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

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

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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

- (1) MAJOR TRANSACTION IN RELATION TO
THE 2021 HHD MASTER AGREEMENT;**
- (2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE 2021 CCT MASTER AGREEMENT;
AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**中毅資本有限公司
Grand Moore Capital Limited**

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

A notice convening the EGM to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Thursday, 30 December 2021 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 branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

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DEFINITIONS

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

“2016 CCT Master Agreement”	the master agreement dated 12 September 2016 entered into between the Company, the CCT Counter Guarantors, the CCT Group and Haining Kasen Leather in relation to the provision of guarantee by the Group to the CCT Group and Haining Kasen Leather and counter guarantee by the CCT Counter Guarantors to the Company
“2016 HHD Master Agreement”	the master agreement dated 12 September 2016 entered into among the Company, Hero Time and Haining Home Direct in relation to the provision of certain guarantee by the Group to Haining Home Direct, and counter guarantee by Hero Time to the Company
“2018 CCT Master Agreement”	the master agreement dated 20 November 2018 entered into between the Company, the CCT Counter Guarantors, the CCT Group and Haining Kasen Leather in relation to the provision of guarantee by the Group to the CCT Group and Haining Kasen Leather and counter guarantee by the CCT Counter Guarantors to the Company
“2018 HHD Master Agreement”	the master agreement dated 20 November 2018 entered into among the Company, Hero Time and Haining Home Direct in relation to the provision of certain guarantee by the Group to Haining Home Direct, and counter guarantee by Hero Time to the Company
“2021 CCT Master Agreement”	the master agreement dated 17 November 2021 entered into among the Company, the CCT Counter Guarantors and the CCT Group in relation to the CCT Master Guarantee and the CCT Counter Guarantee
“2021 Haining Renewal Agreement”	the agreement dated 17 November 2021 entered into between the Company and Haining Yujie in relation to the sale of production wastes by the Group to Haining Yujie
“2021 HHD Master Agreement”	the master agreement dated 17 November 2021 entered into among the Company, Hero Time and Haining Home Direct in relation to the HHD Master Guarantee and HHD Counter Guarantee
“associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Board”	the board of Directors
“CCT Counter Guarantee”	the counter guarantee provided by the CCT Counter Guarantors to fully indemnify the Company up to the amount of the annual caps under the 2021 CCT Master Agreement
“CCT Counter Guarantors”	collectively, Mr. Zhu, Ms. Zhu Jiayun, Ms. Zhu Lingren and Lingjia New Material
“CCT Group”	collectively, Haining Schinder and Dafeng Huasheng, which formed part of the Disposal Group
“CCT Master Guarantee”	the guarantee provided by the Group to the CCT Group up to the amount of the annual caps under the 2021 CCT Master Agreement
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dafeng Huasheng”	鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*), a company established under the laws of the PRC with limited liability and being part of the Disposal Group
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire interest of the Disposal Group by the Group to the Purchasers
“Disposal Group”	collectively, Haining Kasen Leather, Haining Schinder, Haining Home Direct, 海寧森美貿易有限公司 (Haining Senmei Trading Company Limited*), Dafeng Huasheng, 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*)

DEFINITIONS

“EGM”	the extraordinary general meeting to be held and convened on Thursday, 30 December 2021 by the Company to consider and, if thought fit, approve the 2021 HHD Master Agreement, the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps
“Group”	the Company and its subsidiaries
“Haining Home Direct”	海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“Haining Kasen Leather”	海寧卡森皮革有限公司 (Haining Kasen Leather Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“Haining Schinder”	海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*), a company established under the laws of the PRC with limited liability, and being part of the Disposal Group
“Haining Yujie”	海寧宇潔物資回收有限公司 (Haining Yujie Material Recycling Company Limited*), a company established in the PRC
“Hero Time”	Hero Time Ventures Limited, a company incorporated in the Republic of Seychelles with limited liability
“HHD Counter Guarantee”	the counter guarantee provided by Hero Time to fully indemnify the Company for the HHD Guarantee Amount
“HHD Guarantee Amount”	up to RMB370.0 million
“HHD Master Guarantee”	the guarantee provided by the Group to Haining Home Direct for the HHD Guarantee Amount
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, which has been formed for the purpose of advising the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Grand Moore Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps
“Independent Shareholder(s)”	Shareholders other than those who have material interest in the 2021 CCT Master Agreement and the transactions contemplated thereunder and are required to abstain from voting at the EGM
“Latest Practicable Date”	7 December 2021, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
“Lingjia New Material”	海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*), a company established under the laws of the PRC with limited liability and is 63.36% owned by Ms. Zhu Jiayun and Ms. Zhu Lingren as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Zhangjin, being a Director and a controlling shareholder of the Company
“Ms. Zhu Jiayun”	Ms. Zhu Jiayun, being the elder daughter of Mr. Zhu
“Ms. Zhu Lingren”	Ms. Zhu Lingren, being the younger daughter of Mr. Zhu

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchasers”	Ms. Zhu Jiayun and Ms. Zhu Lingren
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of US\$0.00015 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Sunbridge”	浙江聖邦實業集團有限公司 (Zhejiang Sunbridge Industrial (Group) Co., Ltd.*), a company incorporated in the PRC
“Vendor A”	Cardina International Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Vendor B”	浙江卡森實業集團有限公司(Zhejiang Kasen Industrial Group Company Limited*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Vendors”	Vendor A and Vendor B
“%”	per cent.

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

LETTER FROM THE BOARD



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

Executive Directors:

Zhu Zhangjin (*Chairman*)
Zhou Xiaohong
Zhu Ruijun (*Chief Executive Officer*)

Independent Non-Executive Directors:

Du Haibo
Zhang Yuchuan
Zhou Lingqiang

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:*

Unit 1111, 11/F
COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

13 December 2021

To the Shareholders

Dear Sir or Madam,

- (1) MAJOR TRANSACTION IN RELATION TO
THE 2021 HHD MASTER AGREEMENT;**
**(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE 2021 CCT MASTER AGREEMENT;**
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 17 November 2021 and 3 December 2021 in relation to, among other things, the 2021 HHD Master Agreement and the 2021 CCT Master Agreement.

LETTER FROM THE BOARD

References are made to announcements of the Company dated (i) 12 September 2016 in relation to, among other things, the 2016 HHD Master Agreement and the 2016 CCT Master Agreement; and (ii) 20 November 2018 in relation to, among other things, the 2018 HHD Master Agreement and the 2018 CCT Master Agreement.

References are also made to the announcements of the Company dated 1 February 2016 and 25 November 2016 and the circular of the Company dated 29 April 2016 in relation to the Disposal. On 1 February 2016, the Company, the Vendors, the Purchasers and Mr. Zhu entered into a disposal agreement, pursuant to which, among others, the Vendors agreed to sell and the Purchasers agreed to acquire the entire equity interest of the Disposal Group (the “**Disposal Agreement**”). Completion of the Disposal took place on 25 November 2016. Haining Home Direct and the CCT Group formed part of the Disposal Group under the Disposal Agreement.

In view of the above, the Company had on 12 September 2016 entered into the 2016 HHD Master Agreement and the 2016 CCT Master Agreement to govern the said provision of guarantees and asset pledge after completion of the Disposal.

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

	Facility Amount		Guarantee with Asset Pledge		Guarantee	
	Total Amount (Approx. RMB’ million)	Actual Drawdown (Approx. RMB’ million)	Total Amount (Approx. RMB’ million)	Actual Drawdown (Approx. RMB’ million)	Total Amount (Approx. RMB’ million)	Actual Drawdown (Approx. RMB’ million)
Haining Home Direct						
Bank facilities to Haining Home Direct by the Group	354.0	323.5	324.0	293.5	30.0	30.0
The CCT Group						
Bank facilities to the CCT Group by the Group	373.7	323.2	100.8	100.8	272.9	222.4
The Group						
Bank facilities to the Group by Haining Home Direct and a member of the CCT Group	500.0	500.0	-	-	500.0	500.0
Bank facilities to the Group by a subsidiary of the Company and a member of the CCT Group	45.0	45.0	-	-	45.0	45.0
Bank facilities to the Group by subsidiaries of the Company and Haining Home Direct and its subsidiary	57.5	57.5	12.5	12.5	45.0	45.0

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

Save for the above, the Group neither provided any guarantee to the remaining companies under the Disposal Group or vice versa.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the 2021 HHD Master Agreement; (ii) details of the 2021 CCT Master Agreement; (iii) the recommendation of the Independent Board Committee; (iv) the advice of the Independent Financial Adviser; and (v) a notice of the EGM, and any other information as required by the Listing Rules.

