THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

KASEN INTERNATIONAL HOLDINGS LIMITED
卡 森 國 際 控 股 有 限 公 司

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

(Stock Code: 496)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITIONS OF AN AGGREGATE OF 51% EQUITY INTEREST IN HUNAN PROVINCE ZHONGNAN STAMP TRADING CENTER COMPANY LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AMASSE CAPITAL
寶 積 資 本

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

A notice convening the EGM of the Company to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on 29 March 2017 at 9:30 a.m. is set out on pages EGM-1 to EGM-3 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.

14 March 2017

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

"Acquisition(s)"	ZN Stamp Acquisition and/or GV Acquisition
"Adjustment(s)"	the adjustment(s) to be made to the ZN Stamp Consideration and GV Consideration, as detailed in the paragraph headed "Profit Guarantee" in the Letter from the Board in this circular
"Agreement(s)"	ZN Stamp Agreement and/or GV Agreement (as the case may be)
"associates"	has the meaning ascribed to it under the Listing Rules
"Audited Report"	the audited report prepared by an independent auditor in accordance with International Financial Reporting Standards within 3 months following each of the Relevant Periods
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday in the PRC)
"BVI"	the British Virgin Islands
"China Stamp"	中國郵票交易中心有限公司 (China Stamp Trading Center Company Limited*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Green Vantage
"Company"	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisitions in accordance with the terms and conditions of the respective Agreements
"Completion Date(s)"	within 10 Business Days after the date of fulfillment of the conditions precedent under the ZN Stamp Agreement and/or GV Agreement (or such other date as the parties to the respective Agreements may agree in writing)

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Share(s)"	a total of 342,857,143 new Shares to be allotted and issued by the Company to the GV Vendors (or their nominee(s)) at the Issue Price per Consideration Share as settlement of the GV Consideration
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder, and the granting of the Specific Mandate
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Green Vantage"	Green Vantage International Limited, a company incorporated in the BVI with limited liability and is directly owned by Haoju Investments and Hao Shun Investments in equal shares
"Group"	the Company and its subsidiaries
"GV Acquisition"	the acquisition of the GV Sale Shares by the Company pursuant to the GV Agreement
"GV Agreement"	the conditional sale and purchase agreement dated 21 December 2016 and entered into by the Company, GV Vendors, Green Vantage, China Stamp and the Target Company in respect of the GV Acquisition
"GV Consideration"	the aggregate amount of RMB288,000,000 to be satisfied by way of allotment and issue of a total of 342,857,143 Consideration Shares

"GV Sale Shares"	an aggregate of 10,000 shares of Green Vantage, representing the entire issued share capital of Green Vantage, held as to 5,000 shares by Haoju Investments and 5,000 shares by Hao Shun Investments to be acquired under the GV Agreement
"GV Vendors"	Mr. Kong, Mr. Zhou, Haoju Investments and Hao Shun Investments
"Haoju Investments"	Haoju Investments Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Zhou
"Hao Shun Investments"	Hao Shun Investments Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a party(ies) independent of and not connected with the Company and its connected persons
"Issue Price"	HK$1.00, being the issue price per Consideration Share
"Jiangsu Jinhanqi"	江蘇金翰麒電子商務有限公司 (Jiangsu Jinhanqi E-Commerce Company Limited*), a company established under the laws of the PRC with limited liability
"Latest Practicable Date"	8 March 2017, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
"LHLG"	聯合利國文化產權交易所有限公司 (LHLG Cultural Equity Exchange*), a company established under the laws of the PRC with limited liability and a state-owned enterprise
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2017 (or such other date as the parties under the respective Agreements may agree in writing)

"MIIT"	中國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC*)
"Mr. Guo"	郭宏波 (Guo Hong Bo)
"Mr. Kong"	孔愛民 (Kong Ai Min)
"Mr. Zhou"	周軍 (Zhou Jun)
"Mr. Zhu"	Mr. Zhu Zhangjin, a Director and the controlling Shareholder of the Company
"PRC"	the People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"Relevant Period(s)"	the First Relevant Period, the Second Relevant Period and/or the Third Relevant Period
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of US$0.00015 each in the share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate"	the specific mandate to be obtained by the Board from the Shareholders at the EGM for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules
"Target Company"	湖南省中南郵票交易中心有限公司 (Hunan Province Zhongnan Stamp Trading Center Company Limited*), a company established under the laws of the PRC with limited liability
"Target Group"	the Target Company, Green Vantage and/or China Stamp
"Total Consideration"	an aggregate amount of RMB612,000,000, being the aggregate of the ZN Stamp Consideration and the GV Consideration

"Trust"	a family trust set up by Mr. Zhu as the settlor to hold interest of family members of Mr. Zhu (excluding Mr. Zhu) in the Company and of which the trustee is Trustee
"Trustee"	Prosperity and Wealth Limited, a private trust company incorporated in Bermuda and acting in its capacity as trustee of the Trust
"US$"	United States dollars, the lawful currency of the United States
"Vendors"	ZN Stamp Vendors and GV Vendors
"Zhejiang Kasen"	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
"ZN Stamp Acquisition"	the acquisition of the ZN Stamp Sale Shares by Zhejiang Kasen pursuant to the ZN Stamp Agreement
"ZN Stamp Agreement"	the conditional sale and purchase agreement dated 21 December 2016 and entered into by Zhejiang Kasen, ZN Stamp Vendors and the Target Company in respect of the ZN Stamp Acquisition
"ZN Stamp Consideration" or "Cash Consideration"	the aggregate amount of RMB324,000,000 to be paid by the Company to ZN Stamp Vendors in accordance with the terms of the ZN Stamp Agreement
"ZN Stamp Sale Shares"	27% equity interest in the Target Company to be acquired under the ZN Stamp Agreement
"ZN Stamp Vendors"	Jiangsu Jinhanqi and Mr. Guo
"%"	per cent.

* *for identification purposes only*

KASEN INTERNATIONAL HOLDINGS LIMITED
卡森國際控股有限公司

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

(Stock Code: 496)

Executive Directors:
ZHU Zhangjin
(Chairman and chief executive officer)
SUN Hongyang
SHEN Jianhong

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

14 March 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITIONS OF AN AGGREGATE OF 51% EQUITY INTEREST IN HUNAN PROVINCE ZHONGNAN STAMP TRADING CENTER COMPANY LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 7 June 2016 (the "**LOI Announcement**") relating to the entering into of the letter of intent (the "**LOI**") and 21 December 2016 in relation to the Acquisitions. On 21 December 2016 (after trading hours), (i) Zhejiang Kasen, ZN Stamp Vendors and the Target Company entered into the ZN Stamp Agreement, pursuant to which Zhejiang Kasen has conditionally agreed to acquire and ZN Stamp Vendors have conditionally agreed to sell the ZN Stamp Sale Shares, representing an aggregate of 27% equity interest in the Target Company, at the ZN Stamp Consideration of RMB324,000,000, subject to Adjustments, which will be satisfied by cash; and (ii) the Company, GV Vendors, Green Vantage, China Stamp and the Target Company entered into the GV Agreement, pursuant to which the Company has conditionally agreed to acquire and GV Vendors have conditionally agreed to sell the GV Sale Shares, representing the entire issued share capital of Green Vantage, at the GV Consideration of RMB288,000,000, subject to Adjustments, which will be satisfied by the issue of the Consideration Shares. As at the Latest Practicable Date, Green Vantage is indirectly interested in 24% equity interest in the Target Company.

THE AGREEMENTS

ZN Stamp Agreement

The principal terms of the ZN Stamp Agreement are summarized as follows:

Date

21 December 2016 (after trading hours)

Parties

(i) Zhejiang Kasen;

(ii) Jiangsu Jinhanqi;

(iii) Mr. Guo; and

(iv) the Target Company.

Jiangsu Jinhanqi, which owns 25% equity interest in the Target Company, is ultimately owned by, including but not limited to, Mr. Zhou, Mr. Kong and 汪新淮 (Mr. Wang Xin Huai). As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the ZN Stamp Vendors, Jiangsu Jinhanqi and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The ZN Stamp Sale Shares, representing an aggregate of 27% equity interest in the Target Company, are owned as to 25% by Jiangsu Jinhanqi and 2% by Mr. Guo.

Consideration

The ZN Stamp Consideration payable by the Group to the ZN Stamp Vendors is RMB324,000,000, subject to Adjustments, which shall be satisfied by the Group in the following manner:

(i) RMB200,000,000 in cash payable within ten (10) Business Days following Completion; and

(ii) RMB124,000,000, subject to Adjustments, in cash shall be paid in three (3) installments, which respective amounts payable within ten (10) Business Days after the date of issuance of the Audited Report for the respective Relevant Periods in the following manner:

Installment(s)	**Relevant Period(s)**	**Maximum amount of cash consideration to be paid** *(RMB)*
First installment	1 to 12 full months following Completion (the "**First Relevant Period**")	35,709,143
Second installment	13 to 24 full months following Completion (the "**Second Relevant Period**")	41,065,515
Third installment	25 to 36 full months following Completion (the "**Third Relevant Period**")	47,225,342

Conditions precedent

Completion of the ZN Stamp Acquisition is conditional upon the satisfaction of the following conditions precedent:

(i) the representations and warranties provided by ZN Stamp Vendors under the ZN Stamp Agreement remaining true and accurate in any material respect up to the Completion Date;

(ii) all requisite approvals in connection with the ZN Stamp Acquisition having been obtained by Zhejiang Kasen and the Company, including the approval by the Shareholders in relation to the ZN Stamp Acquisition at the EGM;

(iii) all requisite approvals of internal and external authorities in connection with the ZN Stamp Acquisition having been obtained by ZN Stamp Vendors and the Target Company;

(iv) Zhejiang Kasen and/or its nominees being satisfied with the results of the due diligence review on, without the limitation to, the business operations, financial situations and legal matters of the Target Company up to the Completion Date;

(v) where applicable, all requisite approvals under applicable laws and regulations having been obtained by the Target Company for foreign investors to hold over 50% of equity interest in the Target Company;

(vi) all necessary consent, approval, licence, or permits in connection with the existing business operations of the Target Company having been obtained by the Target Company, and such approval, consent, licence or permit remains valid; and

(vii) the permit of value-added telecommunication business (internet information service business)《增值電信業務經營許可證》(互聯網信息服務業務) of the Target Company having been cancelled and a new permit of value-added telecommunication business (online electronic data processing business) 《增值電信業務經營許可證》(在綫數據處理與交易處理業務) having been obtained by the Target Company.

None of the above conditions can be waived. If the above conditions are not satisfied on or before the Long Stop Date, the ZN Stamp Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

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

Having considered that (i) each of the Agreements involves in different parties; (ii) the terms and conditions of both Agreements are materially the same; (iii) it will take more time to complete the registration process by relevant PRC authorities to effect the share transfer under the ZN Stamp Agreement should the Agreements are conditional upon Completion of each other, the ZN Stamp Agreement was so structured that the Completion of the ZN Stamp Acquisition is not conditional upon the completion of the GV Acquisition in order to facilitate Completion. Nevertheless, it is the intention of the Company for the Completion of the Acquisitions to take place simultaneously on the Completion Date.

Should only the Completion of the ZN Stamp Acquisition have taken place, the Group will be interested in an aggregate of 27% of the equity interest of the Target Company. Pursuant to the ZN Stamp Agreement, the Group has the rights to appoint over half of the board members and supervisors of the Target Company.

Based on preliminary assessment of the Company which was agreed with its auditor, given that the Company has control over the management of the Target Company, the Target Company will be regarded as subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

GV Agreement

The principal terms of the GV Agreement are summarized as follows:

Date

21 December 2016 (after trading hours)

Parties

(i) the Company;

(ii) Mr. Kong;

(iii) Mr. Zhou;

(iv) Haoju Investments;

(v) Hao Shun Investments;

(vi) Green Vantage;

(vii) China Stamp; and

(viii) the Target Company.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the GV Vendors and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The GV Sale Shares, representing the entire issued share capital of Green Vantage, are owned by Haoju Investments and Hao Shun Investments in equal shares. As at the Latest Practicable Date, Green Vantage is indirectly interested in 24% equity interest in the Target Company.

Consideration

The GV Consideration payable by the Group to the GV Vendors is RMB288,000,000, subject to Adjustments, which shall be satisfied by way of allotment and issue of a maximum number of 342,857,143 Consideration Shares, at the Issue Price of HK$1.00 (equivalent to RMB0.84) per Consideration Share.

The GV Consideration shall be paid in three (3) installments, which shall be satisfied by the allotment and issue of the respective number of Consideration Shares within ten (10) Business Days after the date of issuance of the Audited Report for the respective Relevant Periods in the following manner:

Installment(s)	Relevant Period(s)	Maximum number of Consideration Shares to be issued
First installment	1 to 12 full months following Completion (the "**First Relevant Period**")	98,734,958
Second installment	13 to 24 full months following Completion (the "**Second Relevant Period**")	113,545,202
Third installment	25 to 36 full months following Completion (the "**Third Relevant Period**")	130,576,983

Pursuant to the GV Agreement, the Consideration Shares will only be issued after each of the Relevant Periods when the Audited Report is available.

Further details of the Consideration Shares are set out in the sub-section headed "Consideration Shares" below.

Conditions precedent

Completion of the GV Acquisition is conditional upon the satisfaction of the following conditions precedent:

(i) the representations and warranties provided by the GV Vendors under the GV Agreement remaining true and accurate in any respect up to the Completion Date;

(ii) all requisite approvals in connection with the GV Acquisition having been obtained by the Company, including the approval by the Shareholders of the issue of the Consideration Shares under the Specific Mandate in relation to the GV Acquisition at the EGM;

(iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares, which has not been revoked as at Completion;

(iv) all requisite approvals of internal and external authorities in connection with the GV Acquisition having been obtained by the GV Vendors and Green Vantage;

(v) the Company and/or its nominees being satisfied with the results of the due diligence review on, without the limitation to, the business operations, financial situations and legal matters of the Target Company up to the Completion Date;

(vi) where applicable, all requisite approvals under applicable laws and regulations having been obtained by the Target Company for foreign investors to hold more than 50% of equity interest in the Target Company;

(vii) the permit of value-added telecommunication business (internet information service business)《增值電信業務經營許可證》(互聯網信息服務業務) of the Target Company having been cancelled and a new permit of value-added telecommunication business (online electronic data processing business) 《增值電信業務經營許可證》(在綫數據處理與交易處理業務) having been obtained by the Target Company; and

(viii) completion of the GV Agreement is conditional upon the completion of the ZN Stamp Agreement and completion of the Agreements shall take place simultaneously.

None of the above conditions can be waived. If the above conditions are not been satisfied on or before the Long Stop Date, the GV Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

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

Consideration Shares

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The Issue Price of HK$1.00 per Consideration Share represents:

(i) a discount of approximately 10.71% to the closing price of HK$1.12 per Share as quoted on the Stock Exchange as at the date of the LOI;

(ii) a discount of approximately 8.26% to the average closing price of HK$1.09 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the LOI;

(iii) a discount of approximately 26.47% to the closing price of HK$1.36 per Share as quoted on the Stock Exchange as at the date of the GV Agreement;

(iv) a discount of approximately 27.11% to the average closing price of HK$1.372 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the GV Agreement; and

(v) a discount of approximately 28.57% to the closing price of HK$1.40 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price was determined after arm's length negotiation between the Company and GV Vendors with reference to, among others, the prevailing market prices of the Shares immediately before the date of entering into the LOI. The Company had considered (i) the daily closing prices of the Shares as quoted on the Stock Exchange for the period from 7 December 2015 to 7 June 2016 (being the six-month period prior to the date of the LOI)(the "**Reference Period**") and noted that the Issue Price is within the range of the closing prices of the Shares during the Reference Period; and (ii) the relatively thin trading liquidity of the Shares during the Reference Period.

The Company had gone through various negotiations with the GV Vendors prior to entering into the LOI and most of the major terms and conditions, including the consideration for the GV Acquisition, had been preliminary determined and disclosed in the LOI. Subsequently, the Company and the GV Vendors had entered into the GV Agreement and the terms and conditions thereof are materially the same as the LOI's.

