantee provided by the Group to the CCT Group up to the amount of the RMB675.60 million for each of the period from 12 September 2016 to 31 December 2016 and for the two financial year ending 31 December 2018 (the “Annual Caps”) and the counter guarantee provided by the CCT Counter Guarantors to fully indemnify the Company up to the amount of the Annual Caps (the “CCT Master Agreement”) (copy of the CCT Master Agreement 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

NOTICE OF THE EGM

- (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 CCT Master Agreement and the transactions contemplated thereunder.”

Yours faithfully

By order of the Board

Kasen International Holdings Limited

Zhu Zhangjin

Chairman

PRC, 4 October 2016

Notes:

1. Every member entitled to attend and vote at the EGM 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 EGM 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 EGM or any adjournment thereof.
 3. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjourned meeting or upon the poll concerned if the shareholders of the Company 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.