THE 2021 HHD MASTER AGREEMENT

As the 2018 HHD Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, Hero Time and Haining Home Direct entered into the 2021 HHD Master Agreement, pursuant to which, among others, the Group agreed to provide the HHD Master Guarantee, and Hero Time agreed to provide the HHD Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to Haining Home Direct in the HHD Guarantee Amount of up to RMB370.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 HHD Master Agreement.

Details of the 2021 HHD Master Agreement are set out as follows:

Date: 17 November 2021 (after trading hours)

Parties: (1) the Company;
(2) Hero Time; and
(3) Haining Home Direct.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Hero Time and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons; and (ii) there is, and in the past twelve months, there has been, no material loan arrangement between (a) Haining Home Direct, Hero Time, their directors and legal representatives and Ms. Jin Caifeng; and (b) the Company and/or any connected person at the Company's level.

Subject matter

Pursuant to the 2021 HHD Master Agreement, the Group agreed to provide the HHD Master Guarantee, and Hero Time agreed to provide the HHD Counter Guarantee in respect of the HHD Guarantee Amount of up to RMB370.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive) (the "**HHD Guarantee Period**").

LETTER FROM THE BOARD

The HHD Guarantee Amount was determined after arm's length negotiations between the Company and Hero Time with reference to, among others, the existing bank facilities of RMB354.0 million guaranteed by the Group to Haining Home Direct and the associated costs, without limitation to interest payment.

Consideration

Neither the Company nor Hero Time will receive any fee or commission from providing the HHD Master Guarantee and the HHD Counter Guarantee respectively.

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

Collateral

The pledge of the Group's assets for the HHD Master Guarantee has already been in place prior to the Disposal (Haining Home Direct was a subsidiary of the Group at the relevant time), and such arrangement is also being continued under the 2016 HHD Master Agreement and the 2018 HHD Master Agreement. Accordingly, the same arrangement will be adopted under the 2021 HHD Master Agreement, which the Company will continue to pledge the Group's assets for the HHD Master Guarantee.

The assets provided by the Group for the HHD Guarantee Amount (the "**HHD Pledged Assets**") include land use right which represents certain land in a total gross site area of approximately 212,789 square meters, owned by 海南博鳌卡森置業有限公司 (Hainan Boao Kasen Real Estate Co., Ltd.*), a non-wholly owned subsidiary of the Company. Such land has a valuation amount of approximately RMB953,136,200 as at 29 October 2021 (the "**Total Pledged Assets Amount**").

In the event that Hero Time fails to perform its obligations under the HHD Counter Guarantee, the HHD Pledged Assets may be taken possession by the bank for settling the outstanding bank loans due from Haining Home Direct up to the HHD Guarantee Amount of RMB370.0 million, and any remaining of the Total Pledged Assets Amount will be returned to the Company. Further, as at the Latest Practicable Date, the HHD Pledged Assets was a vacant land and the Company did not have any development plan for such land. Having considered the above, the Directors are of the view that (i) the aforesaid arrangement is fair and reasonable; and (ii) there will not be any material adverse effect to the operation of the Group in the event that the HHD Pledged Assets is required to be taken possession by the bank.

LETTER FROM THE BOARD

The HHD Counter Guarantee shall be secured by the assets of Hero Time, without limitation to the transfer of entire interest of Haining Home Direct.

Effectiveness conditions

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

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties in connection with the 2021 HHD Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Shareholders' approval for the 2021 HHD Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Major representations and warranties of Hero Time

The major representations and warranties of Hero Time are summarized as follows:

- (i) Haining Home Direct and its subsidiary shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of approximately RMB557.5 million and the associated costs without limitation to interest payment during the HHD Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, Hero Time shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of Haining Home Direct during the HHD Guarantee Period;
- (iii) without the written consent of the Group, Hero Time shall ensure that Haining Home Direct will not increase its total bank loans to the extent that exceed the guaranteed bank facilities of RMB354.0 million provided by the Group to Haining Home Direct during the HHD Guarantee Period;
- (iv) without the written consent of the Group, Haining Home Direct shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of Haining Home Direct, without limitation to material acquisition and disposal and dividend distribution during the HHD Guarantee Period; and

LETTER FROM THE BOARD

- (v) Hero Time agrees to, at the request of the Company, provide any information of Haining Home Direct (including its financial statements) from time to time to the Company.

Information on parties to the 2021 HHD Master Agreement

Hero Time is a company incorporated in the Republic of Seychelles with limited liability and is wholly beneficially owned by Ms. Jin Caifeng. It is principally engaged in investment holding.

Haining Home Direct is a company established in the PRC with limited liability and is wholly-owned by Hero Time. It is principally engaged in the manufacturing of furniture leather in the PRC.

Reasons for and benefits of the 2021 HHD Master Agreement

Since the completion of the Disposal Agreement, the parties to the Disposal Agreement had exerted efforts to arrange for the discharge and release of all the guarantee obligations and liabilities of the Group in respect of the bank facilities to Haining Home Direct and Haining Home Direct in respect of the bank facilities to the Group. However, despite ongoing negotiations between the Group and the relevant banks in the PRC (including the latest approach by the Group with the two relevant commercial banks in the PRC during April and October 2021) for the said discharge and release, the Group has yet to reach a consensus with the said banks to discharge and release all guarantee obligations and liabilities as (a) notwithstanding the efforts made by Haining Home Direct to repay the loans from its earnings and working capital available within the contract period of the 2018 HHD Master Agreement, Haining Home Direct could not fully settle all the bank loans; and (b) the banks are of the view that they will only accept a guarantor which is no less favourable than the Group for the replacement of guarantor to the existing bank loans of Haining Home Direct. The Directors consider that the continued provision of such guarantee to and by Haining Home Direct will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

Having considered the terms and conditions of the existing guaranteed bank facilities of Haining Home Direct, the Company intends to continue to negotiate with the banks with a view to procure for the discharge and release of the outstanding guarantee obligations within the coming three years. The Group's aim to release all guarantee to Haining Home Direct as soon as possible remains unchanged. However, based on the recoverability of the bank loans of Haining Home Direct in the past two years and the search for another new creditable guarantor to replace the Group, the Directors believe that it may take up to around three years to release all of the HHD Master Guarantee to Haining Home Direct. Nevertheless, based on the latest communications between the Group and Haining Home Direct, it is understood that Haining Home Direct has identified 1 to 2 possible parties who may be suitable to replace the Group as guarantor to part or all of the HHD Master Guarantee. Haining Home Direct targets to approach these parties and negotiate with the relevant banks in the PRC during the 1st half of 2022, the results of which will be announced by the Company as and when appropriate. Accordingly, the Group entered into the 2021 HHD Master Agreement for the provision of guarantees by the Group to Haining Home Direct to secure the above-mentioned bank facilities.

LETTER FROM THE BOARD

The Directors believe that the Group is further protected and compensated by the HHD Counter Guarantee provided. The Directors are also of the view that the provision of the HHD Master Guarantee under the 2021 HHD Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group. Having considered the above, the Company has decided to continue to provide the HHD Master Guarantee by entering into the 2021 HHD Master Agreement.

In view of the above, the Directors are of the view that the terms of the 2021 HHD Master Agreement are on normal commercial terms, fair and reasonable and the entering into the 2021 HHD Master Agreement is in the interests of the Company and its Shareholders as a whole.

THE 2021 CCT MASTER AGREEMENT

As the 2018 CCT Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the 2021 CCT Master Agreement, pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the annual caps of up to RMB393.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 CCT Master Agreement.

Details of the 2021 CCT Master Agreement are set out as follows:

Date: 17 November 2021 (after trading hours)

Parties:

- (1) the Company;
- (2) Mr. Zhu;
- (3) Ms. Zhu Jiayun;
- (4) Ms. Zhu Lingren;
- (5) Lingjia New Material;
- (6) Haining Schinder; and
- (7) Dafeng Huasheng.

LETTER FROM THE BOARD

Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

Subject matter

Pursuant to the 2021 CCT Master Agreement, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the annual caps as set out below, subject to the terms and conditions of the 2021 CCT Master Agreement.