Considering the aforementioned and the reasons as discussed in the section headed "Reasons for and benefits of the Acquisitions" in this circular, the Directors consider that the Issue Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Consideration Shares represent approximately 22.69% of the existing issued share capital of the Company as at the Latest Practicable Date and represent approximately 18.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Consideration Shares from the Latest Practicable Date up to Completion). The aggregate nominal value of the Consideration Shares is approximately US$51,428.57 and the allotment and issue of the Consideration Shares will not result in change in control of the Company.

BASIS FOR DETERMINATION OF THE CONSIDERATION

The ZN Stamp Consideration and the GV Consideration were determined based on arm's length negotiations between the Company and the ZN Stamp Vendors and GV Vendors, respectively, with reference to, among others, the valuation of the Target Company of approximately RMB1,268 million (the "**Valuation**") based on the market approach as at 31 October 2016 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent international valuer. Details of which are set out in Appendix V – Valuation Report of the Target Company to this Circular. Having considered the opinion and analysis on the fair value of the Target Company as set out in the said valuation report, the Directors are of the view that the Valuation is fair and reasonable.

The Total Consideration of RMB612,000,000 comprises of the ZN Stamp Consideration of RMB324,000,000 and the GV Consideration of RMB288,000,000. Both the ZN Stamp Consideration and the GV Consideration represent a discount of approximately 5.36% to the respective percentage of the Valuation.

Based on the unaudited pro forma financial information as set out in Appendix IV of this circular, the Directors have noted that a pro forma impairment loss on goodwill of RMB127,000,000 is being identified assuming that the Acquisitions had taken place on 30 June 2016. On the other hand, for reference purpose, the Directors have also assessed the pro forma impairment on the goodwill assuming that the Acquisitions had taken place on 7 June 2016, being the date of the LOI which the major terms and conditions for the Acquisitions had been preliminary determined and are materially the same as the Agreements'. Based on such assessment, a pro forma impairment loss on goodwill of approximately RMB15,000,000 is being identified, which is significantly lower than the pro forma impairment loss on goodwill of RMB127,000,000 (as if the Acquisitions had taken place on 30 June 2016).

Having considered that (a) the indicative impairment loss of approximately RMB127,000,000 (i) is for reference only as the actual financial effect to be assessed is based on the fair value of the Consideration Shares as at the date of Completion; (ii) is calculated with reference to the recoverable amount of the Target Company of approximately RMB1,218 million (details of which are discussed in the unaudited pro forma financial information as set out in Appendix IV of this circular) which represents approximately 3.9% discount to the Valuation and there is no material difference; (iii) is mainly arising due to the difference between the market price of the Share as at 30 June 2016 of HK$1.49 and the Issue Price of HK$1.00, as if the Acquisitions had been completed on 30 June 2016; (iv) is a non-cash item and has no actual effect on the businesses of the Group; (v) is highly sensitive to the market price of the Shares which was relatively fluctuate during the past 12 months and is beyond control of the Company; and (b) the pro forma impairment loss on goodwill of approximately RMB15,000,000 (as if the Acquisitions had taken place on 7 June 2016) is significantly lower than the pro forma impairment loss on goodwill of RMB127,000,000 (as if the Acquisitions had taken place on 30 June 2016), the Directors consider that the Total Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole after also having taken into account the aforementioned and the reasons and benefits as discussed in the section headed "Reasons for and benefits of the Acquisitions" of this circular.

PROFIT GUARANTEE

Pursuant to the respective Agreements, each of the Vendors have agreed that the audited consolidated net profit after taxation (the "**Actual Net Profit**") of the Target Company prepared based on the Audited Report, shall not be less than the following amount for the respective Relevant Periods (the "**Guaranteed Profit**"):

Relevant Period	**Guaranteed Profit** *(RMB)*
First Relevant Period	100,000,000
Second Relevant Period	115,000,000
Third Relevant Period	132,250,000

Compensation for Cash Consideration

Pursuant to the ZN Stamp Agreement, in the event the Actual Net Profit for any of the Relevant Periods is less than the Guaranteed Profit for the relevant Relevant Period, the ZN Stamp Vendors shall compensate the Company in the following manner:

(a) in respect of the RMB200,000,000 portion of the Cash Consideration, the ZN Stamp Vendors shall compensate and pay to the Company the cash amount calculated in accordance with the following formula:

$$\frac{\text{(relevant Guaranteed Profit – relevant Actual Net Profit)}}{\text{total aggregate Guaranteed Profit}} \times \text{Cash Consideration of RMB200,000,000}$$

The aggregate compensation payable by the ZN Stamp Vendors in respect of the RMB200,000,000 portion of the Cash Consideration shall not exceed the actual Cash Consideration paid by the Company after deducting (i) any profit of the Target Company distributed to the Company from the date of the ZN Stamp Agreement up to the expiry of the Relevant Periods or the date of the termination of the ZN Stamp Agreement; and (ii) the net asset value of the Target Company attributable to the ZN Stamp Sale Shares as at the expiry of the Relevant Periods or the date of the termination of the ZN Stamp Agreement.

For the avoidance of doubt, the maximum compensation payable by the ZN Stamp Vendors under the aforesaid arrangement is RMB200,000,000.

(b) in respect of the RMB124,000,000 portion of the Cash Consideration, the maximum amount of Cash Consideration for the relevant Relevant Period payable shall be reduced in accordance with the following formula:

$$\frac{\textit{(relevant Guaranteed Profit} - \textit{relevant Actual Net Profit)}}{\textit{relevant Guaranteed Profit}} \times \textit{relevant maximum installment amount of the Cash Consideration payable}$$

Compensation for Consideration Shares

Pursuant to the GV Agreement, the Consideration Shares will only be issued after each of the Relevant Periods when the Audited Report is available. In the event the Actual Net Profit for any of the Relevant Periods is less than the Guaranteed Profit for the relevant Relevant Period, the GV Vendors shall compensate the Company and the maximum number of Consideration Shares for the relevant Relevant Period to be issued to the GV Vendors will be reduced in accordance with the following formula:

$$\frac{\textit{(relevant Guaranteed Profit} - \textit{relevant Actual Net Profit)}}{\textit{relevant Guaranteed Profit}} \times \textit{relevant maximum number of Consideration Shares to be issued}$$

For the avoidance of doubt, (i) if a consolidated net loss is recorded for any of the Relevant Periods of the Target Company, the Actual Net Profit for such Relevant Period shall be deemed to be zero (0); and (ii) no upward adjustment will be made to the consideration for the Acquisitions even if the Actual Net Profit exceeds the Guaranteed Profit for the Relevant Period.

PERFORMANCE BONUS

Pursuant to the respective Agreements, the respective parties thereto have agreed that if the Guaranteed Profit during the Relevant Period is achieved, subject to the actual operational requirements of the Target Company and relevant applicable laws and regulations, 50% of the amount of the net profit of the Target Company in excess of the Guaranteed Profit for the Relevant Period may be awarded to the management of the Target Company as performance bonus by the Target Company, to ensure that the Group is able to attract and retain staffs who possess specialized knowledge and technical expertise relating to businesses of the Target Company, and therefore capable of attaining the best performance levels of the Target Company.

COMPLETION

Completion of each of the ZN Stamp Acquisition and the GV Acquisition shall take place simultaneously on the Completion Date.

INFORMATION ON THE ZN STAMP VENDORS

Jiangsu Jinhanqi is a company established under the laws of the PRC with limited liability and owns 25% equity interest in the Target Company as at the Latest Practicable Date. It is principally engaged in the trading of collection of stamp and artwork pieces and related consulting services.

Mr. Guo is a PRC citizen and owns 12% equity interest in the Target Company as at the Latest Practicable Date.

INFORMATION ON THE GV VENDORS

Hao Shun Investments is an investment holding company and is wholly-owned by Mr. Kong, a PRC citizen.

Haoju Investments is an investment holding company and is wholly-owned by Mr. Zhou, a PRC citizen.

INFORMATION ON THE TARGET GROUP

Green Vantage is an investment holding company incorporated in the BVI with limited liability on 30 May 2016 and is directly owned by Haoju Investments and Hao Shun Investments in equal shares.

China Stamp is an investment holding company incorporated in Hong Kong with limited liability on 22 June 2016 and is directly wholly-owned by Green Vantage.

The Target Company is a company established under the laws of the PRC on 28 November 2014 with limited liability. As at the Latest Practicable Date, it is owned as to, among others, 25% by Jiangsu Jinhanqi, 12% by Mr. Guo and 24% by China Stamp.

Business model of the Target Company

The Target Company operates an electronic trading platform (the "**Electronic Trading Platform**") that is principally engaged in matching buyers and sellers of among others, collection of coin, note, stamp, artwork and card pieces through electronic trading and the provision of related technical and consulting services. The Electronic Trading Platform is an all-electronic trading system which allows its trading participants to execute real time trading in the collection pieces, including but not limited to placing trade orders, viewing account balances, positions, transaction status and trading history, through different devices and interfaces with online access. The Target Company also offers custody, logistics, information, investment consulting, authentication, convention and other related supporting services to its trading participants.

The primary revenue streams of the Target Company include (i) transaction fees which will be charged against the buyer and seller respectively as commission by the Target Company on each transaction conducted through the Electronic Trading Platform at 0.1% of the transaction amount. In general, a range from 50% to 60% out of such transaction fees will be paid as commission to the agents of the Target Company who are primarily responsible for promoting the business of the Target Company; (ii) inspection charges which will be charged against the applicants who apply for new listing of new collection items at 3% of the basis price of the collection items in general; and (iii) listing fees which will be charged against successful applicants who have applied for new listing of new collection items at the range of approximately RMB500,000 to RMB2,000,000, depending on various factors such as the quantity to be issued and timing of issue of the collection item.

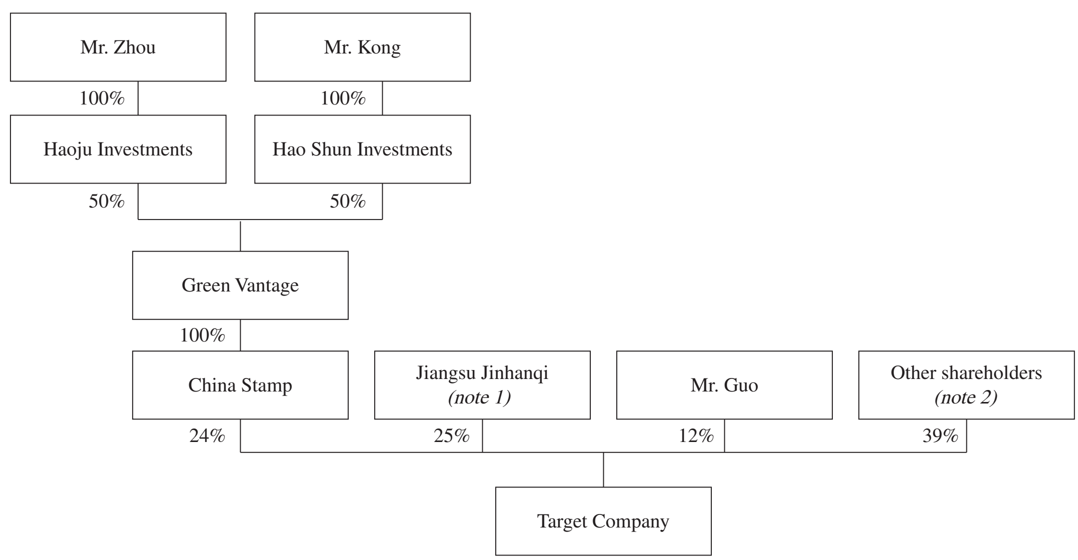
Development plan of the Target Company

As at the Latest Practicable Date, it was estimated that the capital needs for the Target Company's businesses for the next twelve months was approximately RMB10,000,000, mainly for (i) further developing the existing businesses of the Target Company by, among others, expanding the operational facilities, recruiting additional staffs and strengthening the marketing of the businesses of the Target Group; (ii) developing an integrated offline experiencing facility in order to enhance and promote the position of the Target Company in the market; (iii) developing an online commercial and shopping platform for facilitating the trading of collection items in physical form by buyers and sellers; and (iv) extending the possible trading categories of collection items. The said capital needs are expected to be funded from the cash inflow generating from the existing daily operations and businesses of the Target Company.

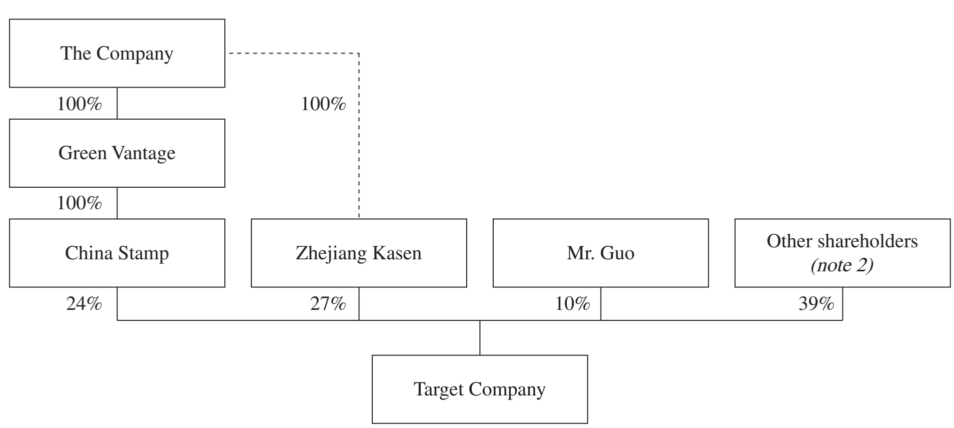
Upon Completion, it is the intention of the Company to maintain the existing business models of the Target Company and operate the businesses of the Target Company as discussed above primarily by relying on the existing management of the Target Company who possesses over 3 to 10 years of experiences in the Target Company's business industry.

Shareholding structure of the Target Group

(1) Shareholding structure chart of the Target Group as at the Latest Practicable Date



(2) Shareholding structure chart of the Target Group immediately upon Completion



Notes:

1 Jiangsu Jinhanqi, which owns 25% equity interest in the Target Company, is ultimately owned by, including but not limited to, Mr. Zhou, Mr. Kong and 汪新淮 (Mr. Wang Xin Huai).

2 LHLG owns 32% equity interest in the Target Company. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, LHLG and the rest of the shareholder(s) of the Target Company, who collectively hold 39% equity interest in the Target Company, are Independent Third Parties.

Financial information of the Target Group

Green Vantage and China Stamp have been newly incorporated in May and June 2016, respectively. As at the Latest Practicable Date, they (i) had no material assets nor liabilities; and (ii) did not have any business operations and thus had not recorded any revenue.

Set out below is the financial information of the Target Company based on the accountant's report set out in Appendix III to this circular for the period from 28 November 2014 (date of establishment) to 31 December 2014 and the year ended 31 December 2015:

	For the period from 28 November 2014 (date of establishment) to 31 December 2014 *(approximate RMB'000)*	**For the financial year ended 31 December 2015** *(approximate RMB'000)*
Net profit/(loss) before taxation	(176)	111,725
Net profit/(loss) after taxation	(176)	83,789

The Target Company did not have any operation and had not recorded any revenue for the period from 28 November 2014 (date of establishment) to 31 December 2014, and had begun its operation since 2015. The total assets, total liabilities and net assets of the Target Company as at 31 October 2016 were approximately RMB156 million, RMB48 million and RMB108 million respectively.

Upon Completion, the Group will be interested in an aggregate of 51% of the equity interest of the Target Company and other members of the Target Group will become subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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

The Company has been actively seeking business opportunities from time to time, including investments in new business segments, in order to diversify its business and enhance the long-term growth potential of the Company and Shareholders' value. Having considered that:

(i) by investing in the Target Group, the Group will enter into the industry of online trading platform services in respect of, among others, collection of coin, note, stamp, artwork and card pieces in the PRC, being a new business segment to the Group;

(ii) based on the historical financial performance of the Target Group, the Group is expected to be benefited from the revenue stream of the Target Group;

(iii) the Issue Price falls within the closing prices of the Shares and the trading liquidity of the Shares is relatively thin during the Reference Period; and

(iv) the legal opinions issued by the PRC legal adviser of the Company in respect of Mr. Guo's Share Transfer and the Guarantee (as defined below) issued by the Vendors of which the Vendors agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the Share Transfer Defect,

The Directors consider that the terms of the Agreements are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no intention, plan or arrangement to (i) dispose, terminate and/or scale-down the businesses or major assets of the Group; (ii) inject any new business to the Group; (iii) change its existing Board composition; and (iv) change its existing shareholding structure save for the Consideration Shares to be issued under the GV Agreement.

EARNEST MONEY PAID BY MR. ZHU

As at the Latest Practicable Date, Mr. Zhu has entered into an agreement dated 7 June 2016 (as supplemented by various extension agreements) with Jiangsu Jinhanqi, Mr. Zhou, Mr. Kong, Mr. Guo and the Target Company, pursuant to which Mr. Zhu shall pay to the said parties a sum of RMB30,000,000 as earnest money within 5 days after the signing of the said agreement dated 7 June 2016 in order to facilitate the Acquisitions. Pursuant to the said agreements, if the Acquisitions materialize, the earnest money shall be refunded to Mr. Zhu. The Company has no obligation or responsibility for any transactions contemplated under the said agreements. As at the Latest Practicable Date, the earnest money had not yet been refunded to Mr. Zhu by the aforementioned parties.

EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the full settlement of the GV Consideration, the following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Consideration Shares in respect of the first installment of the GV Consideration (assuming no Adjustment is required to be made) (the "**First Consideration Shares**"); (iii) immediately upon the allotment and issue of (a) the First Consideration Shares; and (b) the Consideration Shares in respect of the second installment of the GV Consideration (assuming no Adjustment is required to be made) (the "**Second Consideration Shares**"); (iv) immediately upon the allotment and issue of (a) the First Consideration Shares; (b) the Second Consideration Shares; and (c) the Consideration Shares in respect of the third installment of the GV Consideration (assuming no Adjustment is required to be made) (collectively the "**Aggregate Consideration Shares**"):

	(i) As at the Latest Practicable Date		(ii) Immediately upon the allotment and issue of the First Consideration Shares		(iii) Immediately upon the allotment and issue of (a) the First Consideration Shares; and (b) the Second Consideration Shares		(iv) Immediately upon the allotment and issue of the Aggregate Consideration Shares	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mr. Zhu	527,158,635	34.89	527,158,635	32.75	527,158,635	30.59	527,158,635	28.44
GV Vendors	–	–	98,734,958	6.13	212,280,160	12.32	342,857,143	18.49
ZN Stamp Vendors	–	–	–	–	–	–	–	–
Public Shareholders	983,861,246	65.11	983,861,246	61.12	983,861,246	57.09	983,861,246	53.07
Total	1,511,019,881	100.00	1,609,754,839	100.00	1,723,300,041	100.00	1,853,877,024	100.00

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the issue of the Aggregate Consideration Shares in full, the shareholdings of the existing public Shareholders will be diluted from approximately 65.11% to 53.07%.

FINANCIAL EFFECT OF THE ACQUISITIONS

Upon Completion, the Group will be interested in an aggregate of 51% of the equity interest of the Target Company and other members of the Target Group will become subsidiaries of the Company. The financial results of the Target Group will be consolidated into the accounts of the Group. The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisitions had taken place at 30 June 2016 to illustrate the effect of the Acquisitions.

Net Assets

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, as at 30 June 2016, the total assets of the Enlarged Group will increase from RMB8,079,754,000 to RMB8,794,029,000, the total liabilities of the Enlarged Group will increase from RMB4,838,280,000 to RMB5,629,674,000 and the net assets of the Enlarged Group will decrease from RMB3,241,474,000 to RMB3,164,355,000 as a result of the Acquisitions.

Earnings

Upon Completion, the Target Company will become a subsidiary of the Company and its financial results will be consolidated into the Enlarged Group. Based on the financial statements of the Target Company for the year ended 31 December 2015 as set out in Appendix III to this circular and assuming that the Acquisitions had taken place on 31 December 2015, the net profit of the Group for the financial year ended 31 December 2015 is expected to increase from approximately RMB165,370,000 to RMB249,159,000 as a result of the Acquisitions.

RELEVANT REGULATIONS GOVERNING THE OPERATION OF THE ELECTRONIC TRADING PLATFORM BY THE TARGET COMPANY

The principal PRC regulations governing the operation of an Electronic Trading Platform are:

(1) 電信業務經營許可管理辦法(工業和信息化部第5號令)(Administrative Measures for the Licensing of Telecommunication Business Operations (Order No. 5 of the MIIT)*) (the "**Administrative Measures for the Licensing of Telecommunication Business Operations Order No. 5**");

(2) 關於放開在綫數據處理與交易處理業務(經營類電子商務)外資股比限制的通告(工信部通[2015]196號)(Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the MIIT)*);

(3) 電信業務分類目錄(2015年)(工業和信息化部)(Telecom Services Classification Catalog (2015) (the MIIT)*);

(4) 互聯網信息服務管理辦法 (2011年修訂)(國務院令第588號)(Administrative Measures for Internet Information Services (2011 Revision) (Order No. 588 of the State Council)*);

(5) 信息產業部關於進一步做好互聯網信息服務電子公告服務審批管理工作的通知(工信部通[2015]196號)(Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the MIIT)*);

(6) 外商投資產業指導目錄(2015年修訂)(國家發展和改革委員會、商務部令第22號)(Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (Order No. 22 of the National Development and Reform Commission and the Ministry of Commerce)*) (the "**Catalogue Order No. 22**");

(7) 外商投資電信企業管理規定(2016修訂)(國務院令第666號)(Provisions on the Administration of Foreign-funded Telecommunications Enterprises (2016 Revision) (Order No. 666 of the State Council of the PRC)*) (the "**Order No. 666**");

(8) 中華人民共和國對外貿易經濟合作部、國家工商行政管理局關於外商投資企業境內投資的暫行規定(工商行政管理局令2000年第6號)(The Ministry of Foreign Trade and Economic Cooperation of the PRC and the State Administration for Industry and Commerce of the PRC about the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises (Order No. 6 [2000] of the State Administration for Industry and Commerce of the PRC)*);

(9) 《國務院辦公廳關於清理整頓各類交易場所的實施意見》(國辦發[2012]37號)(Implementation Opinions of the General Office of the State Council on Straightening out and Rectifying Various Types of Trading Venues (No. 37 [2012] of the General Office of the State Council)*) (the "**Implementation Opinions No. 37**");

(10) 《國務院關於清理整頓各類交易場所切實防範金融風險的決定》(國發[2011]38號)(Decision of the State Council on Straightening out and Rectifying Various Types of Trading Venues to Effectively Prevent Financial Risks (No. 38 [2011] of the State Council)*) (the "**Decision of the State Council No. 38**");

(11) 《中華人民共和國中外合資經營企業法》(主席令第51號)(Law of the PRC on Chinese-Foreign Equity Joint Ventures (2016 Amendment) (Order No. 51 of the President of the PRC*) (the "**Chinese-Foreign EJV Order No. 51**"); and

(12) 《中華人民共和國中外合資經營企業法實施條例》(國務院令第648號)(Regulation on the Implementation of the Law of the PRC on Chinese-Foreign Equity Joint Ventures (Order No. 648 of the State Council)*) (the "**Implementation Regulation Order No. 648**").

According to the Administrative Measures for the Licensing of Telecommunication Business Operations Order No. 5, the 《增值電信業務經營許可證》(在綫數據處理與交易處理業務)(permit of value-added telecommunication business (online electronic data processing business)*) to be issued by the MIIT is required for the Target Company's operation of the Electronic Trading Platform.

LEGAL OPINION

As at the Latest Practicable Date, the Company had sought legal advice from its PRC legal adviser and received advices on PRC laws relating to, among others, the following matters:

(A) The《增值電信業務經營許可證》(permit of value-added telecommunication business*) of the Target Company

(i) according to the Catalogue Order No. 22, Order No. 666, Administrative Measures for the Licensing of Telecommunication Business Operations Order No. 5, Decision of the State Council No. 38, Chinese-Foreign EJV Order No.51 and Implementation Regulation Order No. 648, foreign investors are restricted from holding 50% or more of the equity interest of entities established in the PRC which are engaged in Internet information service business, but foreign investors can hold up to 100% of the equity interest of entities established in the PRC which are engaged in online electronic data processing business (在綫數據處理與交易處理業務);

(ii) the PRC legal adviser of the Company has conducted an interview with the relevant authorities of Hunan Communications Administration in June 2016 (the "**Interview**"), and it was noted during the Interview that the business model of the Target Company involves the provision of a trading platform in return for certain service fees through providing transaction information and should be classified as online electronic data processing business (在綫數據處理與交易處理業務) of e-Commerce. Accordingly, the Target Company should obtain the 《增值電信業務經營許可證》《增值電信業務經營許可證》(在綫數據處理與交易處理業務)(permit of value-added telecommunication business (online electronic data processing business)*). The authorities are of the view that the existing business operation and business of the Target Company do not fall within the category of internet information service business (互聯網信息服務業務), where foreign investors are restricted under the relevant PRC laws and regulations from holding 50% or more of the equity interest of the entities established in the PRC and undertaking such business (the "**Restriction**"). A further note is that with reference to 《電信業務經營許可管理辦法》(Administration for Permit of Telecommunication Business*) as issued by MIIT, if foreign investors are to inject capital into the Target Company, its《增值電信業務經營許可證》(permit of value-added telecommunication business*) should be approved by the MIIT; and

(iii) the PRC legal adviser of the Company is of the view that although the Target Company holds the 《增值電信業務經營許可證》(互聯網信息服務業務)(permit of value-added telecommunication business (Internet information service business)*) as at the Latest Practicable Date, having taken into account the following factors, the risk that the Group may not be permitted to own more than 50% of the Target Company have been effectively mitigated and the interests of the Shareholders are well-protected after having taken into account:

(a) the views of the relevant authorities of Hunan Communications Administration on the classification of the business of the Target Group as aforementioned at the Interview;

(b) it is one of the conditions precedent to Completion under the Agreements for the Target Company to cancel the 《增值電信業務經營許可證》(互聯網信息服務業務)(permit of value-added telecommunication business (internet information service business)*) and obtain a new permit of value-added telecommunication business (online electronic data processing business) 《增值電信業務經營許可證》(在綫數據處理與交易處理業務) before Completion; and

(c) the Vendors having entered into a guarantee dated 21 December 2016 (the "**Guarantee**"), pursuant to which, among others, (i) the Vendors warranted and represented to the Company that the Target Company is only involved in the online electronic data processing business but not internet information service business before Completion; and (ii) the Vendors agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from any breach of the Restriction in future.

The PRC legal adviser to the Company has advised that (i) according to the information provided by the official website of Hunan Communications Administration and telephone consultation with the staff, the Target Company shall submit the application for cancelling the permit of value-added telecommunication business (Internet information service business) 30 days in advance; and (ii) according to the information provided by the official website of MIIT, the Target Company shall submit the application for a new permit of value-added telecommunication business (online electronic data processing business) 60 days in advance.

The PRC legal adviser to the Company has also advised that according to the Administrative Measures for the Licensing of Telecommunication Business Operations Order No. 5 issued by MIIT, if foreign investors are to inject capital into the Target Company, its《增值電信業務經營許可證》(permit of value-added telecommunication business*) should be approved by MIIT.

In light of the view of the relevant authorities of Hunan Communications Administration at the Interview on the classification of the business of the Target Company, the PRC legal adviser to the Company is of the view that there is no foreseeable difficulty for the Target Company to obtain a new《增值電信業務經營許可證》(在綫數據處理與交易處理業務)(permit of value-added telecommunication business (online electronic data processing business)*).

(B) Mr. Guo's 2% equity interest in the Target Company, which forms part of the ZN Stamp Sale Shares

According to applicable PRC laws and regulations, (i) any transfer of state-owned assets should be conducted publicly in the Assets and Equity Exchange* (產權交易場); and (ii) the minimum transfer price shall be reasonably determined on the basis of the price which is legally appraised and confirmed by the body performing the transferor's investor's functions or approved by the relevant government authority after being reported thereto by the body performing the transferor's investor's functions (the "**PRC Transfer Requirements**").

According to《企業國有產權轉讓管理暫行辦法》(*Interim Measures for the Management of the Transfer of the State-owned Property Right of Enterprises**), in the event a transfer of equity interest of a state-owned enterprise did not comply with applicable PRC laws and regulations, and/or requisite approvals, procedures or applicable permissions are being transcended, relevant PRC government authorities shall have the rights to request the transferor to terminate the share transfer and if consider appropriate, instigate proceedings at the People's Court of the PRC for a declaration that the share transfer is invalid (a "**Share Transfer Defect**").

In December 2014, Mr. Guo had entered into a share transfer agreement with LHLG who owns 32% equity interest in the Target Company as at the Latest Practicable Date, pursuant to which LHLG had agreed to sell and Mr. Guo had agreed to acquire 12% equity interest in the Target Company (the "**Mr. Guo's Share Transfer**"). In the course of legal due diligence conducted on the Target Group undertaken by the PRC legal adviser of the Company, no record of conduct in relation to compliance with the PRC Transfer Requirements was found in respect of the Mr. Guo's Share Transfer.

After Completion, the Group is expected to own an aggregate of 51% equity interest in the Target Company, which includes Mr. Guo's 2% equity interest in the Target Company with the Share Transfer Defect. If Mr. Guo's Share Transfer is declared invalid, the Company may only own an aggregate of 49% equity interest in the Target Company and will no longer be the majority shareholder of the Target Company. However, pursuant to the Agreements, the Company has the right to appoint more than half of the members of the board of directors and half of the members of the board of supervisors, as well as the right to appoint the chief financial officer of the Target Company.

The PRC legal adviser to the Company has advised that according to《中華人民共和國中外合資經營企業法》(Law of the PRC on Chinese-Foreign Equity Joint Ventures (2016 Amendment)*), the function and powers of the board of directors shall be to discuss and decide, pursuant to the provisions of the articles of association of the equity joint venture, all important issues concerning the venture, namely: the development plan of the enterprise, production and business programs, the budget, distribution of profits, plans concerning labor and wages, the termination of business, and the appointment or hiring of the general manager, the deputy general manager(s), the chief engineer, the chief accountant and the auditor, as well as their functions and powers and their remuneration, etc. Further, according to《中華人民共和國中外合資經營企業法實施條例》(Regulation on the Implementation of the Law of the PRC on Chinese-Foreign Equity Joint Ventures (2014 Revision)*), the highest authority of the joint venture shall be its board of directors, which shall decide all major issues concerning the joint venture. In this respect, the PRC legal adviser to the Company has advised the Company that it may have the management control in the Target Company.

The PRC legal adviser of the Company is of the view that the risks associated with the Acquisitions that may affect to the Company arising from the Share Transfer Defect have been effectively mitigated after having taken into account that, among others, (i) the Company is entitled to take all actions in respect of the Company's rights and remedies in respect of the Share Transfer Defect in Mr. Guo's Share Transfer with Mr. Guo, and Mr. Guo shall then be entitled to claim for damages with LHLG; and (ii) pursuant to the Guarantee, the Vendors have agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the Share Transfer Defect in Mr. Guo's Share Transfer in the future.

RISKS RELATING TO THE BUSINESS OF THE TARGET COMPANY

The relevant PRC government authorities may instigate proceedings at the People's Court of the PRC for a declaration that Mr. Guo's Share Transfer is invalid.

In December 2014, Mr. Guo had entered into a share transfer agreement with LHLG in relation to Mr. Guo's Share Transfer. In the course of legal due diligence conducted on the Target Group undertaken by the PRC legal adviser of the Company, no record of conduct in relation to compliance with the PRC Transfer Requirements (please refer to the section headed "Legal Opinion – (B) Mr. Guo's 2% equity interest in the Target Company, which forms part of the ZN Stamp Sale Shares" for details of the PRC Transfer Requirements) was found in respect of the Mr. Guo's Share Transfer.

Accordingly, there exists a Share Transfer Defect in Mr. Guo's Share Transfer and the relevant PRC government authorities may instigate proceedings at the People's Court of the PRC for a declaration that Mr. Guo's Share Transfer is invalid.