Annual caps

The proposed annual caps for the three financial years ending 31 December 2024 (the “CCT Guarantee Period”) under the 2021 CCT Master Agreement are as follows:

	For the financial year ending 31 December 2022 RMB' million	For the financial year ending 31 December 2023 RMB' million	For the financial year ending 31 December 2024 RMB' million
Maximum amount	393.0	393.0	393.0

The annual caps was determined after arm's length negotiations between the Company and the CCT Counter Guarantors with reference to, among others, the existing bank facilities of approximately RMB373.7 million guaranteed by the Group to the CCT Group and the associated costs, without limitation to interest payment.

Consideration

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

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

LETTER FROM THE BOARD

Collateral

The pledge of the Group's assets for the CCT Master Guarantee has already been in place prior to the Disposal (the CCT Group was subsidiaries of the Group at the relevant time), and such arrangement is also being continued under the 2016 CCT Master Agreement and the 2018 CCT Master Agreement. Accordingly, the same arrangement will be adopted under the 2021 CCT Master Agreement, which the Company will continue to pledge the Group's assets for the CCT Master Guarantee.

The assets provided by the Group for the CCT Master Guarantee included land use rights, properties and equity investment. The properties and land use rights represent certain commercial properties in a total gross floor area of approximately 5,730 square meters and certain land in a total gross site area of 2,743 square meters, located in Haining, the PRC, owned by Haining Kareno Furniture Co., Ltd.* (海寧卡雷諾家私有限公司), an indirect wholly-owned subsidiary of the Company) and that are used as offices of the Group for general administrative purposes. The commercial properties and land have a combined valuation amount of approximately RMB63,789,400 as at 18 November 2020. Equity investment represents 3,999,900 shares of Haining China Leather Market Co., Ltd.* (海寧中國皮革城股份有限公司), being a listed company on the Shenzhen Stock Exchange with a total market value of approximately RMB18.2 million as at the Latest Practicable Date. The total value of collateral provided by the Company under the 2021 CCT Master Agreement as at the Latest Practicable Date was approximately RMB82.0 million.

Effectiveness conditions

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

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties in connection with the 2021 CCT Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Independent Shareholders' approval for the 2021 CCT Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

LETTER FROM THE BOARD

Major representations and warranties of the CCT Counter Guarantors

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

- (i) the CCT Group shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment during the CCT Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the CCT Group during the CCT Guarantee Period;
- (iii) without the written consent of the Group, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of approximately RMB373.7 million provided by the Group to the CCT Group during the CCT Guarantee Period;
- (iv) without the written consent of the Group, the CCT Group shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group, without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period; and
- (v) the CCT Counter Guarantors agree to, at the request of the Company, provide any information of the CCT Group (including their financial statements) from time to time to the Company.

Information on parties to the 2021 CCT Master Agreement

Mr. Zhu is a Director and the controlling shareholder of the Company. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. The CCT Group is wholly-owned subsidiaries of Lingjia New Material. Lingjia New Material is indirectly owned as to (i) 63.36% by Ms. Zhu Jiayun and Ms. Zhu Lingren on a joint basis; (ii) 15.30% by Mr. Wang Yi; and (iii) 14.30% by Mr. Xu Ruikun and Mr. Xu Zhenhao on a joint basis. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (a) Mr. Wang Yi, Mr. Xu Ruikun and Mr. Xu Zhenhao are third parties independent of the Company and its connected persons; and (b) each of the remaining shareholders of Lingjia New Material (i) owns less than 10% interest in Lingjia New Material; and (ii) is ultimately owned by third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

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

Haining Schinder is a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather.

Dafeng Huasheng is a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC.

Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material.

Reasons for and benefits of the 2021 CCT Master Agreement

Since the completion of the Disposal Agreement, the parties to the Disposal Agreement had exerted efforts to arrange for the discharge and release all the guarantee obligations and liabilities of the Group in respect of the bank facilities to the CCT Group and the CCT Group in respect of the bank facilities to the Group. However, despite on-going negotiations between the Group and the relevant banks in the PRC (including the latest approach by the Group with the two relevant commercial banks in the PRC during April and October 2021) for the said discharge and release, the Group has yet to reach a consensus with the said banks to discharge and release all guarantee obligations and liabilities as (a) notwithstanding the efforts made by the CCT Group to repay the loans from its earnings and working capital available within the contract period of the 2018 CCT Master Agreement, the CCT Group could not fully settle all the bank loans; and (b) the banks are of the view that they will only accept a guarantor which is no less favourable than the Group for the replacement of guarantor to the CCT Group's existing bank loans.

Having considered the terms and conditions of the existing guaranteed bank facilities of the CCT Group, the Company intends to continue to negotiate with the banks with a view to procure for the discharge and release of the outstanding guarantee obligations within the coming three years. The Group's aim to release all guarantee to the CCT Group as soon as possible remains unchanged. However, based on the recoverability of the CCT Group's bank loans in the past two years and the search for another new creditable guarantor to replace the Group, the Directors believe that it may take up to around three years to release all of the CCT Master Guarantee to the CCT Group. Nevertheless, based on the latest communications between the Group and the CCT Group, it is understood that the CCT Group has identified 1 to 2 possible parties who may be suitable to replace the Group as guarantor to part or all of the CCT Master Guarantee. The CCT Group targets to approach these parties and negotiate with the relevant banks in the PRC during the 1st half of 2022, the results of which will be announced by the Company as and when appropriate. Accordingly, the Group entered into the 2021 CCT Master Agreement for the provision of guarantees by the Group to the CCT Group to secure the above-mentioned bank facilities.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the CCT Group together with either Haining Home Direct or a subsidiary of the Company provided guarantees in respect of bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment. The Company considers that the continued provision of guarantees to and by the CCT Group will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

The Company believes that the Group is further protected and compensated by the CCT Counter Guarantee provided. The Company is also of the view that the provision of the CCT Master Guarantee under the 2021 CCT Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

Having considered the above, the Company has decided to continue to provide the CCT Master Guarantee by entering into the 2021 CCT Master Agreement.

In view of the above, the Directors (including the independent non-executive Directors, after having considered the advice from the Independent Financial Adviser) are of the view that the terms of the 2021 CCT Master Agreement are on normal commercial terms, fair and reasonable and the entering into the 2021 CCT Master Agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of (a) provisions of tourism and/or resort related business, restaurant, hotel operations and provisions of travel related services; (b) property development; and (c) manufacture and trade of upholstered furniture in the PRC.

INTERNAL CONTROL FOR THE CONTINUING CONNECTED TRANSACTIONS

The senior manager of the Group's internal audit department and the management of the Group will, among others, conduct regular checks on a quarterly basis (including checking the relevant facility agreements and outstanding drawdown amount of borrowings under the facility agreements and reviewing the financial information of the CCT Group), and review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of the 2021 CCT Master Agreement. As such, the transactions contemplated under the 2021 CCT Master Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, as well as the regular checks of the Group's internal audit department and the management of the Group. Based on the above, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2021 CCT Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The 2021 HHD Master Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the provision of the HHD Guarantee Amount under the 2021 HHD Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 HHD Master Agreement constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the 2021 HHD Master Agreement, and therefore no Shareholder will be required to abstain from voting on the resolution(s) in respect of the 2021 HHD Master Agreement and the transactions contemplated thereunder at the EGM.

The 2021 CCT Master Agreement

Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual caps under the 2021 CCT Master Agreement are higher than 5%, the transactions under the 2021 CCT Master Agreement constitute a non-exempt continuing connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the annual caps under the 2021 CCT Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 CCT Master Agreement also constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the CCT Counter Guarantee by the CCT Counter Guarantors under the 2021 CCT Master Agreement and provision of the guarantee by the CCT Group for the bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment constitute financial assistance received by the Group from the connected person. As the above-mentioned financial assistances received by the Group from the CCT Counter Guarantors and the CCT Group is on normal commercial terms or better and is not secured by the assets of the Group, they are fully exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Shareholder has any material interest in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, including the annual caps, at the EGM.

To the best knowledge, information and belief of the Company having made all reasonable enquiries, none of the Directors, save for Mr. Zhu, has any material interests in the 2021 CCT Master Agreement and the transactions contemplated thereunder. Mr. Zhu had abstained from voting on the relevant board resolution(s) approving the 2021 CCT Master Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the 2021 CCT Master Agreement and the transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A notice convening the EGM of the Company to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Thursday, 30 December 2021 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 branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Independent Shareholders at the EGM will be by poll.