The PRC legal adviser of the Company is of the view that the risks associated with the Acquisitions that may affect the Company arising from the Share Transfer Defect have been effectively mitigated after having taken into account that, among others, (i) the Company is entitled to take all actions in respect of the Company's rights and remedies in respect of the Share Transfer Defect in Mr. Guo's Share Transfer with Mr. Guo, and Mr. Guo shall then be entitled to claim for damages with LHLG; and (ii) pursuant to the Guarantee, the Vendors have agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the Share Transfer Defect in Mr. Guo's Share Transfer in the future.

The Target Company is required to rectify the timeframe within which the reselling and reacquiring of the same trading variety is permitted under the applicable PRC laws and regulations, and failure to rectify may result in the withdrawal of the business qualification of the Target Company.

In accordance with Implementation Opinions No. 37, the reselling and reacquiring of the same trading variety is not permitted to occur within 5 trading days from the date of first acquiring or selling (as the case may be).

The operation of the existing business of the Target Company allows the reselling and reacquiring of trading variety continuously and call auction within one day, which does not comply with the provisions of the Implementation Opinions No. 37.

In accordance with the Implementation Opinions No. 37 and Decision of the State Council No. 38, the failure to comply with such provisions will not result in the deprival of business qualification of the Target Company if the Target Company rectifies the non-compliance. The Target Company will take action to rectify such non-compliance, so as to ensure that the operation of its existing business complies with the provisions of the Implementation Opinions No. 37. Pursuant to the Guarantee, the Vendors agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the above defect in the future.

Foreign investors may not be able to own more than 50% of the Target Company if the Target Company's business falls within the category of Internet information service business under the PRC laws and regulations.

According to the relevant laws and regulations issued by the MIIT, foreign investors are restricted from holding 50% or more of the equity interest of entities established in the PRC which are engaged in Internet information service business, but foreign investors can hold up to 100% of the equity interest of entities established in the PRC which are engaged in online electronic data processing business.

The PRC legal adviser of the Company conducted the Interview, and it was noted during the Interview that the business model of the Target Company involves the provision of a trading platform in return for certain service fees through providing transaction information and should be classified as online electronic data processing business of e-Commerce. Accordingly, the Target Company should obtain the《增值電信業務經營許可證》(在綫數據處理與交易處理業務)(permit of value-added telecommunication business (online electronic data processing business*)). The authorities are also of the view that the existing business operation and business of the Target Company do not fall within the category of Internet information service business, where the Restriction applies.

The PRC legal adviser of the Company is of the view that, although the Target Company holds the《增值電信業務經營許可證》(互聯網信息服務業務)(permit of value-added telecommunication business (Internet information service business*)) as at the Latest Practicable Date, having taken into account the following factors, the risk that the Group may not be permitted to own more than 50% of the Target Company have been and will be mitigated:

(a) the views of the relevant authorities of Hunan Communications Administration on the classification of the business of the Target Group as aforementioned at the Interview;

(b) it is one of the conditions precedents to Completion under the Agreements for the Target Company to cancel the《增值電信業務經營許可證》(互聯網信息服務業務)(permit of value-added telecommunication business (Internet information service business*)) and obtain a new《增值電信業務經營許可證》(在綫數據處理與交易處理業務)(permit of value-added telecommunication business (online electronic data processing business*)) before Completion; and

(c) the Vendors having entered into the Guarantee, pursuant to which, among others, (i) the Vendors warranted and represented to the Company that the Target Company is only involved in the online electronic data processing business but not internet information service business before Completion; and (ii) the Vendors agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from any breach of the Restriction in future.

The Target Company may be subject to liabilities for failure to pay the social insurance premiums and the housing fund for its employees in accordance with the applicable PRC laws and regulations.

The Target Company has not paid the social insurance premiums for some of its employees and the housing fund for its employees as required in accordance with the applicable PRC laws, regulations and regulatory documents, and is likely to be confronted with potential administrative penalties and labour disputes with its staff. Pursuant to the Guarantee, the Vendors agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the Target Company's failure to pay the social insurance premiums and the housing fund in the future.

The Target Company may suffer from the potential dispute in respect of the loss and/or damage to the Collection due to the terms of its contractual arrangements with its investors and the insurance agent.

According to the《中華人民共和國公司法》(Contract law of the PRC*), when a party which supplies the standard terms exempts itself from its liabilities, increases the liabilities of the other party, and deprives the material rights of the other party, the terms shall be invalid. If a dispute over the understanding of the standard terms occurs, it shall be interpreted in accordance with common understanding. Where there are two or more kinds of interpretation, an interpretation unfavorable to the party supplying the standard terms shall prevail. Where the standard terms are inconsistent with non-standard terms, the latter shall prevail.

Under the risk warning statement provided by the Target Company to its investors, investors shall undertake the various risks, including the loss and damage of Collection that may occur in the process of trading, which absolutely exempts the Target Company from its liabilities. Whether such terms will be interpreted as standard terms under the《中華人民共和國公司法》(Contract law of the PRC*), will depend on the ruling of the competent People's Court as invalid or unfavorable to the Target Company.

Under the agreement entered into between the insurance agent and the Target Company, there is a term relating to deductible franchise and exception, and for loss of an amount within a specified amount or the loss arising from incidents for which the insurance agent has disclaimed liability for, the investors may claim for indemnity against the Target Company.

The Target Company has enacted an internal management document to improve the management of storage of the Collection and to reduce the possible incidents, which may result in the loss or damage to the Collection. If the Target Company shall bear any part or all of the responsibility arising from the incident, pursuant to the Guarantee, the Vendors have agreed to indemnify the Company against all losses, liabilities and damages which the Company may suffer through or arising from the above defect. The PRC legal adviser of the Company is of the view that the foregoing measures have effectively mitigated the risk of dispute between the investors and the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 25% but all of them are below 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisitions, and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisitions and the Specific Mandate.

GENERAL

A notice convening the EGM of the Company to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on 29 March 2017 at 9:30 a.m. is set out on pages EGM-1 to EGM-3 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 Shareholders at the EGM will be by poll.

Completion is subject to the fulfillment of the conditions precedent set out in the respective Agreements and therefore may or may not proceed. Accordingly, the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RECOMMENDATION

The Board considers that the transactions contemplated under the Agreements are on normal commercial terms and the terms of the Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, including the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 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 January 2017, the Enlarged Group had outstanding borrowings of approximately RMB780,619,000, details of which are set out below:

	As at 31 January 2017
	RMB'000
Bank borrowings	
– Secured and guaranteed	400,000
– Secured	136,828
– Guaranteed	131,900
	668,728
Other borrowings	
– Secured and guaranteed	110,000
– Unsecured and unguaranteed	1,891
	111,891
	780,619
Carrying amount repayable:	
Within one year	472,673
Within two to five year	307,946
	780,619

Pledge of assets

As at the close of business on 31 January 2017, certain of the Enlarged Group's assets have been pledged to secure the borrowings of the Enlarged Group, an independent third party and connected parties. The aggregate carrying amount of the pledged assets of the Enlarged Group as at 31 January 2017 is as follows:

	As at 31 January 2017
	RMB'000
Building	113,482
Prepaid lease payment	19,056
Bank deposits	1,761
Properties under development and held for sale	1,783,307
Available for sale investment	41,679
	1,959,285

Contingent liabilities

As at 31 January 2017, the Enlarged Group provided guarantees in an aggregate amount of approximately RMB831,439,000 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 Enlarged Group's properties. These guarantees provided by the Enlarged 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.

The Enlarged Group also provided guarantees in the amounts of approximately RMB350 million and approximately RMB419.06 million as at 31 January 2017 to banks in respect of general banking facilities granted to an independent third party and the connected parties, respectively.

The Target Company, in the ordinary course of its business, may be involved in various claims that arise from lost or damage of stored products. Although the Target Company does not expect that the outcome in any of these claims, individually or collectively, will have a material adverse effect on its financial position or results or operations, litigation is inherently unpredictable. Therefore, the Target Company could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period. The Target Company entered into a contract with an insurance company which contain the property insurance policies to insure against the lost or damage of stored products, with an aggregate insured sum of approximately RMB2,287 million as at 31 January 2017. As at 31 January 2017, the total market value of the stored products is approximately RMB6.2 billion.

Save as aforesaid or otherwise disclosed herein, and apart from the intra-group liabilities, the Enlarged 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 January 2017.

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 Enlarged Group, the available facilities from banks and shareholder(s) of the Company, and the effect of the Acquisitions, the Enlarged 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. Upon Completion, the Enlarged Group will focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as the tourism resorts, hotel operation, property development, manufacture of upholstered furniture in the PRC and online trading platform services.

Looking ahead, the Enlarged Group will focus on the development of tourism resort industry, cultural industry and online trading platform services 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 Enlarged 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. After the Acquisitions, the Enlarged Group will diversify its existing businesses and capture the opportunities in the online trading platform services industry. In view of the on-going trend of convergence of traditional industries and the internet in the PRC, it is expected that the Enlarged Group's online trading platform services business has the potential to grow and able to maximize the return to the Shareholders.

The Enlarged Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market, enhance the quality of the products and services, diversify its business and look for new potential investment opportunities to bring greater returns to the Shareholders.

Set out below is the management discussion and analysis of the Target Company for the period from 28 November 2014 (date of establishment) to 31 December 2014 (the "**2014 Period**"), the ten months ended 31 October 2015 and 31 October 2016 and the year ended 31 December 2015 based on the financial information of the Target Company as set out in Appendix III to this circular.

BUSINESS REVIEW AND FINANCIAL REVIEW OF OPERATIONS

Revenue

The Target Company did not have any operation and had not recorded any revenue for the 2014 Period.

The Target Company had recorded revenue of approximately RMB297,255,000 for the year ended 31 December 2015, and approximately RMB264,257,000 and RMB148,470,000 for the ten months ended 31 October 2015 and 2016 respectively. The decrease in revenue for the ten months ended 31 October 2016 as compared with the corresponding period was mainly attributable to the increasing competition in the industry and the decrease in trading fees received by the Target Company. The amount of trading volume of Target Company had decreased from approximately RMB216,952,252,000 for the ten months ended 31 October 2015 to approximately RMB201,851,592,000 for the ten months ended 31 October 2016. The amount of trading fees received by the Target Group had decreased from approximately RMB208,240,000 for the ten months ended 31 October 2015 to approximately RMB92,247,000 for the ten months ended 31 October 2016.

Cost of revenue

The cost of revenue of the Target Company amounted to approximately RMB127,735,000 for the year ended 31 December 2015, and approximately RMB118,557,000 and RMB32,856,000 for the ten months ended 31 October 2015 and 2016 respectively. The decrease in cost of revenue for the ten months ended 31 October 2016 as compared with the corresponding period was mainly attributable to the decrease in revenue from trading fees and the relevant commission, payable on a direct ratio of the transaction fees, to the agents of the Target Company who are primarily responsible for promoting the business of the Target Company.

Gross profit/loss

The Target Company had recorded gross profit of approximately RMB169,520,000 for the year ended 31 December 2015, and approximately RMB145,700,000 and RMB115,614,000 for the ten months ended 31 October 2015 and 2016 respectively.

Other income

The Target Company had recorded other income of approximately RMB16,950,000 for the year ended 31 December 2015, and approximately RMB13,102,000 and RMB12,200,000 for the ten months ended 31 October 2015 and 2016 respectively.

Administrative, selling and other operation expenses

The administrative, selling and other operation expenses of the Target Company for the year ended 31 December 2015 was approximately RMB74,745,000, and approximately RMB46,559,000 and RMB26,172,000 for the ten months ended 31 October 2015 and 2016 respectively. The decrease in administrative, selling and other operation expenses for the ten months ended 31 October 2016 as compared with the corresponding period was primarily resulting from the decrease in the amount of employees' bonus.

Profit/loss

The Target Company recorded net profit of approximately RMB83,789,000 for the year ended 31 December 2015, and approximately RMB84,179,000 and RMB76,159,000 for the ten months ended 31 October 2015 and 2016 respectively. The decrease in net profit for the ten months ended 31 October 2016 as compared with the corresponding period was primarily resulting from the decrease in revenue from trading fees.

Liquidity and financial resources

As at 31 December 2014 and 2015 and 31 October 2016, the total assets of the Target Company amounted to approximately RMB6,406,000, RMB127,242,000 and RMB156,226,000 respectively.

As at 31 December 2014 and 2015 and 31 October 2016, the Target Company had cash and cash equivalents of approximately RMB5,377,000, RMB120,283,000 and RMB144,933,000 respectively, and net current assets of approximately RMB4,799,000, RMB27,030,000 and RMB103,562,000 respectively.

Borrowings

As at 31 December 2014 and 2015 and 31 October 2016, the Target Company did not have any borrowings.

Gearing ratio

As at 31 December 2014 and 2015 and 31 October 2016, the gearing ratio of the Target Company (calculated by total liabilities divided by total assets) was approximately 9%, 75% and 31% respectively.

Pledge of assets

As at 31 December 2014 and 2015 and 31 October 2016, the Target Company did not have any pledge of assets.

Commitments

As at 31 December 2014, the Target Company had capital commitments in relation to acquisition of property, plant and equipment and additions to intangible assets of approximately RMB1,457,000.

As at 31 December 2015, the Target Company had operating lease commitments in relation to future minimum lease payments under non-cancellable operating leases of approximately RMB4,451,000.

As at 31 October 2016, the Target Company had operating lease commitments in relation to future minimum lease payments under non-cancellable operating leases of approximately RMB21,254,000 and capital commitments in relation to acquisition of property, plant and equipment and additions to intangible assets of approximately RMB194,000.

Contingent liabilities

The Target Company, in the ordinary course of its business, may be involved in various claims that arise from lost or damage of stored products. Although the Target Company does not expect that the outcome in any of these claims, individually or collectively, will have a material adverse effect on its financial position or results or operations, litigation is inherently unpredictable. Therefore, the Target Company could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period. The Target Company entered into a contract with an insurance company which contain the property insurance policies to insure against the lost or damage of stored products, with an aggregate insured sum of approximately RMB2,287 million as at 31 October 2016 (31 December 2015: RMB2,046 million). As at 31 October 2016 and 31 December 2015, the total market value of the stored products are RMB9.6 billion and RMB6.8 billion respectively.

Save as aforesaid, as at 31 December 2014 and 2015 and 31 October 2016, the Target Company did not have any material contingent liabilities.

Employees

The Target Company had 61 employees as at 31 October 2016. No remuneration was paid to the Target Company's employees for the 2014 Period. The remunerations paid to the Target Company's employees for the year ended 31 December 2015 was approximately RMB38,134,000, and approximately RMB26,036,000 and RMB12,747,000 for the ten months ended 31 October 2015 and 2016 respectively.

The remuneration package for the employees generally includes salary and discretionary bonuses. The employees also receive welfare benefits, including retirement benefits, occupational injury insurance and other miscellaneous items. Annual review of the performance of the employees is conducted for determining the level of bonus, salary adjustment and promotion.

The Target Company will provide in-house or out-sourced training to the employees as and when necessary.

Foreign currency exposure

For the 2014 Period, the year ended 31 December 2015 and the ten months ended 31 October 2015 and 2016, the Target Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal as all of the transactions are conducted in RMB. The impact of fluctuations in foreign currency on the Target Company was minimal and the Target Company did not have any foreign currency hedging policy.

Significant investment, material acquisition and disposal

The Target Company did not have any significant investment, material acquisition or disposal for the 2014 Period, the year ended 31 December 2015 and the ten months ended 31 October 2015 and 2016.

14 March 2017

The Directors
Kasen International Holdings Limited
Room 1605, Tai Tung Building,
8 Fleming Road,
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Hunan Province Zhongnan Stamp Trading Center Co., Ltd. (the "Target Company") in Sections A and B below, including the statements of financial position as at 31 December 2014, 2015 and 31 October 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 28 November 2014 (date of incorporation) to 31 December 2014, for the year ended 31 December 2015 and for the ten months ended 31 October 2016 (the "Relevant Periods") of the Target Company and notes thereto (hereinafter collectively referred to as the "Financial Information"), together with the unaudited financial information of the Target Company including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the ten months ended 31 October 2015 (the "Comparative Financial Information") of the Target Company, prepared for inclusion in the circular issued by Kasen International Holdings Limited (the "Company") dated 14 March 2017 (the "Circular") in connection with the proposed acquisition of 51% of the paid-in capital of the Target Company (the "Proposed Acquisition"). As at the date of this Circular, the Company did not hold any equity interests in the Target Company.

The Target Company was established in the People's Republic of China (the "PRC") on 28 November 2014 as a limited liability company. The principal activities of the Target Company are provision of electronic platform for transaction of commodities including stamps and artwork products and provision of related technical and consulting services. Its registered office is at 長沙市天心區勞動西路289號嘉盛國際廣場2002 and principal place of business is at 長沙市芙蓉中路2段200號侯家塘新世紀花苑華僑國際一樓.

The statutory financial statements of the Target Company for the year ended 31 December 2015 was audited by 中勤萬信會計師事務所(特殊普通合夥). It is a certified public accountants registered in the People's Republic of China ("PRC"). No audited statutory financial statements of the Target Company for the period from 28 November 2014 (date of incorporation) to 31 December 2014 were issued.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with the accounting policies set out in note 4 of Section B below which comply with International Financial Reporting Standards ("IFRSs") issued by the International Accountings Standards Board (the "IASB").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or not.

REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and to report our opinion to you. We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 October 2016.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2014, 2015 and 31 October 2016, and of the Target Company's financial performance and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited Comparative Financial Information of the Target Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for the preparation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*7*	–	297,255	264,257	148,470
Direct costs		–	(127,735)	(118,557)	(32,856)
Gross profit		–	169,520	145,700	115,614
Other income	*7*	–	16,950	13,102	12,200
Administrative expenses		(176)	(70,120)	(44,715)	(20,343)
Selling expenses		–	(4,625)	(1,844)	(5,829)
(Loss)/profit before income tax	*8*	(176)	111,725	112,243	101,642
Income tax expenses	*9*	–	(27,936)	(28,064)	(25,483)
(Loss)/profit and total comprehensive income for the period/year		(176)	83,789	84,179	76,159

STATEMENTS OF FINANCIAL POSITION

	Notes	**31/12/2014** *RMB'000*	**31/12/2015** *RMB'000*	**31/10/2016** *RMB'000*
Non-current assets				
Property, plant and equipment	*13*	30	3,446	3,202
Prepaid lease payment – non-current portion	*14*	–	333	–
Intangible assets	*15*	6	952	909
Prepaid deposits for acquisition of property, plant and equipment and intangible assets		989	–	247
		1,025	4,731	4,358
Current assets				
Prepayments, deposits and other receivables	*16*	4	1,428	1,815
Prepaid lease payment – current portion	*14*	–	800	467
Tax recoverable		–	–	4,653
Cash and cash equivalents		5,377	120,283	144,933
		5,381	122,511	151,868
Current liabilities				
Accruals and other payables	*17*	582	88,213	48,306
Tax payable		–	7,268	–
		582	95,481	48,306
Net current assets		4,799	27,030	103,562
Net assets		5,824	31,761	107,920
Equity attributable to owners of the Target Company				
Paid-in capital	*18*	6,000	10,000	10,000
Reserves		(176)	21,761	97,920
TOTAL EQUITY		5,824	31,761	107,920

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Capital reserve *RMB'000* *(Note 19)*	Surplus reserve *RMB'000* *(Note 19)*	(Accumulated loss)/retained earnings *RMB'000*	Total equity *RMB'000*
Capital injection on date of incorporation	6,000	–	–	–	6,000
Loss and total comprehensive income for the period	–	–	–	(176)	(176)
At 31 December 2014 and 1 January 2015	6,000	–	–	(176)	5,824
Capital injection	4,000	–	–	–	4,000
Transfer to reserves	–	11,880	8,379	(20,259)	–
Dividend paid *(Note 10)*	–	–	–	(61,852)	(61,852)
Profit and total comprehensive income for the year	–	–	–	83,789	83,789
At 31 December 2015 and 1 January 2016	10,000	11,880	8,379	1,502	31,761
Transfer to reserves	–	15,232	7,616	(22,848)	–
Profit and total comprehensive income for the period	–	–	–	76,159	76,159
At 31 October 2016	10,000	27,112	15,995	54,813	107,920
At 31 December 2014 and 1 January 2015	6,000	–	–	(176)	5,824
Capital injection (unaudited)	4,000	–	–	–	4,000
Profit and total comprehensive income for the period (unaudited)	–	–	–	84,179	84,179
At 31 October 2015 (unaudited)	10,000	–	–	84,003	94,003

STATEMENTS OF CASH FLOWS

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Cash flows from operating activities				
(Loss)/Profit before income tax	(176)	111,725	112,243	101,642
Adjustments for:				
Depreciation	–	454	333	1,000
Amortisation of intangible assets	–	216	151	393
Operating (loss)/profit before working capital changes	(176)	112,395	112,727	103,035
(Increase)/decrease in prepaid lease payments	–	(1,133)	(1,267)	666
Increase in prepayments, deposits and other receivables	(993)	(435)	(1,851)	(634)
Increase/(decrease) in accruals and other payables	582	87,631	75,287	(39,907)
Cash (used in)/generated from operating activities	(587)	198,458	184,896	63,160
Tax paid	–	(20,668)	(20,668)	(37,404)
Net cash (used in)/generated from operating activities	(587)	177,790	164,228	25,756
Cash flows from investing activities				
Purchases of property, plant and equipment	(30)	(3,870)	(2,138)	(756)
Purchases of intangible assets	(6)	(1,162)	(561)	(350)
Net cash used in investing activities	(36)	(5,032)	(2,699)	(1,106)
Cash flows from financing activities				
Capital injection	6,000	4,000	4,000	–
Dividend paid	–	(61,852)	–	–
Net cash generated from/(used in) financing activities	6,000	(57,852)	4,000	–
Net increase in cash and cash equivalents	5,377	114,906	165,529	24,650
Cash and cash equivalents at beginning of period/year	–	5,377	5,377	120,283
Cash and cash equivalents at end of period/year	5,377	120,283	170,906	144,933

B. NOTES TO THE FINANCIAL INFORMATION

1. General information

Hunan Province Zhongnan Stamp Trading Center Co., Ltd. (the "Target Company") was incorporated in the People's Republic of China (the "PRC") on 28 November 2014.

The registered office is located at 長沙市天心區勞動西路289號嘉盛國際廣場2002# and principal place of business of the Target Company is located at 長沙市芙蓉中路2段200號侯家塘新世紀花苑華僑國際一樓.

The principal activities of the Target Company are provision of electronic platform for transaction of commodities including stamps and artwork products and provision of related technical and consulting services.

2. Adoption of new/revised IFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently adopted IFRSs, International Accounting Standards ("IASs"), amendments and interpretations applicable to the Target Company's financial period beginning on 1 January 2016 throughout the Relevant Periods.

At the date of this report, certain new/revised IFRSs have been published but are not yet effective, and have not been adopted early by the Target Company.

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 9 (2014)	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Lease[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after 1 January 2018*

[3] *Effective for annual periods beginning on or after 1 January 2019*

The directors of the Target Company are in the process of making an assessment of the potential impact of these new/revised IFRSs that have been issued but are not yet effective and the directors of the Target Company so far concluded that the application of these new/revised IFRSs will have no material impact on the Target Company's Financial Information.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

IFRS 16 – Lease

IFRS 16 specifies how an entity to recognise, measure, present and disclose leases. IFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. The Target Company is assessing the impact of IFRS 16 and as a result, it is not practicable to provide a reasonable estimate of the impact of IFRS 16 as at the date of publication of the Financial Information.

3. Basis of preparation

The Financial Information has been prepared in accordance with all applicable IFRSs, IASs and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

The significant accounting policies that have been used in the preparation of the Financial Information and the Comparative Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The Financial Information and Comparative Financial Information have been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

The financial statements are presented in Renminbi ("RMB"), which is the same as functional currency of the Target Company.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information and the Comparative Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information and the Comparative Financial Information, are disclosed in note 5.

4. Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is provided to write off the cost less their residual values, if any, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20% – 33%
Computers	20% – 33%
Motor vehicles	25%

The assets' residual values, if any, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(b) Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Trading system and software	33%

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 4(c).

(c) Impairment of non-financial assets

Property, plant and equipment and intangible assets are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable. The Target Company assesses at the end of each reporting date whether there is any indication that an asset may be impaired.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Foreign currency translation

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Target Company.

Foreign currency transactions are translated into the functional currency of the Target Company using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods, rendering of services and the use by others of Target Company's assets yielding interest and dividends. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Trading fees are recognised on a trade date basis.

(ii) Inspection service charges are recognised when the services are rendered.

(iii) Listing fees are recognised upon the listing of the stamps and artwork products.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Target Company under leases which transfer to the Target Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Company are classified as operating leases.

Where the Target Company has the right to use the assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rental are charged to the statement of comprehensive income in the accounting period in which they are incurred.

(g) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and bank deposits, which are not restricted to use.

(h) Income tax

Income tax comprises of current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Target Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the statement of comprehensive income or in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

(i) Financial assets

The Target Company's financial assets include loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) it becoming probable that the debtor will enter bankruptcy or financial reorganisation; or

(iv) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets.

Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the Target Company.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(j) Financial liabilities

The Target Company's financial liabilities include accruals and other payables.

Financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method. The difference between the nominal amount and its fair value at initial recognition is recognised in the statement of comprehensive income.

(k) Employee benefits

(i) Retirement benefits

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(ii) Short-term employee benefits

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(l) Provisions and contingent liabilities

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Related parties

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives and residual values of property, plant and equipment

The Target Company's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

6. Segment information

An operating segment is a component of the Target Company that is engaged in business activities from which the Target Company may earn revenues and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by executive directors of the Target Company in order to allocate resources and assess performance of the segment. For the years/periods presented, executive directors of the Target Company have determined that the Target Company has only one singly business component/reportable segment as the principal activities of the Target Company are provision of electronic platform for transaction of commodities including stamps and artwork products and provision of related technical and consulting services.

The geographical location of the specified non-current assets in based on the physical location of the assets, in the case of property, plant and equipment, the location of the operation. All of the Target Company's revenue and other income are generated in PRC. In the opinion of the directors of the Target Company, the Target Company's operation and centre of management are domiciled in the PRC, as one geographical location and therefore, no analysis of geographical information is presented.

7. Revenue and other income

The Target Company is principally engaged in marketing and distribution of stamps and artwork products including online trading and provision of related technical and consulting services. Revenue represents the value of services rendered. An analysis for revenue and other income recognised are as follows:

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	**Year ended 31/12/2015**	**Ten months ended 31/10/2015**	**Ten months ended 31/10/2016**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue				
– Trading fees	–	233,997	208,240	92,247
– Inspection charges	–	1,353	1,333	416
– Listing fees	–	61,905	54,684	55,807
	–	297,255	264,257	148,470
Other income				
– Bank interest income	–	15,534	12,636	8,454
– Deposits from agents recognised as income upon termination	–	1,416	466	3,727
– Sundry income	–	–	–	19
	–	16,950	13,102	12,200

8. (Loss)/profit before income tax

(Loss)/profit before income tax is arrived at after charging/(crediting):

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditor's remuneration	–	30	–	–
Depreciation of property, plant and machinery	–	454	333	1,000
Amortisation of intangible assets	–	216	151	393
Employee benefit expenses, excluding directors' remuneration:				
– Salaries and allowance	–	38,051	26,005	12,522
– Pension scheme contributions	–	83	31	225

9. Income tax expenses

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Income tax				
– for current period/year	–	27,936	28,064	25,483

The Target Company incorporated in the PRC is subjected to a general tax rate of 25% for the Relevant Periods on the assessable profits arising in or derived from the PRC.

Reconciliation of tax expense and accounting loss at applicable tax rates is as follows:

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/Profit before income tax	(176)	111,725	112,243	101,642
Tax calculated at EIT rate of 25%	(44)	27,931	28,061	25,411
Tax effect of expenses not deductible for tax purpose	31	21	19	72
Tax effect of income not taxable for tax purpose	–	(3)	(3)	–
Utilisation of tax losses previously not recognised	–	(13)	(13)	–
Tax effect of tax losses not recognised	13	–	–	–
	–	27,936	28,064	25,483

10. Dividends

	Period from 28/11/2014 (date of incorporation) to 31/12/2014	Year ended 31/12/2015	Ten months ended 31/10/2015	Ten months ended 31/10/2016
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends paid during the year	–	61,852	–	–

No dividend has been proposed for the ten months ended 31 October 2016 nor has any dividend been proposed since the end of the reporting period.

11. Earnings per share

Earnings per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

12. Directors' remuneration and senior management's emoluments

12.1 Directors' emoluments

Directors' emoluments are disclosed as follows:

Ten months ended 31 October 2016

	Directors' fees	Salaries and allowances	Bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
楊山青	–	90	399	–	489
瞿德潘	–	7	915	–	922
周軍	–	36	915	–	951
孔愛民	–	182	2,157	–	2,339
蘇心靈	–	156	915	–	1,071
	–	471	5,301	–	5,772

Ten months ended 31 October 2015 (unaudited)

	Directors' fees	Salaries and allowances	Bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
楊山青	–	54	2,892	–	2,946
瞿德潘	–	36	2,577	–	2,613
周軍	–	36	2,577	–	2,613
孔愛民	–	120	4,543	–	4,663
蘇心靈	–	150	2,579	–	2,729
	–	396	15,168	–	15,564

Year ended 31 December 2015

	Directors' fees	Salaries and allowances	Bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
楊山青	–	65	4,851	–	4,916
瞿德潘	–	43	5,320	–	5,363
周軍	–	43	5,465	–	5,508
孔愛民	–	180	8,742	–	8,922
蘇心靈	–	180	5,396	–	5,576
	–	511	29,774	–	30,285

Period from 28 November 2014 (date of incorporation) to 31 December 2014

	Directors' fees *RMB'000*	Salaries and allowances *RMB'000*	Bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
楊山青	–	–	–	–	–
瞿德潘	–	–	–	–	–
周軍	–	–	–	–	–
孔愛民	–	–	–	–	–
蘇心靈	–	–	–	–	–
	–	–	–	–	–

12.2 Five highest paid individuals

For the period from 28 November 2014 (date of incorporation) to 31 December 2014, the year ended 31 December 2015 and for the ten months ended 31 October 2015 (unaudited), of the five individuals with the highest emoluments, all are directors whose emoluments are disclosed in note 12.1.

For the ten months ended 31 October 2016, of the five individuals with the highest emoluments, four are directors whose emoluments are disclosed in note 12.1. The emoluments of the other one individual are as follows:

	RMB'000
Salaries and allowances	141
Bonuses	1,804
	1,945

His emoluments fell within RMB1,000,001 to RMB2,000,000.