RECOMMENDATION

The Board considers that the terms of the 2021 HHD Master Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the entering into the 2021 HHD Master Agreement is in the interests of the Company and the 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 2021 HHD Master Agreement and the transactions contemplated thereunder.

Taking into account the letter from the Independent Board Committee and the advice of the Independent Financial Adviser, the Board (including the independent non-executive Directors) considers that notwithstanding that the transactions under the 2021 CCT Master Agreement may not be in the Company's ordinary and usual course of business, the terms of 2021 CCT Master Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the entering into the 2021 CCT Master Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2021 CCT Master Agreement; (ii) the letter from the Independent Financial Adviser set out on pages 24 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2021 CCT Master Agreement and the transactions contemplated thereunder; and (iii) the information set out in the appendices of this circular.

Yours faithfully

By order of the Board

Kasen International Holdings Limited

Zhu Zhangjin

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

13 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE 2021 CCT MASTER AGREEMENT**

We refer to the circular of the Company dated 13 December 2021 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the 2021 CCT Master Agreement and the transactions contemplated thereunder. Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 6 to 21 of the Circular, which sets out details of the 2021 CCT Master Agreement and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 24 to 41 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2021 CCT Master Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the 2021 CCT Master Agreement and the advice and recommendation of the Independent Financial Adviser, we consider that notwithstanding that the transactions under the 2021 CCT Master Agreement may not be in the Company's ordinary and usual course of business, the terms of the 2021 CCT Master Agreement are on normal commercial terms, fair and reasonable so far as the interests of the Independent Shareholders are concerned and the entering into of the 2021 CCT Master Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Du Haibo

Independent

Non-executive Director

Mr. Zhang Yuchuan

Independent

Non-executive Director

Mr. Zhou Lingqiang

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder and prepared for the purpose of incorporation into the Circular.



中毅資本有限公司
Grand Moore Capital Limited

Unit 1607, 16/F, Silvercord Tower 1,
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

13 December 2021

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

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2021 CCT MASTER AGREEMENT

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder, the particulars of which have been set out in a circular to the Shareholders dated 13 December 2021 (the “**Circular**”) and in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the 2021 CCT Master Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder. Details of the reasons for and benefits of the 2021 CCT Master Agreement are set out in the “Letter from the Board” (the “**Board Letter**”) in the Circular under the section headed “Reasons for and benefits of the 2021 CCT Master Agreement”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the announcements of the Company dated 17 November 2021 and 3 December 2021 in relation to, among others, the 2021 CCT Master Agreement and the transactions contemplated thereunder.

As the 2018 CCT Master Agreement will expire on 31 December 2021, on 17 November 2021 (after trading hours), the Company, the CCT Counter Guarantors and the CCT Group entered into the 2021 CCT Master Agreement, pursuant to which, among others, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee to fully indemnify the Company, for the performance and repayment obligations of bank facilities to the CCT Group in respect of the annual caps of up to RMB393.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 CCT Master Agreement.

Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material. Ms. Zhu Jiayun and Ms. Zhu Lingren jointly indirectly own 63.36% shareholdings of Lingjia New Material. Mr. Zhu is a Director and the controlling shareholder of the Company, and Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu. Therefore, each of Lingjia New Material, Haining Schinder and Dafeng Huasheng is an associate of Mr. Zhu, and is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the annual caps under the 2021 CCT Master Agreement are higher than 5%, the transactions under the 2021 CCT Master Agreement constitute a non-exempt continuing connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the annual caps under the 2021 CCT Master Agreement exceeds 25% but all applicable percentage ratios are less than 100%, the transactions under the 2021 CCT Master Agreement also constitute a major transaction for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The provision of the CCT Counter Guarantee by the CCT Counter Guarantors under the 2021 CCT Master Agreement and provision of the guarantee by the CCT Group for the bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment constitute financial assistance received by the Group from the connected person. As the above-mentioned financial assistances received by the Group from the CCT Counter Guarantors and the CCT Group is on normal commercial terms or better and is not secured by the assets of the Group, they are fully exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has been formed to advise the Independent Shareholders on the 2021 CCT Master Agreement and the transactions contemplated thereunder. The Company has appointed us, the Independent Financial Adviser, to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder.

In the past two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the 2021 CCT Master Agreement and the transactions contemplated thereunder.

BASIS OF ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and/or its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information (if any). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 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 the Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 13 and 14A of the Listing Rules.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or prospects of the Company, the CCT Group, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the 2021 CCT Master Agreement and the transactions contemplated thereunder. The Company has been separately advised by its own professional advisers with respect to the 2021 CCT Master Agreement and the transactions contemplated thereunder and the preparation of the Circular (other than this letter).

We have assumed that the 2021 CCT Master Agreement and the transactions contemplated thereunder will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all necessary consents, authorizations and approvals in respect of the 2021 CCT Master Agreement, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the 2021 CCT Master Agreement. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the 2021 CCT Master Agreement and the transactions contemplated thereunder, we have taken into consideration the following factors and reasons:

1. Background of and reasons for the 2021 CCT Master Agreement

1.1 Information on the Group and parties to the 2021 CCT Master Agreement

1.1.1 Information of the Group

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of (a) provisions of tourism and/or resort related business, restaurant, hotel operations and provisions of travel related services; (b) property development; and (c) manufacture and trade of upholstered furniture in the PRC.

With reference to the announcements of the Company dated 1 February 2016 and 25 November 2016 and the circular of the Company dated 29 April 2016 in relation to the Disposal, the Company disposed of the Disposal Group which comprised, among others, the CCT Group, to Ms. Zhu Jiayun and Ms. Zhu Lingren and the Disposal was completed on 25 November 2016. Ms. Zhu Jiayun and Ms. Zhu Lingren are the daughters of Mr. Zhu, a Director and the controlling shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The tables below set out certain consolidated financial information of the Company for the six months ended 30 June 2020 and 2021 and as at 31 December 2020 and 30 June 2021:

	For the six months ended 30 June	
	2020	2021
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	489,637	702,551
Profit before tax	26,226	89,197
Profit for the period attributable to owners of the Company	14,096	46,795

	As at	
	31 December	30 June
	2020	2021
	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	6,281,513	6,147,602
Total liabilities	2,841,852	2,654,719
Net assets attributable to owners of the Company	3,401,035	3,447,281
Bank balances and cash	297,684	282,513

During the six months ended 30 June 2021, the Company recorded consolidated revenue of approximately RMB702.6 million, representing an increase of approximately 43.5% over the consolidated revenue of approximately RMB489.6 million generated in the six months ended 30 June 2020. Furthermore, the Company recorded consolidated profit attributable to owners of the Company of approximately RMB46.8 million for the six months ended 30 June 2021 compared with consolidated profit attributable to owners of the Company of approximately RMB14.1 million for the six months ended 30 June 2020. The significant increase in profit attributable to owners of the Company is principally due to an one-off disposal gain in relation to a disposal of a wholly-owned subsidiary of approximately RMB24.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2021, the Company had consolidated total assets, total liabilities and net assets attributable to owners of the Company of approximately RMB6,147.6 million, RMB2,654.7 million, and RMB3,447.3 million, respectively. In addition, the Company had consolidated bank balances and cash of approximately RMB282.5 million as at 30 June 2021.

1.1.2 Information on parties to the 2021 CCT Master Agreement

Lingjia New Material is a company established under the laws of the PRC with limited liability and Ms. Zhu Jiayun and Ms. Zhu Lingren jointly and indirectly own 63.36% shareholdings of Lingjia New Material as at the Latest Practicable Date. Its principal business is research and development of new material. Haining Schinder is a company established in the PRC with limited liability and is principally engaged in the manufacturing of automotive leather. Dafeng Huasheng is a company established in the PRC with limited liability and is principally engaged in the manufacturing of furniture leather in the PRC. Each of Haining Schinder and Dafeng Huasheng is a wholly-owned subsidiary of Lingjia New Material.

Based on the latest available unaudited consolidated management accounts of Lingjia New Material prepared under the PRC accounting standards, Lingjia New Material recorded revenue, profit before tax and profit for the period attributable to owners of Lingjia New Material of approximately RMB494.1 million, RMB10.6 million and RMB8.1 million, respectively, for the ten months ended 31 October 2021. As at 31 October 2021, Lingjia New Material had consolidated total assets, total liabilities and net assets attributable to owners of Lingjia New Material of approximately RMB1,024.5 million, RMB727.3 million, and RMB295.2 million, respectively. In addition, the Lingjia New Material had consolidated bank balances and cash of approximately RMB89.2 million as at 31 October 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1.3 Details of the guaranteed bank facilities and loans drawdown as at the Latest Practicable Date

Details of the guaranteed bank facilities and loans of, amongst others, the Group and the CCT Group drawdown as at the Latest Practicable Date as extracted from the Board Letter are set out below:

	Facility Amount		Guarantee with Asset Pledge		Guarantee	
	Total Amount (Approx. RMB' million)	Actual Drawdown (Approx. RMB' million)	Total Amount (Approx. RMB' million)	Actual Drawdown (Approx. RMB' million)	Total Amount (Approx. RMB' million)	Actual Drawdown (Approx. RMB' million)
Haining Home Direct						
Bank facilities to Haining Home Direct by the Group	354.0	323.5	324.0	293.5	30.0	30.0
The CCT Group						
Bank facilities to the CCT Group by the Group	373.7	323.2	100.8	100.8	272.9	222.4
The Group						
Bank facilities to the Group by Haining Home Direct and a member of the CCT Group	500.0	500.0	–	–	500.0	500.0
Bank facilities to the Group by a subsidiary of the Company and a member of the CCT Group	45.0	45.0	–	–	45.0	45.0
Bank facilities to the Group by subsidiaries of the Company and Haining Home Direct and its subsidiary	57.5	57.5	12.5	12.5	45.0	45.0

The assets provided by the Group for the above guarantees included land use rights, properties and equity investment. Save for the above, the Group neither provided any guarantee to the remaining companies under the Disposal Group or vice versa.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Reasons for and benefits of the 2021 CCT Master Agreement

As set out in the Board Letter, since the completion of the Disposal Agreement, the parties to the Disposal Agreement had exerted efforts to arrange for the discharge and release all the guarantee obligations and liabilities of the Group in respect of the bank facilities to the CCT Group and the CCT Group in respect of the bank facilities to the Group. However, despite on-going negotiations between the Group and the relevant banks in the PRC (including the latest approach by the Group with the two relevant commercial banks in the PRC during April and October 2021) for the said discharge and release, the Group has yet to reach a consensus with the said banks to discharge and release all guarantee obligations and liabilities as (a) notwithstanding the efforts made by the CCT Group to repay the loans from its earnings and working capital available within the contract period of the 2018 CCT Master Agreement, the CCT Group could not fully settle all the bank loans; and (b) the banks are of the view that they will only accept a guarantor which is no less favourable than the Group for the replacement of guarantor to the CCT Group's existing bank loans. Upon our enquiry with the Management, we understand that the continued provision of such bank facilities to the CCT Group shall generally facilitate its stable daily operation which shall then facilitate the continuous provision of the cross guarantees by the CCT Group to the bank facilities granted to the Group.

Having considered the terms and conditions of the existing guaranteed bank facilities of the CCT Group, the Company intends to continue to negotiate with the banks with a view to procure for the discharge and release of the outstanding guarantee obligations within the coming three years. The Group's aim to release all guarantee to the CCT Group as soon as possible remains unchanged. However, based on the recoverability of the CCT Group's bank loans in the past two years and the search for another new creditable guarantor to replace the Group, the Directors believe that it may take up to around three years to release all of the CCT Master Guarantee to the CCT Group. Nevertheless, based on the latest communications between the Group and the CCT Group, it is understood that the CCT Group has identified 1 to 2 possible parties who may be suitable to replace the Group as guarantor to part or all of the CCT Master Guarantee. The CCT Group targets to approach these parties and negotiate with the relevant banks in the PRC during the 1st half of 2022, the results of which will be announced by the Company as and when appropriate. Accordingly, the Group entered into the 2021 CCT Master Agreement for the provision of guarantees by the Group to the CCT Group to secure the above-mentioned bank facilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the CCT Group together with either Haining Home Direct or a subsidiary of the Company provided guarantees (without any fee or commission) in respect of bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment. The Company considers that the continued provision of guarantees to and by the CCT Group will enable the Group to operate stably in the short run without any material impact on the financial position of the Group.

It is further stated in the Board Letter that the Company believes that the Group is further protected and compensated by the CCT Counter Guarantee provided. The Company is also of the view that the provision of the CCT Master Guarantee under the 2021 CCT Master Agreement will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

2. Details of the 2021 CCT Master Agreement

The details of the 2021 CCT Master Agreement are summarised as follows:

Date:	17 November 2021 (after trading hours)
Parties:	(1) the Company; (2) Mr. Zhu; (3) Ms. Zhu Jiayun; (4) Ms. Zhu Lingren; (5) Lingjia New Material; (6) Haining Schinder; and (7) Dafeng Huasheng.
Subject matter:	Pursuant to the 2021 CCT Master Agreement, the Group agreed to provide the CCT Master Guarantee, and each of the CCT Counter Guarantors agreed to jointly and severally provide the CCT Counter Guarantee up to the amount of the Annual Caps (as defined in section 4 of this letter), subject to the terms and conditions of the 2021 CCT Master Agreement.
Consideration:	Neither the Company nor the CCT Counter Guarantors will receive any fee or commission from providing the CCT Master Guarantee and the CCT Counter Guarantee respectively.

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Guarantee period: 1 January 2022 to 31 December 2024

Collateral: The pledge of the Group's assets for the CCT Master Guarantee has already been in place prior to the Disposal (the CCT Group was subsidiaries of the Group at the relevant time), and such arrangement is also being continued under the 2016 CCT Master Agreement and the 2018 CCT Master Agreement. Accordingly, the same arrangement will be adopted under the 2021 CCT Master Agreement, which the Company will continue to pledge the Group's assets for the CCT Master Guarantee.

The assets provided by the Group for the CCT Master Guarantee included land use rights, properties and equity investment. The properties and land use rights represent certain commercial properties in a total gross floor area of approximately 5,730 square meters and certain land in a total gross site area of 2,743 square meters, located in Haining, the PRC, owned by Haining Kareno Furniture Co., Ltd.* (海寧卡雷諾家私有限公司), an indirect wholly-owned subsidiary of the Company) and that are used as offices of the Group for general administrative purposes. The commercial properties and land have a combined valuation amount of approximately RMB63,789,400 as at 18 November 2020. Equity investment represents 3,999,900 shares of Haining China Leather Market Co., Ltd.* (海寧中國皮革城股份有限公司), being a listed company on the Shenzhen Stock Exchange with a total market value of approximately RMB18.2 million as at the Latest Practicable Date. The total value of collateral provided by the Company under the 2021 CCT Master Agreement as at the Latest Practicable Date was approximately RMB82.0 million.

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

- (i) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties in connection with the 2021 CCT Master Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the obtaining of the Independent Shareholders' approval for the 2021 CCT Master Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Major representations and warranties of the CCT Counter Guarantors:

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

- (i) the CCT Group shall continue to provide the guarantee for the bank facilities to the Group in an aggregate amount of RMB545.0 million and the associated costs without limitation to interest payment during the CCT Guarantee Period and release of which shall be subject to the Company's approval;
- (ii) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the CCT Group during the CCT Guarantee Period;
- (iii) without the written consent of the Group, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of approximately RMB373.7 million provided by the Group to the CCT Group during the CCT Guarantee Period;

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- (iv) without the written consent of the Group, the CCT Group shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group, without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period; and
- (v) the CCT Counter Guarantors agree to, at the request of the Company, provide any information of the CCT Group (including their financial statements) from time to time to the Company.