13. Property, plant and equipment

	Furniture, fixtures and equipment	Computers	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 31 December 2014	28	2	–	30
Additions	2,433	392	1,045	3,870
At 31 December 2015	2,461	394	1,045	3,900
Additions	405	5	346	756
At 31 October 2016	2,866	399	1,391	4,656
Accumulated depreciation				
At 31 December 2014	–	–	–	–
Depreciation for the year	344	66	44	454
At 31 December 2015	344	66	44	454
Depreciation for the period	683	104	213	1,000
At 31 October 2016	1,027	170	257	1,454
Carrying amounts				
At 31 October 2016	1,839	229	1,134	3,202
At 31 December 2015	2,117	328	1,001	3,446
At 31 December 2014	28	2	–	30

14. Prepaid lease payments

The amounts represent prepayments for operating leases in respect of the Target Company's premises related to operations located in the PRC. The Target Company's prepaid lease payments comprise:

	31/12/2014	31/12/2015	31/10/2016
	RMB'000	*RMB'000*	*RMB'000*
Current portion	–	800	467
Non-current portion	–	333	–
	–	1,133	467

15. Intangible assets

	Trading system and software
	RMB'000
Cost	
Additions during the period end 31 December 2014 and balance at 31 December 2014	6
Additions	1,162
At 31 December 2015	1,168
Additions	350
At 31 October 2016	1,518
Accumulated depreciation	
At 31 December 2014	–
Amortisation during the year	216
At 31 December 2015	216
Amortisation during the period	393
At 31 October 2016	609
Carrying amounts	
At 31 October 2016	909
At 31 December 2015	952
At 31 December 2014	6

16. Prepayments, deposits and other receivables

	31/12/2014	31/12/2015	31/10/2016
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	2	991	1,249
Deposits paid	–	400	108
Other receivables	2	37	458
	4	1,428	1,815

17. Accruals and other payables

	31/12/2014	31/12/2015	31/10/2016
	RMB'000	*RMB'000*	*RMB'000*
Accrued salaries	–	25,358	915
Deposits received	450	33,200	24,000
Other payables	132	3,433	2,535
Other tax payables	–	26,222	20,856
	582	88,213	48,306

18. Paid-in capital

	31/12/2014	31/12/2015	31/10/2016
	RMB'000	*RMB'000*	*RMB'000*
Paid-in capital:			
– Opening balance	–	6,000	10,000
– Capital injection during the period/year	6,000	4,000	–
	6,000	10,000	10,000

19. Reserves

The PRC companies are required to allocate 10% of the companies' net profit to a surplus reserve fund until such fund reaches 50% of the companies' registered capital. The Target Company also is required to allocate 20% of the net profit to a capital reserve fund accordingly to the Target Company's memorandum and articles. The surplus reserve fund can be utilized upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

20. Operating lease commitments

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31/12/2014	**31/12/2015**	**31/10/2016**
	RMB'000	*RMB'000*	*RMB'000*
Not later than one year	–	2,139	2,654
Later than one year and not later than five years	–	2,312	8,423
Later than five years	–	–	10,177
	–	4,451	21,254

21. Capital commitments

The capital commitments outstanding as at 31 December 2014, 2015 and 31 October 2016 are as follows:

	31/12/2014	**31/12/2015**	**31/10/2016**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:			
– acquisition of property, plant and equipment	907	–	25
– additions to intangible assets	550	–	169
	1,457	–	194

22. Contingent liabilities

The Target Company, in the ordinary course of its business, may be involved in various claims that arise from lost or damage of stored products. Although the Target Company does not expect that the outcome in any of these claims, individually or collectively, will have a material adverse effect on its financial position or results or operations, litigation is inherently unpredictable. Therefore, the Target Company could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period. The Target Company entered into a contract with an insurance company which contain the property insurance policies to insure against the lost or damage of stored products, with an aggregate insured sum of approximately RMB2,287 million (2015: RMB2,046 million). As at 31 October 2016 and 31 December 2015, the total market value of the stored products are RMB9.6 billion and RMB6.8 billion respectively. In 2014, no trading products have been stored as the Target Company has not yet commence its business.

23. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Target Company are also considered as related parties.

(a) Balances with related parties

Save as disclosed elsewhere in Financial Information, no significant transaction were carried out with related party for the period from 28 November 2014 (date of incorporation) to 31 December 2014, the year ended 31 December 2015 and the ten months ended 31 October 2016.

(b) Compensation of key management personnel

Directors are regarded as the key management personnel of the Target Company and compensations to whom are disclosed in note 12.

24. Capital risk management

The objectives of the Target Company's capital managing are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Company manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Company's objectives, policies or processes in managing capital during the Relevant Period.

25. Financial risk management

The main risks arising from the Target Company's financial instruments in the normal course of the Target Company's business are credit risk, liquidity risk, interest rate risk and foreign currency risk. These risks are managed and mitigated by the Target Company through its conservative financial management policies and practices described below.

(a) Financial risk factors

Credit risk

The carrying amounts of cash and cash equivalents, prepayments, deposits and other receivables and represent the Target Company's maximum exposure to credit risk in relation to financial assets. The objective of the Target Company's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Target Company's cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Target Company's exposure to credit risk arising from prepayments, deposits and other receivables are set out in note 16 to the Financial Information.

Foreign currency risk

The Target Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal as most of the transactions are conducted in RMB. In the opinion of the Management, the Target Company's exposure to foreign currency risk is limited.

Interest rate risk

As the Target Company has no significant interest-bearing assets and liabilities, the Target Company's income and operating cash flows are substantially independent of changes in market interest rate.

Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The following table summarises the remaining contractual maturities at the reporting dates of the Target Company's financial liabilities, which are based on contractual undiscounted cash flows:

	Carrying amount	Total contractual undiscounted cash flow	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 October 2016					
Accruals and other payables	48,306	48,306	48,306	–	–
At 31 December 2015					
Accruals and other payables	88,213	88,213	88,213	–	–
At 31 December 2014					
Accruals and other payables	582	582	582	–	–

(b) Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

(c) ***Summary of financial assets and liabilities by category***

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	At 31 December		At 31 October
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Deposits and other receivables	2	437	566
Cash at banks and in hand	5,377	120,283	144,933
	5,379	120,720	145,499
Financial liabilities			
Financial liabilities measured at amortised cost:			
Accruals and other payables	582	88,213	48,306

26. Subsequent event

No significant event has been noted for the Target Company in respect of any period subsequent to 31 October 2016.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 31 October 2016.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 14 March 2017

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF KASEN INTERNATIONAL HOLDINGS LIMITED

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Kasen International Holdings Limited (the "Statement") which has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 as set out in the Company's published interim report for the period ended 30 June 2016, after making pro forma adjustments as set out in the notes below.

The Statement has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if it had taken place on 30 June 2016. It has been prepared on the basis of the notes set out below and is consistent with the accounting policies adopted by the Group.

The Statement has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of Kasen International Holdings Limited had the Acquisition been completed as at 30 June 2016 or at any future date.

The Statement should be read in conjunction with the historical information of the Group as set out in the published interim report of the Company for the year ended 30 June 2016 and other financial information included elsewhere in this circular.

(a) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2016	Audited statement of assets and liabilities of the Target Company as at 31 October 2016	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	
Non-current assets							
Property, plant and equipment	884,134	3,202					887,336
Prepaid lease payments – non-current portion	46,695	–					46,695
Intangible assets	424	909					1,333
Goodwill	–	–		688,049	(127,000)		561,049
Investment in a subsidiary	–	–	743,088	(743,088)			–
Deferred tax assets	64,919	–					64,919
Deposits paid for acquisition of land use rights	43,962	–					43,962
Prepaid deposits for acquisition of property, plant and equipment and intangible assets	–	247					247
	1,040,134	4,358					1,605,541
Current assets							
Available-for-sale investments	113,667	–					113,667
Inventories	69,147	–					69,147
Properties under development	2,789,065	–					2,789,065
Properties held for sale	1,389,564	–					1,389,564
Amount due from non-controlling interests of a subsidiary	20,000	–					20,000
Trade, bills and other receivables	1,070,372	1,815					1,072,187
Prepaid lease payments – current portion	1,271	467					1,738
Tax recoverable	8,401	4,653					13,054
Prepaid land appreciation tax	9,659	–					9,659
Pledged bank deposits	27,331	–					27,331
Restricted bank deposit for property development business	1,869	–					1,869
Bank balances and cash	128,086	144,933				(3,000)	270,019
	5,628,432	151,868					5,777,300
Assets of a disposal group classified as held for sale	1,411,188	–					1,411,188
	7,039,620	151,868					7,188,488

(a) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities – Continued

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2016	Audited statement of assets and liabilities of the Target Company as at 31 October 2016	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	
Current liabilities							
Trade, bills and other payables	1,577,842	48,306	200,000				1,826,148
Deposits received in respect of pre-sale of properties	889,052	–					889,052
Bank and other borrowings – due within one year	575,649	–					575,649
Exchangeable bonds	136,346	–					136,346
Tax payable	65,309	–					65,309
Amounts due to non-controlling interests of subsidiaries	151,174	–					151,174
	3,395,372	48,306					3,643,678
Liabilities of a disposal group classified as held for sale	994,542	–					994,542
	4,389,914	48,306					4,638,220
Net current assets	2,649,706	103,562					2,550,268
Total assets less current liabilities	3,689,840	107,920					4,155,809
Non-current liabilities							
Contingent consideration	–	–	543,088				543,088
Deferred tax liabilities	153,239	–					153,239
Bank and other borrowings – due after one year	295,127	–					295,127
	448,366	–					991,454
NET ASSETS	3,241,474	107,920					3,164,355
Capital and reserves							
Share capital	1,735	10,000		(10,000)			1,735
Reserves	3,136,342	97,920		(97,920)	(127,000)	(3,000)	3,006,342
Equity attributable to owners of the company	3,138,077	107,920					3,008,077
Non-controlling interests	103,397	–		52,881			156,278
TOTAL EQUITY	3,241,474	107,920					3,164,355

(b) Notes to Unaudited Pro Forma Consolidated Statement of Assets and Liabilities

1. The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 as set out in the Group's published interim results for the period ended 30 June 2016.

2. The balances are extracted from the audited statement of financial position of the Target Company as at 31 October 2016 as set out in Appendix III to this circular.

3. Pursuant to the Acquisition Agreement, the initial consideration for the Acquisition is RMB612,000,000 (subject to compensation ("Consideration Adjustment")) which is satisfied by the Group in the following manner:

Cash Consideration

(i) RMB200,000,000 will be paid by cash; and

Consideration Payable

(ii) RMB124,000,000 will be paid by three installments in cash after the issuance of annual reports for each of the first three financial years following the Completion of the Acquisition ("Relevant Periods"), as follows:

	RMB'000
First financial year following Completion ("First Relevant Period")	35,709
Second financial year following Completion ("Second Relevant Period")	41,066
Third financial year following Completion ("Third Relevant Period")	47,225
	124,000

Consideration Shares

(iii) RMB288,000,000 will be satisfied by way of allotment of a total of 342,857,143 consideration shares of the Company at the issue price of HK$1 (equivalent to RMB0.84) per Consideration Share which will be issued after the issuance of annual reports for each of Relevant Periods, as follows:

	Number of shares to be issued
First Relevant Period	98,734,958
Second Relevant Period	113,545,202
Third Relevant Period	130,576,983
	342,857,143

4. Consideration Adjustment provided that the Completion duly takes place in accordance with the Acquisition Agreement, in the event that the audited net profit after taxation of the Target Company for each of Relevant Periods is less than the following guaranteed profit of respective Relevant Periods, the Vendors shall compensate the Company in the following manner:

	Guaranteed Profit *RMB'000*
First Relevant Period	100,000
Second Relevant Period	115,000
Third Relevant Period	132,250
Total	347,250

(i) Compensation for Cash Consideration
(respective Guaranteed Profit – respective Actual Net Profit)
/total aggregate Guaranteed Profit x RMB200,000,000

(ii) Compensation for Consideration Payable
(respective Guaranteed Profit – respective Actual Net Profit)
/respective Guaranteed Profit x Consideration Payable
for respective Relevant Periods

(iii) Compensation for Consideration Shares
(respective Guaranteed Profit – respective Actual Net Profit)/
respective Guaranteed Profit x Consideration Shares
to be issued for respective Relevant Periods

5. International Financial Reporting Standard ("IFRS") 3 (Revised) "Business Combinations" ("IFRS 3 (Revised)") issued by the International Accounting Standards Board requires the consideration transferred in a business combination to be measured at fair value at the acquisition date. An analysis of the total estimated cost of the Acquisition assuming the Acquisition had taken place on 30 June 2016 is set out as follows:

	Face value	**Fair value as at 30 June 2016**
	RMB'000	*RMB'000*
Cash Consideration to be paid upon Acquisition (i)	200,000	200,000
Consideration Payable for Relevant Periods (i)	124,000	110,059
Consideration Shares to be issued for Relevant Periods (ii)	288,000	433,029
Total	612,000	743,088

(i) For the purpose of the Statement, the Cash Consideration and the Consideration Payable for Relevant Periods are determined based on the assessment of the probability of the contingent consideration under various scenarios as at 30 June 2016. As the Cash Consideration and the Consideration Payable at the date of Completion may be subsequently different from the assessment of the probability of the contingent consideration under various scenarios as at 30 June 2016, the fair values of the Cash Consideration and the Consideration Payable at the date of Completion may be different from those presented in the Statement. On the date of Completion, the fair value of the Consideration Payable will have to be reassessed.

A discount rate of 4.3% is used to determine the fair value of the Consideration Payable.

(ii) For the purpose of the Statement, the Consideration Shares to be issued for Relevant Periods represented the market price of the Company's share of HK$1.49 (equivalent to RMB1.263) as at 30 June 2016 multiplied by the number of Consideration Shares (342,857,143 shares) to be issued based on the assessment of the probability of the contingent consideration under various scenarios as at 30 June 2016. As the market price of the Company's shares at the date of Completion may be substantially different from the closing price of the Company's shares at 30 June 2016 and the number of Consideration Shares to be issued at the date of Completion may be subsequently different from the assessment of the probability of the contingent consideration under various scenarios as at 30 June 2016, the fair value of the Consideration Shares to be issued at the date of Completion may be different from those presented in the Statement. On the date of Completion, the fair value of the Consideration Shares to be issued will have to be reassessed.

6. The adjustment represents the elimination of the Target Company's share capital and reserves during the preparation of the Enlarged Group's unaudited pro forma consolidated statement of assets and liabilities.

The identifiable assets of the Target Company acquired by the Group are accounted for in the Statement at their fair values under the acquisition method in accordance with IFRS 3 (Revised).

	Note	*RMB'000*
Assumed fair value of the Consideration	*5*	743,088
Net assets of the Target Company	*(i)*	107,920
Less: Non-controlling interests of 49% in the Target Company		(52,881)
Net assets attributable to the Group		55,039
Goodwill	*(ii)*	688,049

(i) In the opinion of the directors of the Company, the fair values of the identified assets and liabilities of the Target Company approximate to their carrying amounts.

(ii) The adjustment represents the goodwill arising from the Acquisition provisionally determined based on the fair value of the identified assets and liabilities of the Target Company, the fair value of the Consideration on the date of Completion. For the purpose of the Statement, the goodwill of RMB688,049,000 arising from the Acquisition, which represents the amount by which the purchase consideration exceeds the fair value of the identified assets and liabilities of the Target Company to be acquired, is computed as if the transaction had been completed at 30 June 2016.

7. According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is, from the date of Completion, allocated to the Group's cash-generating units irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Further, impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the units, an impairment loss will be recognized by reducing the carrying amount of any goodwill allocated to the units at first.

For the purpose of the Statement, the Directors have assessed the goodwill impairment in accordance with International Accounting Standard 36 "Impairment of Assets" ("**IAS 36**"). The goodwill is allocated to the Target Company and its recoverable amount of approximately RMB1,218,000,000 is based on the value in use of the Target Company and determined with the assistance of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional qualified valuer not connected with the Target Company, using the income approach. The calculation uses cash flow forecast based on the recent financial budget for the next five years approved by the management of Target Company after considering the economic condition of the market, using discount rates of 20.3%. Cash flows after the five-year period were extrapolated using steady growth rate of 2%. Discounted rate is determined based on the following key data:

Risk free rate	2.95%
Market risk premium	9.81%
Size premium	3.74%
Liquidity premium	4.00%
Country premium	0.95%

Based on the recoverable amount of the Target Company of approximately RMB1,218,000,000, a pro forma impairment loss on goodwill of RMB127,000,000 is identified and firstly allocated fully to goodwill in the Statement. The impairment loss was attributable to the difference between the Company's issue share price of the Consideration Shares stipulated in the Acquisition Agreement compared to the share price as if completed on 30 June 2016. The Consideration Shares at issue price of HK$1 was arrived by the Company and the seller after arm's length negotiation and the Directors consider that the issue price to be fair and reasonable. As at 30 June 2016, the market price of the Company's share was HK$1.49, which is significantly higher than the Company's issue price of HK$1 as determined in the Acquisition Agreement. The fair value of the Cash Consideration, Consideration Payable, Consideration Shares and the identified net assets of the Target Company will be reassessed at the date of Completion and accordingly, the goodwill amount and goodwill impairment loss (if any) may be different from the amounts presented in the Statement.

The Directors of the Company will assess the goodwill impairment in accordance with IAS 36 at each end of future financial period and will adopt the same valuation methodology in measuring the recoverable amount of cash-generating unit to which the goodwill is allocated, on the basis of same kind of assumptions that represent the management's best estimate of the economic circumstances.