3. Our analysis on the 2021 CCT Master Agreement

In assessing the loan repayment ability of the CCT Group, we have obtained and reviewed the latest available unaudited consolidated management accounts of Lingjia New Material and its subsidiaries prepared under the PRC accounting standards. As disclosed in section 1.1.2 of this letter above, we noted that Lingjia New Material and its subsidiaries were profit making for the ten months ended 31 October 2021 with unaudited consolidated net profit attributable to owners of Lingjia New Material of approximately RMB8.1 million. As at 31 October 2021, the unaudited consolidated net asset value attributable to owners of Lingjia New Material amounted to approximately RMB295.2 million which appears to sufficiently cover roughly 75.1% of the amount of the CCT Counter Guarantee of RMB393.0 million while having unaudited consolidated total assets of approximately RMB1,024.5 million as at 31 October 2021. Furthermore, pursuant to the representations and warranties provided by the CCT Counter Guarantors under the 2021 CCT Master Agreement as discussed in section 2 of this letter, it is noted that amongst other things: (i) without the written consent of the Group, the CCT Counter Guarantors shall not create any mortgage, charge, pledge, lien, hypothecation or other arrangement whatsoever over or affecting any of the entire equity interest of the CCT Group during the CCT Guarantee Period; and (ii) without the written consent of the Group, the CCT Group shall be conducted in the ordinary course of business consistent with the past practice and there shall have no material adverse change on the assets, liabilities, financial condition and operating condition of the CCT Group, without limitation to material acquisition and disposal and dividend distribution during the CCT Guarantee Period.

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As confirmed by the Company, the CCT Group had never defaulted in loan repayment and accordingly, while the Group had provided the CCT Master Guarantee under the 2016 CCT Master Agreement and 2018 CCT Master Agreement, the Group had never been called upon by banks to fulfil its obligations as guarantor during the guarantee periods under the 2016 CCT Master Agreement and 2018 CCT Master Agreement. In view of the above, we concur with the Company's view that the provision of the 2021 CCT Master Guarantee to the CCT Group will not have any material adverse effect on the financial performance, assets and liabilities of the Group.

Pursuant to the terms of the 2021 CCT Master Agreement, the CCT Counter Guarantors shall provide the CCT Counter Guarantee which fully indemnifies the Company for the performance and repayment obligations of bank facilities to the CCT Group up to the amount of the Annual Caps (as defined below) of RMB393.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive). In other words, the CCT Counter Guarantee is a back-to-back guarantee provided to the Group by the CCT Counter Guarantors to fully indemnify the Company's exposure to the provision of the CCT Master Guarantee. In assessing the financial capability of the CCT Counter Guarantors to perform the CCT Counter Guarantee, we note that Mr. Zhu is a Director and the controlling shareholder of the Company deemed to be in control of 568,005,113 Shares or approximately 38.03% of the Company's issued share capital as at the Latest Practicable Date. Based on the closing price of HK\$0.580 per Share as at the Latest Practicable Date, the value of the Shares deemed to be in control of Mr. Zhu amounted to approximately HK\$329.4 million.

Pursuant to the terms of the 2021 CCT Master Agreement, the Company agreed to continue to provide guarantees and pledge the Group's assets for the CCT Master Guarantee. The assets provided by the Group included land use rights, properties and equity investment. Based on the information provided by the Management, the properties and land use rights represent certain commercial properties in a total gross floor area of approximately 5,730 square meters and certain land in a total gross site area of 2,743 square meters, located in Haining, the PRC, owned by Haining Kareno Furniture Co., Ltd.* (海寧卡雷諾家私有限公司), an indirect wholly-owned subsidiary of the Company) and are used as offices of the Group for general administrative purposes. The commercial properties and land have a combined valuation amount of approximately RMB63,789,400 as at 18 November 2020. Equity investment represents 3,999,900 shares of Haining China Leather Market Co., Ltd.* (海寧中國皮革城股份有限公司) ("HCLM", 002344.SZ), owned by Zhejiang Kasen Industrial Group Co., Limited* (浙江卡森實業集團有限公司), an indirect wholly-owned subsidiary of the Company. HCLM is a listed company on the Shenzhen Stock Exchange, the closing price of the shares of HCLM was RMB4.55 per share as at the Latest Practicable Date, and the equity investment has an aggregate value of approximately RMB18.2 million. The total value of collateral provided by the Company under the 2021 CCT Master Agreement as at the Latest Practicable Date is approximately RMB82.0 million, representing approximately 21.9% of total bank facilities of approximately RMB373.7 million available to the CCT Group under the 2021 CCT Master Agreement.

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It is noted that although the Group has pledged the aforementioned assets pursuant to the CCT Master Guarantee, the CCT Group has not made similar arrangements in respect of the Group's bank facilities in the aggregate amount of RMB545.0 million guaranteed by the CCT Group. As explained in section 2 of this letter, the pledge of the Group's assets for the CCT Master Guarantee has already been in place prior to the Disposal (the CCT Group was subsidiaries of the Group at the relevant time), and such arrangement is also being continued under the 2016 CCT Master Agreement and the 2018 CCT Master Agreement. Upon our further enquiries with the Management, we understand that (i) the Group and the CCT Group had various rounds of negotiation with the relevant banks in the PRC for the release of the Group's obligations to provide guarantee and pledged assets as collaterals but the banks will only accept (a) guarantor which is no less favourable than the Group; and/or (b) collaterals with value no less than the Group's pledged assets for the replacement of guarantor and/or collaterals to the CCT Group's existing bank loans; (ii) despite the CCT Group's efforts in seeking a replacement of guarantor and/or collaterals, it is difficult for the CCT Group to find another new creditable guarantor to replace the Group without (a) in-depth understanding to the operations of the CCT Group; and (b) any fee or commission or to provide collaterals with value no less than the Group's pledged assets; and (iii) one of the PRC bank released the pledge of certain factories and land in a total gross floor area of 253,513 square meters under the 2018 CCT Master Agreement in 2020.

Having considered (i) the combined financial positions of Lingjia New Material and Mr. Zhu as discussed above indicate they have the financial capability to provide the guarantees for the Group's bank facilities of RMB545.0 million; (ii) the amount of such guarantees for the Group's bank facilities is approximately RMB171.3 million or 45.8% more in monetary value when compared with the CCT Group's bank facilities of approximately RMB373.7 million subject to the CCT Master Guarantee and such difference in monetary value (which is a direct benefit to the Group since it is able to secure a much larger loan amount than what is available to the CCT Group under the CCT Master Guarantee) is far beyond the total value of collaterals of approximately RMB82.0 million as provided by the Company under the 2021 CCT Master Agreement as at the Latest Practicable Date; (iii) taking the financial capabilities of the CCT Group and the CCT Counter Guarantors into account, the risk of default by the CCT Group requiring liquidation in the collaterals provided by the Group appears to be relatively remote; and (iv) the CCT Group's past efforts in releasing the Group's obligation to provide pledged assets as collaterals, we consider the pledge of the Group's assets under the 2021 CCT Master Agreement is fair and reasonable and on normal commercial term.

Having considered the combined financial position of the CCT Group, the warranties provided by the CCT Counter Guarantors and the financial background of Mr. Zhu, we consider that the CCT Guarantors are financially capable to perform their obligations under the CCT Counter Guarantee and accordingly, the Group's exposure in providing the CCT Master Guarantee is well protected by the CCT Counter Guarantee.

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Based on our review of the 2021 CCT Master Agreement, we noted that the guarantee obligations of the Group under the CCT Master Guarantee is fully indemnified by the back-to-back CCT Counter Guarantee up to the amount of the Annual Caps (as defined below), with no fee or commission shall be received by the Company and the CCT Counter Guarantors from providing the CCT Master Guarantee and the CCT Counter Guarantee, respectively. Having considered that (i) such no fee or commission arrangement is reciprocal for the Group and the CCT Counter Guarantors; (ii) the major purpose of providing the CCT Master Guarantee is not for profit making; (iii) the CCT Counter Guarantee will fully indemnify the Group's exposure to the provision of the CCT Master Guarantee; (iv) the CCT Counter Guarantee is warranted by the financial capability of the CCT Counter Guarantors; and (v) the risk for the Group being required under the CCT Master Guarantee to indemnify the banks for the loan default of the CCT Group is limited, we are of the opinion that the terms of the 2021 CCT Master Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

4. The annual caps

Set out below are the proposed annual caps (the "Annual Caps") for the CCT Guarantee Period under the 2021 CCT Master Agreement:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
Maximum amount	393.0	393.0	393.0

As set out in the Board Letter, the Annual Caps were determined after arm's length negotiations between the Company and the CCT Counter Guarantors with reference to, among others, the existing bank facilities of approximately RMB373.7 million guaranteed by the Group to the CCT Group and the associated costs, without limitation to interest payment.

As detailed under section 2 of this letter above, the CCT Counter Guarantors shall ensure that the CCT Group will not increase their total bank loans to the extent that exceed the guaranteed bank facilities of approximately RMB373.7 million provided by the Group to the CCT Group during the CCT Guarantee Period without the written consent of the Group. Therefore, the bank loans amount will be capped at the existing guaranteed bank facilities of approximately RMB373.7 million during the CCT Guarantee Period.

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To assess the fairness and reasonableness of the Annual Caps, we have enquired the Company regarding the basis and assumptions in estimating the Annual Caps, and obtained the relevant bank facility agreement guaranteed by the CCT Master Guarantee as well as those granted to the Group and guaranteed by the CCT Group. We have also obtained the calculation in arriving the proposed Annual Caps and noted that it is primarily determined based on the aggregate amount of the existing bank facilities and the interest rate which ranged from 3.50% per annum to 8.49% per annum attached thereon, with a weighted-average of approximately 5.96% per annum based on the loans drawdown. In light of the above, we consider that the proposed Annual Caps are reasonable.

5. Internal control/annual review of the CCT Master Guarantee

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions contemplated under the 2021 CCT Master Agreement are subject to the following requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual reports that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps.

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Furthermore, according to the Board Letter, the senior manager of the Group's internal audit department and the management of the Group will, among others, conduct regular checks on a quarterly basis (including the checking the relevant facility agreements and outstanding drawdown amount of borrowings under the facility agreement, and the reviewing of the financial information of the CCT Group), and review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of the 2021 CCT Master Agreement.

In view of the transactions contemplated under the 2021 CCT Master Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks of the Group's internal audit department and the Management, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the 2021 CCT Master Agreement and safeguard the interests of the Independent Shareholders.

CONCLUSION

Having considered the above principal factors, we are of the opinion that, notwithstanding that the transactions under the 2021 CCT Master Agreement may not be in the Company's ordinary and usual course of business, the terms of the 2021 CCT Master Agreement (including the Annual Caps) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the 2021 CCT Master Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the 2021 CCT Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of

Grand Moore Capital Limited

Kevin So

Director – Investment Banking Department

Note:

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2020

Financial information of the Group for the six months ended 30 June 2021 and each of the three years ended 31 December 2018, 2019 and 2020 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 2021:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0927/2021092700353.pdf>
- Annual Report 2020:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600440.pdf>
- Annual Report 2019:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400617.pdf>
- Annual Report 2018:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0321/lt20190321448.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

The borrowings are denominated principally in RMB. As at the close of business on 31 October 2021, the Group had outstanding borrowings of approximately RMB806.1 million, details of which are set out below:

	As at 31 October 2021 RMB'000
Bank borrowings	
– Secured and guaranteed	655,500
– Secured	17,000
– Guaranteed	<u>133,633</u>
	<u><u>806,133</u></u>

	As at 31 October 2021 RMB'000
Carrying amount repayable:	
– Within one year	194,383
– More than 1 year	276,750
– After five years	<u>335,000</u>
	<u><u>806,133</u></u>

Pledge of assets

As at the close of business on 31 October 2021, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the assets of the Group as at 31 October 2021 is as follows:

	As at 31 October 2021 RMB'000
Building	50,235
Prepaid lease payment	23,375
Bank deposits	11,436
Properties under development and held for sale	988,484
Available for sale investment	<u>18,283</u>
	<u><u>1,091,813</u></u>

Contingent liabilities

As at 31 October 2021, the Group provided guarantees in an aggregate amount of RMB262,062,000 (31 December 2020: RMB809,196,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

Save as aforesaid and apart from normal trade payables in the ordinary course of the business of the Group, as at the close of business on 31 October 2021, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) any outstanding mortgages and charges; or (iv) any material contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group, including the internally generated funds and present available banking facilities, the Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular.

The Company has also received a working capital sufficiency comfort letter under Rule 14.66(12) of the Listing Rules from the auditor.

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 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is preparing the construction of power and energy infrastructure in countries along the “One Belt, One Road”, including thermal power generation and new energy sources such as photovoltaic, wind power and hydropower. Due to the worldwide outbreak of the COVID-19 pandemic, international trade has been disrupted and the progress of related projects has been forced to slow down. The Group will closely monitor the trend of the epidemic and continue to strengthen its project development efforts to create new business growth points.

In respect of property development business, the Group will focus on continuous development and sales delivery of existing projects in mainland China. For overseas countries, the Group will explore regions with growth potential to carry out new property development projects in due course. During the period under review, the Group commenced construction of “Phnom Penh Kasen Garden”(金邊卡森花園), a property project located in Phnom Penh, Cambodia. The target client group of this project is the local middle class in Phnom Penh. As the capital of Cambodia, Phnom Penh is the political, economic, cultural and educational center and also transportation hub of the country. As the Cambodian economy continues to grow, there will be a large influx of people, a growing middle class and increasing disposable income, which will lead to an increasing demand for residential properties. The Group expects that the project will achieve satisfactory economic benefits.

In respect of tourism resort business, the Group will strive to improve the performance of its existing waterparks and hotels, while disposing of certain inefficient assets and promoting asset optimization and consolidation.

In the field of upholstered furniture, under the influence of the epidemic, the demand for upholstered furniture in overseas markets is characterized by high volatility, increased uncertainty and compressed profit margins. In order to consolidate and strengthen the Group’s position in the upholstered furniture field, the Group is implementing a dual-base production strategy in domestic and abroad. In China, the Group has adopted measures including intensification of use of land, reduction of fixed asset expenses and promotion of intelligent manufacturing to reduce costs and improve production efficiency. Meanwhile, production and delivery have been put in place at the factory in Cambodia, and more orders are expected to be fulfilled at the Cambodian factory in the future.

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 Directors	Capacity in which interests are held	Directly beneficially owned	Through controlled corporation	Total number of shares interested	Total interests as to percentage of the Company's issued share capital as at the Latest Practicable Date
Mr. Zhu (Note 1)	Beneficial owner	12,360,000	555,645,113	568,005,113	38.03%
Zhou Xiaohong (Note 2)	Beneficial owner	9,514,561	-	9,514,561	0.64%
Zhu Ruijun	Beneficial owner	3,000,000	-	3,000,000	0.20%

Notes:

- (1) As at the Latest Practicable Date, Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, were collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview Enterprises Limited (“Joyview”) which in turn is wholly owned by the trustee of such family trust). As at the Latest Practicable Date, this figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 Shares under the share option scheme adopted by a resolution of the Shareholders on 24 September 2005 and passed by a resolution of the Board on 26 September 2005 (the “2005 Share Option Scheme”), in which the grant of share option was approved by the Board on 26 May 2015.
- (2) As at the Latest Practicable Date, this figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 Shares under the 2005 Share Option Scheme and approved by the Board on 26 May 2015 for the share option grant.

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

Pursuant to the 2005 Share Option Scheme, the following share options were granted on 26 May 2015.

Name of Director	Exercise price HK\$	Number of share options				Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at 1 January 2021	Granted from 1 January 2021 to the Latest Practicable Date	Exercised from 1 January 2021 to the Latest Practicable Date	Forfeited from 1 January 2021 to the Latest Practicable Date				
Mr. Zhu	1.37	1,000,000	-	-	-	1,000,000	0.07%	1/1/2016 to 25/5/2025	1, 2, 3
Zhou Xiaohong	1.37	3,000,000	-	-	-	3,000,000	0.20%	1/1/2016 to 25/5/2025	1, 2, 3
		<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>0.27%</u>		

Notes:

1. These share options were granted pursuant to the 2005 Share Option Scheme on 26 May 2015 and are exercisable at HK\$1.37 per Share from 1 January 2016 to 25 May 2025. The closing price of shares of the Company immediately before the date of grant of share options was HK\$1.38 per share.
2. These share options represent personal interest held by the relevant participants as beneficial owner.
3. Up to the Latest Practicable Date, none of these share options had been exercised, forfeited, lapsed nor cancelled.

(iii) Interests in the associated corporation of the Company

Name of Director	Associated Corporation	Number of Shares	Approximate percentage of shareholding in associated corporation
Mr. Zhu (<i>Note</i>)	Joyview	1	100%

Note: Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, were collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview which in turn is wholly owned by the trustee of such family trust).