8. The adjustment represents estimated acquisition-related costs, including legal and professional fees and transaction costs of approximately RMB3,000,000 payable by the Group.

9. No adjustment has been made to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2016.

B. LETTER FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Kasen International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kasen International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes as set out on pages IV-1 to IV-10 of the Company's circular dated 14 March 2017 (the "Circular"), in connection with the proposed acquisition of Hunan Province Zhongnan Stamp Trading Center Co., Ltd. (the "Proposed Acquisition") by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-10 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2016 as if the Proposed Acquisition had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's interim report for the six months ended 30 June 2016, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours, faithfully,

BDO Limited
Certified Public Accountants
Hong Kong,
14 March 2017

VALUATION REPORT

CONSIDERING

THE FAIR VALUE

OF

100 PERCENT EQUITY VALUE

IN

HUNAN PROVINCE ZHONGNAN STAMP TRADING CENTER CO., LTD.

Client : **KASEN INTERNATIONAL HOLDINGS LIMITED**
Report Date : **14 March 2017**

14 March 2017

The Board of Directors
Kasen International Holdings Limited
Building 1, 236 Haizhou Road West
Haining City
Zhejiang Province 314400
The People's Republic of China

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity value of Hunan Province Zhongnan Stamp Trading Center Co., Ltd. ("Zhongnan" or the "Company") as at 31 October 2016 (the "Valuation Date"). The report which follows is dated 14 March 2017 (the "Report Date").

The purpose of this valuation is to express an independent opinion on the fair value of the Company as at the Valuation Date for circular reference.

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*".

In arriving at our assessed value for the equity value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach. In our opinion, the income approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the incomes approach technique known as discounted cash flow method to devolve the future value of the business into a present market value. However, the forecast of the future cash flow of the Company is not reasonably reliable because the company was founded less than two years with very short operation history. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. We have therefore relied solely on the market approach in determining our opinion of value.

As part of our analysis, we have been furnished with information prepared by the Company regarding the subject business. We have relied to a considerable extent on such information in arriving at our opinion of value.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the businesses. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity value in the Company as at the Valuation Date is reasonably stated as below:

Valuation Date	Fair Value of 100% Equity Value
31 October 2016	RMB1,268,044,295

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M. K. Chan
Regional Director

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INTRODUCTION

This report has been prepared in accordance with instructions from Kasen International Holdings Limited to express an independent opinion of the fair value of 100 percent equity value in Hunan Province Zhongnan Stamp Trading Center Co., Ltd ("Zhongnan" or the "Company") as at 31 October 2016 (the "Valuation Date"). The report which follows is dated 14 March 2017 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is for Circular Reference.

BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*".

We have conducted our valuation in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

Company Background

Hunan Province Zhongnan Stamp Trading Center Co. Ltd. ("Zhongnan" or the "Company") is held by LHLG Cultural Equity Exchange Co., Ltd ("LHLG"), which LHLG is the subsidiary company of Hunan Daily Press Group ("湖南日報報業集團"). The Company was founded in 28 November 2014 in Hunan, and jointly invested by LHLG Cultural Equity Exchange Co., Ltd. ("聯合利國文化產權交易所有限公司"), Jiangsu Jinhanqi Electronic Commerce Co., Ltd. ("江蘇金翰麒電子商務有限公司"), Xinling Su ("蘇心靈"), Jun Zhou ("周軍"), Aimin Kong ("孔愛民"), and Hongbo Guo ("郭宏波").

Zhongnan is principally engaged in matching buyers and sellers of authenticated stamps through electronic online platform for artists, art dealers, and art investors. The company's platform is an all-electronic trading system. It is also engaged in selling cultural and art collections, providing investment consulting services, authentication services, and convention services.

SOURCES OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents received include, but were not limited to:

- Financial statements of the company for period from 2014 to 31 October 2016
- Audit report for the year of 2015
- Corporate structure of the company
- Company Introduction
- Company business registration number and related information

Other sources of information included:

- We have held discussions with the management of the Company regarding the operational and the condition of the Company. We believe that the information provided is reliable.

METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

In our opinion, the income approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the income approaches technique known as discounted cash flow method to devolve the future value of the business into a present market value. However, the forecast of the future cash flow of the Company is not reasonably reliable because the company was founded less than two years with very short operation history. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. We have therefore relied solely on the market approach in determining our opinion of value. We applied P/E, P/B, and P/S multiples, which are calculated by using comparable companies' financial statements, to determine the fair value of the company and then taken into account of market illiquidity discount and control premium as the appropriate adjustments.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

The following key assumptions in determining the fair value of the equity value have been made:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Company.
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored.
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge.
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Summary of Market Approach

Listed comparable companies

We have considered the information of certain listed comparable companies which are engaged in operation of electronic platform, exchange, and clearing house as the below table.

Comparable Company	**Ticker**
Takung Art Co Ltd	TKAT
London Stock Exchange Group Plc	LSE
Plus500 Ltd	PLUS
Hong Kong Exchanges and Clearing Limited	388
Intercontinental Exchange Inc.	ICE
CBOE Holdings, Inc.	COBE
Japan Exchange Group Inc.	8697
CME Group Inc.	CME
MarketAxess Holdings Inc.	MKTX
Nasdaq Inc.	NDAQ

We have selected Comparable Companies based on similarity of business nature and profitability. The industry that Target Company entered is an emerging industry and with limited listed comparable company. Therefore we add stock exchange related list co. as comparable companies, which is similar to Target Company's electronic trading platform. Moreover, the profitability of the Target Company is similar to our selected comparable companies, in terms of Operating Margin and Net Profit Margin. To the best of our knowledge, the companies listed are the most relevant companies for comparison with the Target Company in terms of business nature, business scope and profitability.

For details of the description for the comparable companies please refer to Exhibit C.

Multiple data from comparable companies as at the Valuation Date

Ticker	**P/E**	**P/B**	**P/S**
TKAT	9.06	4.91	3.67
LSE	40.89	3.41	6.57
PLUS	10.64	8.72	3.72
388	36.59	7.82	23.72
ICE	21.66	2.13	7.86
COBE	27.01	20.01	8.37
8697	20.14	3.43	7.63
CME	25.46	1.68	10.11
MKTX	54.96	13.91	17.64
NDAQ	20.45	1.98	3.19
Adopted Multiples	19.2	6.8	9.25

Note:

Adopted multiples are calculated as average multiples of comparable companies and outliers excluded.

The outlier defines as an observation that lies an abnormal distance from majority multiples. In this case, P/E ratios of LSE, 388, and MKTX were identified as outliers.

Financial Data from the Company

Accumulated Net Income of past 12 months as at valuation date	Book Value at the valuation date	Accumulated Revenue of past 12 months as at valuation date
76,542,080.49	117,002,328.18	138,740,281.11

Note: 2016 annualized financial parameters estimated by using accumulated financials from November 2015 to October 2016.

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

A discount for lack of marketability (DLOM) is a method used to calculate the value for closely held and restricted shares. The theory behind DLOM is that discounts exist between the value of a company's marketable stock and not marketable stock. Therefore, a value reduction will apply.

The Company does not have IPO Plan as at the Valuation Date, thus we refer to the article "Discount for lack of Marketability, Job Aid for IRS Valuation Professionals 2009" to derive the DLOM.

Since the Company's accumulated revenue for the past of 12 months as at valuation date falls within the range between $10 – $30 million US dollars, discount of 15.3% is used as a proxy for DLOM as at the Valuation Date.

Lower range of 15.3% was adopted because the industry is an emerging industry and it has specific characteristics.

Large scale of M&A would likely to occur if the market is emerging market and numerous of homogeneous competitors. Based on the article "How Emerging Giants Are Rewriting the Rules of M&A" published on Harvard Business Review, among different firms' goals of M&A of emerging market, one of goals is focusing on market integration, which company has to fast-expanding to quickly gain market shares. Another goal is business process integration. By acquire subject companies, it allows companies to cost effectively integrate upstream and downstream of value chain or cross border. (Kumar, 2009)

According to the 2016 Industry annual report issued by BEIJING WENJIAO WORLD CULTURE DEVELOPMENT CO., LTD (北京文交世界文化發展有限公司), there is 125 Stamp, Coin, and Card Exchanges opened and operating in China. With year-on-year comparison, 63 exchanges were grand opened. With the dense opening of Stamp, Coin, and Card Exchanges, trading Coins and Stamps is becoming an emerging market. As emerging market, firms are facing fierce competition and integration. We have seen the trend of mergers & acquisitions took place. As quick researched and scanned news on the internet, the year of 2015 is the starting year of Coin, Stamp, and Card market with zero M&A transactions. In 2016, four M&A transactions took place. Hence, due to the high competition and active coins and stamps market in China as substantiated by the significant growth on number of new companies, it is assumed mergers & acquisitions will likely to continue and be active in the foreseeable nearby future;

Considering mergers & acquisitions will likely to continue and be active, which implies potentially high liquidity of Zhongnan, the lower DLOM discount is reasonably considered to be adopted.

Reference – Management Planning Study data

Analysis of Restricted Stock Discounts by Revenue Size

Revenues	Number of Observations	Average Revenues ($ million)	Average Discounts	Range of Discounts Low	High
Under $10 million	14	$6.6	32.9%	2.8%	57.6%
$10 – $30 million	11	$22.5	30.8%	15.3%	49.8%
$30 – $50 million	10	$33.5	25.2%	5.2%	46.3%
$50 – $100 million	8	$63.5	19.4%	11.6%	29.3%
Over $100 million (adjusted)*	4	$224.9	14.9%	0.0%	24.1%
Overall sample averages		$47.5	27.7%	0.0%	57.6%
Totals	47				
*Over $100 million (actual calculation)	2	$187.1	25.1%	0.0%	46.5%
Totals	49				

Excludes Sudbury Holdings, Inc., whose private placement consisted of 125% of the pre-transaction shares outstanding.

Excludes Starrett Housing Corp., which is one of the five most thinly traded companies in the sample.

Sources: Quantifying Marketability Discounts, by Z. Christopher Mercer, ASA, CFA, Peabody Publishing, LP, 1997, Kumar, N. (2009). How Emerging Giants Are Rewriting the Rules of M&A. Harvard Business Review. Figure 12-1, page 346. Job Aid for IRS Valuation Professionals.

CONTROL PREMIUM

Another factor to be considered in valuing closely held companies is the control premium. Control premium is the amount that an investor is willing to pay over the market price of a company in order to acquire a controlling share. Controlling share defined as "*Holding by one person or group of at least 51% of the stock of a business, giving the holder a mean of exercising control*".

Control premium was derived from Bloomberg by search for M&A transactions based on the similarity of business nature with the Target Company.

We have selected 4 merger and acquisition transactions through Bloomberg to determine the control premium that we can apply.

We are of the opinion that average of 26.57% is used as a proxy for control premium as at the Valuation Date.

Target Name	Announce Date	Deal Status	Percent Sought	Percent Owned	Target Industry Sector	Announced Premium
London Stock Exchange Group PLC	23/02/2016	Pending	100%	0%	Financial	11.15%
Japan Exchange Group Inc	22/11/2011	Completed	67%	0%	Financial	22.65%
Montreal Exchange Inc	10/12/2007	Completed	100%	0%	Financial	21.92%
CBOT Holdings Inc	17/10/2006	Completed	100%	0%	Financial	50.55%
		Average Control Premium (Outliers Excluded)				**26.57%**

Note: source from Bloomberg

VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, project documentation and other pertinent data concerning the project as has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this study.

In arriving at our assessed value, we have only considered the core business of the Company. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, etc. in the valuation model.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

RISK FACTORS

Economic considerations

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven geographically and rose among different sectors of the economy. There is no assurance that the expected economic growth will be realized and future social and economic changes in the PRC will be favorable to the Company. The competition in the industry may have adverse effect on the operating performance of the Company and hence affect the value of the business.

Changes in political, economic and regulatory environment in the PRC

The Company is subject to various laws and regulations governing its operations in the PRC. Future political and legal changes in the PRC might have either favorable or unfavorable impacts on the Company.

OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity value in the Company as at the Valuation Date is reasonably stated as below:

Valuation Date	Fair Value of 100% Equity Value
31 October 2016	RMB1,268,044,295

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as included in Exhibit A of this report.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Regional Director

EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Company/engagement parties and our reports were only used as part of the Company's/ engagement parties' analysis in reaching their conclusion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required; the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, and those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments; the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction price purpose in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

EXHIBIT B – VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards Council published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report.

  Simon M. K. Chan
  Regional Director

  Michael Q. Ding
  Local Director

  Vanessa X. Yu
  Assistant Manager

  Jay X.Y. Zhu
  Analyst

EXHIBIT C – COMPARABLE COMPANIES

Company	Ticker	Market	Company Description
Takung Art Co Ltd	TKAT	US Equity	Takung Art Co., Ltd., formerly Cardigant Medical Inc., is a holding company. The Company, through HongKong Takung Assets and Equity of Artworks Exchange Co., Ltd. (HongKong Takung), and its subsidiaries, operates an electronic online platform located at www.takungae.com for artists, art dealers and art investors to offer and trade in artwork. Through HongKong Takung and its subsidiaries Takung (Shanghai) Co., Ltd and Takung Cultural Development (Tianjin) Co. Ltd, the Company offers on-line listing and trading services that allow artists/art dealers/owners to access an art trading market where they can engage with a range of investors. Its platform also makes investment in high-end and artwork accessible to ordinary people without financial resources. The Company's platform is an all-electronic trading system, which consists of host computers, client-side terminals and related communication system. Its trading system supports the trading and payment, and settlement of artwork units.
London Stock Exchange Group Plc	LSE	LN Equity	London Stock Exchange Group plc is engaged in infrastructure and capital markets businesses. The Company's segments include Capital Markets, Post Trade Services CC&G and Monte Titol, Post Trade Services LCH Clearnet, Information Services, Technology Services and Other. Its business activities include Capital Formation, Risk and Balance Sheet Management and Intellectual Property. Through its platforms, it offers market participants, including retail investors, institutions, and small and medium-sized enterprises, access to Europe's capital markets. It is also engaged in offering indexing and analytic solutions. It also provides customers with a range of real time and reference data products, as well as reporting, reconciliation and confirmation services. It is a developer and operator of technology solutions, including trading, market surveillance and post trade systems. Its other services include network connectivity, hosting, and assurance testing.

Company	Ticker	Market	Company Description
Plus500 Ltd	PLUS	LN Equity	Plus500 Ltd is an Israel-based online provider of Contracts for Difference (CFDs). The Company develops and operates an online trading platform for retail customers to trade CFDs internationally over more than 2,200 different underlying global financial instruments comprising equities, indices, commodities, options, exchange-traded funds (ETFs) and foreign exchange. The Company enables retail customers to trade CFDs in more than 50 countries and in over 30 languages. The Company's trading platform is accessible from multiple operating systems, such as Windows, smartphones (iOS, Android and Windows Phone), tablets (iOS, Android and Surface), Apple Watch and web browsers. The Company conducts operations in the European Economic Area (EEA), Gibraltar, Australia and certain other jurisdictions across Asia, the Middle East and elsewhere. Its subsidiaries include Plus500UK, Plus500AU, Plus500CY and Plus500IL.
Hong Kong Exchanges and Clearing Limited	388	HK Equity	Hong Kong Exchanges and Clearing Limited operates in the financial market across the globe. The Company's segments include Cash, which includes various equity products traded on the Cash Market platforms and the Shanghai Stock Exchange; Equity and Financial Derivatives, which refers to derivatives products traded on Hong Kong Futures Exchange Limited and The Stock Exchange of Hong Kong Limited and other related activities; Commodities, which refers to the operations of The London Metal Exchange; Clearing, which refers to the operations of various clearing houses, such as Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited, OTC Clearing Hong Kong Limited and LME Clear Limited; Platform and Infrastructure, which refers to all services in connection with providing users with access to the platform and infrastructure of the Company and its subsidiaries, and Corporate Items.