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

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Mr. Zhu's shareholdings stated in 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	–	555,645,113	555,645,113	37.20%
Prosperity and Wealth Limited ¹	Trustee	–	555,645,113	555,645,113	37.20%
Team Ease Limited ²	Beneficial owner	–	235,043,057	235,043,057	15.74%
Chen Dianer (陳鈿兒) ²	Interest in controlled corporation	–	235,043,057	235,043,057	15.74%

Notes:

1. Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, are collectively holding 568,005,113 Shares or approximately 38.03% of the total number of issued Shares (including the 555,645,113 Shares or approximately 37.20% of the issued Shares held by Joyview which in turn is wholly owned by Prosperity and Wealth Limited, being the trustee of such family trust).
2. Team Ease Limited is a company beneficially owned by Chen Dianer.

(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	19.5%
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%
Jiangsu Yimu Industrial and Investment Co., Ltd.* (江蘇一木實業投資有限公司)	Jiangsu Kasen Property Development Co., Ltd.* ⁴ (江蘇卡森置業有限公司)	Beneficial	37%
Hangzhou Anwei Industrial and Investment Co., Ltd.* (杭州安維實業投資有限公司)	Hangzhou Kasen Investment Management Company Ltd.* ⁵ (杭州卡森投資管理有限公司)	Beneficial	8%
Hainan Chengmai County Jinan Farm* (海南澄邁縣金安農場)	Hainan Kasen Home Furnishing Company Ltd.* ⁶ (海南卡森家居有限公司)	Beneficial	30%
Yancheng Dayang Bay Group Development Company Limited* (鹽城大洋灣組團開發有限公司)	Yancheng Dayang Bay Changle Health Development Company Ltd.* ⁷ (鹽城大洋灣長樂健康發展有限公司)	Beneficial	20%
Fan Dehua	Fun Waterpark Co., Ltd. ⁸	Beneficial	51%
Fan Dehua	Kasen International Paper Co., Ltd. ⁸	Beneficial	51%

Notes:

- The Company has approximately 80.5% indirect interest in Hainan Sanya Kasen Property Development Co., Ltd.
- The Company has approximately 92% indirect interest in Hainan Boao Kasen Property Development Co., Ltd.
- The Company has approximately 89% indirect interest in Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.

4. The Company has 55% indirect interest in Jiangsu Kasen Property Development Co., Ltd.
5. The Company has 92% indirect interest in Hangzhou Kasen Investment Management Company Ltd.
6. The Company has 70% indirect interest in Hainan Kasen Home Furnishing Company Ltd.
7. The Company has 80% indirect interest in Yancheng Dayang Bay Changle Health Development Company Ltd.
8. The Company has 49% indirect interest in Fun Waterpark Co., Ltd. and Kasen International Paper Co., Ltd., respectively.

* *For identification purposes only*

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. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

6. LITIGATION

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

7. MATERIAL CONTRACTS

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

- (i) the agreement dated 8 July 2020 entered into between Haining Hainix Sofa Co., Ltd (海寧漢林沙發有限公司), a wholly-owned subsidiary of the Company and Haining Jianshan New Area Administrative Committee* (海寧市尖山新區管理委員會), a PRC government authority under the Haining Municipal People's Government in relation to the resumption of the land located at No. 6, Jisheng Road, Jianshan New District, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 144,786 sq.m., for a total amount of RMB167,972,395;
- (ii) the supplemental agreement dated 1 February 2021 entered between Vendor A, an indirect wholly-owned subsidiary of the Company, Mr. Fan Dehua (“**Mr. Fan**”) and Madam Oknha Lim Chhiv Ho (“**Ms. Lim**”) in relation to amend and supplement certain arrangement as originally contemplated under the joint venture agreement dated 2 January 2018 (“**JV Agreement**”) entered into between Vendor A, Mr. Fan and Ms. Lim in relation to the establishment of Fun Waterpark Co., Ltd.;

- (iii) the agreement dated 16 September 2021 entered into between Haining Hidea Furniture Co., Ltd* (海寧慧達傢俱有限公司), a wholly-owned subsidiary of the Company and Haining Jianshan New Area Administrative Committee* (海寧市尖山新區管理委員會), a PRC government authority under the Haining Municipal People’s Government in relation to the resumption of the land located at No. 26, Wenchang Road, Jianshan New District, Haining City, Zhejiang Province, the PRC with an aggregate site area of approximately 152,023 sq.m., for a total amount of RMB180,143,845;
- (iv) the partnership agreement dated 18 November 2021 entered into between Zhejiang Kasen Industrial Group Co., Limited* (浙江卡森實業集團有限公司), a wholly-owned subsidiary of the Company as the limited partner and Beijing Gongjiao Junding Fund Management Co., Ltd.* (北京公交君鼎基金管理有限公司) as the general partner with respect to the formation of Smart Carbon (Chongqing) Private Equity Investment Fund Partnership (Limited Partnership)* (智碳(重慶)私募股權投資基金合夥企業(有限合夥));
- (v) the 2021 HHD Master Agreement;
- (vi) the 2021 CCT Master Agreement; and
- (vii) the 2021 Haining Renewal Agreement.

8. EXPERT’S QUALIFICATION AND CONSENT

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

Name	Qualification
Grand Moore Capital Limited	a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The expert above has given and has not withdrawn its written consent 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 its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, the expert above did not have 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, the expert above did not have any interest, direct or indirect, in any asset which since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Yiu Hoi Yan. 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 Unit 1111, 11/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, 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 Suntera (Cayman) Limited.
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.irasia.com/listco/kasen/index.htm) from the date of this circular up to 14 days thereafter:

- (a) the 2021 HHD Master Agreement;
- (b) the 2021 CCT Master Agreement;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix.

NOTICE OF EGM



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Kasen International Holdings Limited (the “**Company**”) will be held at 9:30 a.m. on Thursday, 30 December 2021 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 resolutions as an ordinary resolutions:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the master agreement dated 17 November 2021 (the “**2021 HHD Master Agreement**”) entered into between (i) the Company; (ii) Hero Time Ventures Limited (“**Hero Time**”); and (iii) 海寧家值傢俬有限公司 (Haining Home Direct Furniture Company Limited*) (“**Haining Home Direct**”), in relation to the guarantee provided by the Group to Haining Home Direct up to the amount of RMB370.0 million for the period from 1 January 2022 to 31 December 2024 (both days inclusive), subject to the terms and conditions of the 2021 HHD Master Agreement (a copy of the 2021 HHD Master Agreement has been tabled at the meeting and marked “A” signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2021 HHD Master Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

(2) “**THAT:**

- (a) the master agreement dated 17 November 2021 entered into between (i) the Company; (ii) Mr. Zhu Zhangjin, Ms. Zhu Jiayun, Ms. Zhu Lingren and 海寧靈嘉新材料科技有限公司 (Haining Lingjia New Material Technology Company Limited*) (collectively, the “**CCT Counter Guarantors**”); and (iii) 海寧森德皮革有限公司 (Haining Schinder Leather Company Limited*) and 鹽城市大豐華盛皮革有限公司 (Yancheng Dafeng Huasheng Leather Company Limited*) (collectively, the “**CCT Group**”) in relation to the guarantee provided by the Group to the CCT Group up to the amount of RMB393.0 million for each of the three financial years ending 31 December 2024 (the “**Annual Caps**”) and the counter guarantee provided by the CCT Counter Guarantors to fully indemnify the Company up to the amount of the Annual Caps (the “**2021 CCT Master Agreement**”) (a copy of the 2021 CCT Master Agreement has been tabled at the meeting and marked “A” signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2021 CCT Master Agreement and the transactions contemplated thereunder.”

Yours faithfully

By order of the Board

Kasen International Holdings Limited

Zhu Zhangjin

Chairman

13 December 2021

Notes:

1. Every member entitled to attend and vote at the EGM is entitled to appoint one or more persons as his proxy to attend and vote on behalf of himself. A proxy need not be a member of the Company.
2. A form of proxy for the EGM is enclosed. To be valid, a form of proxy, together with the power of attorney or other document of authority, if any, under which the form is signed, or a certified copy thereof, must be deposited with the Company’s Hong Kong branch share registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 9:30 a.m. on Tuesday, 28 December 2021, or not less than 48 hours before the time appointed for holding any adjourned meeting (as the case may be).

NOTICE OF EGM

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

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

As at the date of this notice, the executive directors of the Company are Mr. Zhu Zhangjin, Ms. Zhou Xiaohong and Mr. Zhu Ruijun, and the independent non-executive directors of the Company are Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.