Company	Ticker	Market	Company Description
Intercontinental Exchange Inc	ICE	US Equity	Intercontinental Exchange, Inc., formerly IntercontinentalExchange Group, Inc., is an operator of regulated exchanges, clearing houses and listings venues. The Company provides data services for commodity and financial markets. The Company operates in the United States, the United Kingdom, continental Europe, Asia, Israel and Canada. The Company operates regulated marketplaces for trading and clearing a range of derivatives and securities contracts across asset classes, including energy and agricultural commodities, interest rates, equities, equity derivatives, credit derivatives, bonds and currencies. The Company provides various services to its customers, such as pre-trade to execution, clearing, data services and technology. The Company's exchanges include futures exchanges in the United States, the United Kingdom, continental Europe, Canada and Singapore, and cash equities exchanges and equity options exchanges in the United States.
CBOE Holdings, Inc	COBE	US Equity	CBOE Holdings, Inc. is a holding company. The Company's principal business is operating markets that offer for trading options on various market indexes (index options), on an exclusive basis and futures contracts, as well as on non-exclusive multiply listed options, such as options on the stocks of individual corporations (equity options), and options on other exchange-traded products (ETP options), such as exchange-traded funds (ETF options) and exchange-traded notes (ETN options). The Company operates over three stand-alone exchanges. The Company's subsidiary, Chicago Board Options Exchange, Incorporated (CBOE), is its options market that offers trading in listed options through a single system that integrates electronic trading and open outcry trading. The options contracts listed for trading include options on indexes, equities and ETPs. In addition, the Company provides a marketplace for trading futures contracts through its subsidiary, CBOE Futures Exchange, LLC.

Company	Ticker	Market	Company Description
Japan Exchange Group Inc	8697	JP Equity	Japan Exchange Group, Inc. is primarily engaged in the opening and operation of financial instruments exchange markets opened by Tokyo Securities Exchange Co., Ltd. and Osaka Securities Exchange Co., Ltd. It operates in both spot market and derivatives market. In spot market, it provides a variety of one-stop products, including Japanese stock index, foreign equity index, precious metals, commodities such as agricultural crops, products that link to REIT index performance, products linked to the performance of a leveraged index or inversed index, among others. In derivatives market, it provides index futures trading, index options trading, government bond futures trading, government bond futures options trading, securities options trading and foreign exchange margin trading. It also provides various market information, such as public information, and corporate action information. As of March 31, 2014, the Company had five consolidated subsidiaries and three associated companies.
CME Group Inc	CME	US Equity	CME Group Inc. is a provider of products across all major asset classes, based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities and metals. The Company's products include both exchange-traded and privately negotiated futures and options contracts and swaps. The Company connects buyers and sellers together through its CME Globex electronic trading platform across the globe and its open outcry trading facilities in Chicago and New York City. Its CME Direct technology offers side-by-side trading of exchange-listed and privately negotiated markets. The Company provides clearing and settlement services for exchange-traded contracts, as well as for cleared swaps, and provides regulatory reporting solutions for market participants through its global repository services in the United States, United Kingdom, Canada and Australia. It offers a range of market data services, including live quotes, delayed quotes, market reports and a historical data service.

Company	Ticker	Market	Company Description
MarketAxess Holdings Inc.	MKTX	UW Equtiy	MarketAxess Holdings Inc. (MarketAxess) is an electronic trading platform. The Company operates as an electronic multi-party platform for the trading of fixed-income securities and provides related data, analytics, compliance tools and post-trade services. The Company's multi-dealer trading platform allows its institutional investor clients to request bids or offers from its broker-dealer clients and execute trades with the broker-dealer of their choice from among those that choose to respond. The Company offers its broker-dealer clients a solution that allows them to reach institutional investor clients for the distribution and trading of bonds. The Company's trading platform provides access to global liquidity in the United States high-grade corporate bonds, emerging markets and high-yield bonds, European bonds, the United States agency bonds, credit derivatives and other fixed-income securities.
Nasdaq Inc	NDAQ	US Equity	Nasdaq, Inc. (Nasdaq), formerly The NASDAQ OMX Group, Inc., is a holding company. The Company is a provider of trading, clearing, exchange technology, regulatory, securities listing, information and public company services across approximately six continents. The Company manages, operates and provides its products and services through four segments: Market Services, Listing Services, Information Services and Technology Solutions. Its Market Services segment includes its equity derivative trading and clearing, cash equity trading, fixed income, currency and commodities trading and clearing (FICC), and access and broker services businesses. Its Listing Services segment includes its United States and European Listing Services businesses. Its Information Services segment includes its Data Products and Index Licensing and Services businesses. Its Technology Solutions segment includes Corporate Solutions and Market Technology businesses.

Note: Source from Bloomberg

EXHIBIT D – MARKET APPROACH MODEL

Valuation Date: 31 October 2016

Comparable Company	Ticker	P/E	P/B	P/S
Takung Art Co Ltd	TKAT	9.06	4.91	3.67
London Stock Exchange Group Plc	LSE	40.89	3.41	6.57
Plus500 Ltd	PLUS	10.64	8.72	3.72
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Japan Exchange Group Inc	8697	20.14	3.43	7.63
CME Group Inc	CME	25.46	1.68	10.11
MarketAxess Holdings Inc.	MKTX	54.96	13.91	17.64
Nasdaq Inc	NDAQ	20.45	1.98	3.19

Notes: Average P/E, P/B, and P/S of each comparable company were calculated by using past 3 months records as of valuation date.

Multiples	P/E	P/B	P/S
Maximum of Comparable company multiple	54.96	20.01	23.72
Average of comparable company multiple (Outliers Excluded)	19.20	6.80	9.25
Minimum of comparable company multiple	9.06	1.68	3.19

Average multiples of P/E, P/B, and P/S of comparable companies are adopted to determine 100% equity value.

Multiples in red were determined as outliers

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
Less: Discount for Lack of Marketability	15.30%	224,886,661.33	121,724,501.55	196,315,909.77
Subtotal		1,244,960,798.35	673,860,475.92	1,086,794,611.60
Add: Control Premium	26.57%	330,754,960.10	179,027,881.94	288,734,158.44
Target Company Fair Value ('RMB)		1,575,715,758.45	852,888,357.86	1,375,528,770.04
Average Target Company 100% equity value ('RMB)				¥ 1,268,044,295.45

EXHIBIT E – SENSITIVITY ANALYSIS

DLOM	Percentage Change	DLOM after Change	Equity Value
15.30%	-20%	12.24%	1,313,855,577
15.30%	-10%	13.77%	1,290,949,936
15.30%	0%	15.30%	1,268,044,295
15.30%	10%	16.83%	1,245,138,655
15.30%	20%	18.36%	1,222,233,014

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
DLOM	12.24%	179,909,329.06	97,379,601.24	157,052,727.82
Control Premium	26.57%	342,704,312.85	185,495,713.33	299,165,404.30
Target Company Fair Value *('RMB)*		1,632,642,443.46	883,701,089.56	1,425,223,197.86
Average Target Company 100% equity value *('RMB)*				**1,313,855,576.96**

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
DLOM	13.77%	202,397,995.20	109,552,051.40	176,684,318.79
Control Premium	26.57%	336,729,636.48	182,261,797.64	293,949,781.37
Target Company Fair Value *('RMB)*		1,604,179,100.95	868,294,723.71	1,400,375,983.95
Average Target Company 100% equity value *('RMB)*				**1,290,949,936.20**

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
DLOM	15.30%	224,886,661.33	121,724,501.55	196,315,909.77
Control Premium	26.57%	330,754,960.10	179,027,881.94	288,734,158.44
Target Company Fair Value *('RMB)*		1,575,715,758.45	852,888,357.86	1,375,528,770.04
Average Target Company 100% equity value *('RMB)*				**1,268,044,295.45**

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
DLOM	16.83%	247,375,327.46	133,896,951.71	215,947,500.75
Control Premium	26.57%	324,780,283.73	175,793,966.25	283,518,535.50
Target Company Fair Value *('RMB)*		1,547,252,415.94	837,481,992.01	1,350,681,556.13
Average Target Company 100% equity value *('RMB)*				**1,245,138,654.69**

Financial Figures		P/E Accumulated Net Income of past 12 months as at valuation date	P/B Book Value at the valuation date	P/S Accumulated Revenue of past 12 months as at valuation date
		76,542,080.49	117,002,328.18	138,740,281.11
Average Multiples		19.20	6.80	9.25
Target Company 100% equity value (Before DLOM and Control Premium)		1,469,847,460	795,584,977	1,283,110,521
DLOM	18.36%	269,863,993.60	146,069,401.86	235,579,091.72
Control Premium	26.57%	318,805,607.35	172,560,050.55	278,302,912.57
Target Company Fair Value *('RMB)*		1,518,789,073.43	822,075,626.16	1,325,834,342.22
Average Target Company 100% equity value *('RMB)*				**1,222,233,013.94**

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

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

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

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

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 and 26 May 2015, respectively.

		Number of share option							
Name of Director	Exercise price *HK$*	Outstanding as at 1 January 2016	Granted from 1 January 2016 to the Latest Practicable Date	Lapsed from 1 January 2016 to the Latest Practicable Date	Exercised from 1 January 2016 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	*Notes*
Zhu Zhangjin	2.38	1,000,000	–	(1,000,000)	–	–	–	1/1/2007 to 8/3/2016	1, 4, 5
	2.38	1,000,000	–	(1,000,000)	–	–	–	1/1/2008 to 8/3/2016	2, 4, 5
	1.37	1,000,000	–	–	–	1,000,000	0.06%	1/1/2016 to 25/5/2025	3, 4, 5
		3,000,000	–	(2,000,000)	–	1,000,000	0.06%		

Notes:

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

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

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

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

5. 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 *(Note)*	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:

1. 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).

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

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

Name of Shareholder	Subsidiary	Nature of interest	Percentage of interest in subsidiaries
Zhejiang Zhongyu Trading Investment Development Co., Ltd. (浙江中宇經貿投資發展有限公司)	Hainan Sanya Kasen Property Development Co., Ltd[1] (海南三亞卡森置業有限公司)	Beneficial	23%
Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司)	Hainan Boao Kasen Property Development Co., Ltd.[2] (海南博鰲卡森置業有限公司)	Beneficial	8%
Hangzhou Anwei Industrial and Investment Co., Ltd. (杭州安維實業投資有限公司)	Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.[3] (長白山保護開發區卡森置業有限公司)	Beneficial	8%
Juxing Holdings Co., Ltd. (巨星控股集團有限公司)	Hangzhou Xinanjiang Hot Spring Development Co., Ltd.[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:

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

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

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

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

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

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 Enlarged 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 Enlarged 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 Enlarged 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 23 January 2015 entered into between the Company and Xiangyuan Group Company Limited 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;

(ii) 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;

(iii) the agreement dated 26 January 2016 entered into between Zhejiang Kasen 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;

(iv) the agreement dated 1 February 2016 entered into by the Company, Cardina International Company Limited (a wholly-owned subsidiary of the Company), Zhejiang Kasen, Ms. Zhu Jiayun, Ms. Zhu Lingren and Mr. Zhu in relation to the disposal of the entire equity interest of 海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), 海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), 海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), 鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*), 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*), 無極卡森實業有限公司 (Wuji Kasen Industrial Company Limited*) and 海寧卡森汽車內飾材料有限公司 (Haining Kasen Automotive Interior Materials Company Limited*);

(v) the agreement dated 12 September 2016 entered into between the Company, Hero Time Ventures Limited and 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*) in relation to the guarantee provided by the Group to 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*) 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;

(vi) the agreement dated 12 September 2016 entered into between the Company, Mr. Zhu, Ms. Zhu Jiayun, Ms. Zhu Lingren, 海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*), 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*) in relation to the guarantee provided by the Group to 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*) up to the amount of proposed annual caps (the "**Annual Caps**") in respect of bank facilities (details of which are disclosed in this circular of the Company dated 4 October 2016) and the counter guarantee provided by Mr. Zhu, 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*) to fully indemnify the Company up to the amount of the Annual Caps;

(vii) the ZN Stamp Agreement; and

(viii) the GV Agreement.

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	**Qualification**
BDO Limited	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer
V&T Law Firm	PRC legal adviser

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

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

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

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 Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged 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 interim report of the Company for the six months ended 30 June 2016;

(c) the annual reports of the Company for each of the three years ended 31 December 2015;

(d) the accountants' report on the Target Company as set out in Appendix III to this circular;

(e) the report on the unaudited pro forma financial statements on the Enlarged Group as set out in Appendix IV to this circular;

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

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

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

(i) a copy of this circular.

KASEN INTERNATIONAL HOLDINGS LIMITED
卡 森 國 際 控 股 有 限 公 司

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

(Stock Code: 496)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Kasen International Holdings Limited (the "**Company**") will be held at 9:30 a.m. on Wednesday, 29 March 2017 at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) the conditional sale and purchase agreement dated 21 December 2016 (the "**ZN Stamp Agreement**", details of which are disclosed in the circular of the Company dated 14 March 2017 (the "**Circular**")) entered into amongst (i) 浙江卡森實業集團有限公司 (Zhejiang Kasen Industrial Group Company Limited*) as purchaser (the "**Purchaser**"), a wholly-owned subsidiary of the Company; (ii) 江蘇金翰麒電子商務有限公司 (Jiangsu Jinhanqi E-Commerce Company Limited*) ("**Jiangsu Jinhanqi**") as one of the vendors; (iii) 郭宏波 (Guo Hong Bo) ("**Mr. Guo**") as one of the vendors; and (iv) 湖南省中南郵票交易中心有限公司 (Hunan Province Zhongnan Stamp Trading Center Company Limited*) (the "**Target Company**"), in relation to the sale and purchase of an aggregate of 27% of the equity interest in the Target Company (the "**ZN Stamp Acquisition**") for an aggregate consideration of RMB324,000,000, subject to adjustments to be made in accordance with the ZN Stamp Agreement (a copy of ZN Stamp Agreement has been produced at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified, and THAT all the transactions contemplated under the ZN Stamp Agreement be and are hereby approved;

(b) the conditional sale and purchase agreement dated 21 December 2016 (the "**GV Agreement**", details of which are disclosed in the circular of the Company dated 14 March 2017 (the "**Circular**")) entered into amongst (i) the Company as purchaser; (ii) 孔愛民 (Kong Ai Min) ("**Mr. Kong**"); (iii) 周軍 (Zhou Jun) ("**Mr. Zhou**"); (iv) Haoju Investments Limited ("**Haoju Investments**"), a company wholly-owned by Mr. Zhou, as one of the vendors; (v) Hao Shun Investments Limited ("**Hao Shun Investments**", together with Haoju Investments, the "**GV Vendors**"), a company wholly-owned by Mr. Kong, as one of the vendors; (vi) Green Vantage International Limited ("**Green Vantage**"); (vii) 中國郵票交易中心有限公司 (China Stamp Trading Center Company Limited*), a wholly-owned subsidiary of Green Vantage; and (viii) the Target Company, in relation to the sale and purchase of an aggregate of 100% of the issued share capital of the Green Vantage (the "**GV Acquisition**") for an aggregate consideration of RMB288,000,000, subject to adjustments to be made in accordance with the GV Agreement (a copy of GV Agreement has been produced at the meeting marked "B" and signed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified, and THAT all the transactions contemplated under the GV Agreement be and are hereby approved (including but not limited to the allotment and issue to the GV Vendors of a maximum of 342,857,143 ordinary shares of US$0.00015 each in the share capital of the Company (the "**Share(s)**") at the issue price of HK$1.00 ("**Consideration Shares Issue Price**") each credited as fully paid up and ranking *pari passu* with the existing issued Shares, in settlement of the consideration for the GV Acquisition ("**Consideration Shares**"), pursuant to the GV Agreement);

(c) subject to the fulfillment of the conditions precedent as set out in the GV Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company ("**Director(s)**") be and are hereby specifically authorised to allot and issue the Consideration Shares, credited as fully paid, to the GV Vendors in accordance with the terms and conditions of the GV Agreement; and

(d) any one of the Directors be and is hereby authorised to do all such acts and things and execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, each of the ZN Stamp Agreement and the GV Agreement, and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the ZN Stamp Agreement and the GV Agreement and any other transactions contemplated under or incidental to the ZN Stamp Agreement and the GV Agreement.

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

PRC, 14 March 2017

Notes:

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

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

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

* *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 Ms. Shen Jianhong; the independent non-executive Directors are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.