THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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, together with the enclosed form of proxy, to the purchaser, transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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 and Connected Transactions in relation to the acquisition of share in Investwise International Limited and the interest in Yancheng Sujia Real Estate Development Company Limited and (2) Application for Whitewash Waiver

Financial adviser to the Company

ICEA

A subsidiary of ICBC

Independent financial adviser to the Independent Board Committees and the Independent Shareholders

廣發融資（香港）有限公司

GF Capital (Hong Kong) Limited

A letter from the Board is set out on pages 6 to 25 of this circular and a letter from the Independent Board Committees is set out on pages 26 to 27 of this circular. A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committees and the Independent Shareholders, containing its advice to the Independent Board Committees and the Independent Shareholders on the Transactions and the Whitewash Waiver is set out on pages 28 to 43 of this circular.

A notice convening the Extraordinary General Meeting ("**EGM**") to be held at 259 Qianjiang Road West, Haining, Zhejiang, China on July 16, 2008 at 9:30 a.m. is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th 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 appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

June 30, 2008

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisitions"	the acquisition of the Sale Share by the Company and the acquisition of the Sale Interest by Zhejiang Kasen Property;
"Acquisition Independent Board Committee"	an independent committee of the Board comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Transactions pursuant to Rule 13.39(6)(a) of the Listing Rules;
"Agreements"	the Investwise Agreement and the Yancheng Sujia Agreement;
"Announcement"	the announcement of the Company dated May 30, 2008 in relation to the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday) on which banks are open for business in Hong Kong;
"Company"	Kasen International Holdings Limited (卡森國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;
"Completion"	completion of the Investwise Transaction and the Yancheng Sujia Transaction pursuant to the Investwise Agreement and the Yancheng Sujia Agreement, respectively;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Price"	RMB171,001,654 (equivalent to approximately HK$193,231,869) to be paid by Zhejiang Kasen Property to Haining Zhongyuan as consideration for the acquisition of the Sale Interest;

"Consideration Shares"	an aggregate of 174,425,616 Shares to be allotted and issued credited as fully paid to Joyview as the consideration for the acquisition of the Sale Share;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be held on July 16, 2008 to approve, among other things, the Transactions and the Whitewash Waiver or any adjournment thereof;
"Enlarged Group"	the Group immediately after Completion (including the Target Group);
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or his delegate;
"Group"	the Company and its subsidiaries;
"Haining Zhongyuan"	海寧市中遠房產有限公司 (Haining Zhongyuan Real Estate Co., Ltd.*), a company incorporated in the PRC which holds 45% interest in Yancheng Sujia prior to Completion;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committees"	the Acquisition Independent Board Committee and the Whitewash Waiver Independent Board Committee;
"Independent Financial Adviser"	GF Capital (Hong Kong) Limited, being licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Transactions and the Whitewash Waiver;
"Independent Shareholders"	the Shareholders other than Joyview, Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement, the Yancheng Sujia Agreement and the Whitewash Waiver;
"Independent Third Party(ies)"	third party(ies) independent of, and not connected with, the Company and its subsidiaries and their respective connected persons;

"Investwise"	Investwise International Limited, a company incorporated with limited liability in the British Virgin Islands, and a wholly-owned subsidiary of Joyview prior to Completion;
"Investwise Agreement"	the agreement dated May 26, 2008 entered into between the Company, Joyview and Mr. Zhu, in relation to the Investwise Transaction;
"Investwise Transaction"	the proposed acquisition of the Sale Share by the Company from Joyview;
"Issue Price"	the issue price of HK$1.354 per Consideration Share;
"Joyview"	Joyview Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability;
"Last Trading Day"	May 23, 2008, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement;
"Latest Practicable Date"	June 27, 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Zhu"	Mr. Zhu Zhangjin, an executive Director and the controlling shareholder of the Company, and the ultimate beneficial owner of the entire issued share capital of Joyview;
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular;
"Project"	the development of the Property as described in the sub-section headed "Information on the Project" in the section headed "Information on the Target Group";
"Property"	a site located to south of Dongjin Road, north of Qingnian Road, west of Jiefangnan Road, and east of Yinbingnan Road, Yancheng, Jiangsu Province, PRC (中國江蘇省鹽城市南至東進路北、西至解放南路東、北至青年路南、東至迎賓南路西);

"Relevant Period"	the period from December 1, 2007 (being the date falling six months immediately prior May 30, 2008, being the date of the Announcement) up to and including the Latest Practicable Date;
"Sale Interest"	the 45% interest in the registered capital of Yancheng Sujia;
"Sale Share"	one share of US$1.00 each in the capital of Investwise, representing the entire issued share capital of Investwise;
"SFC"	the Securities and Futures Commission;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of US$0.00015 each in the capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Code on Takeovers and Mergers;
"Target Group"	Investwise and its subsidiaries;
"Transactions"	the Investwise Transaction and the Yancheng Sujia Transaction;
"Whitewash Waiver"	a waiver from the Executive (as defined in the Takeovers Code) pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Mr. Zhu and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by Mr. Zhu or parties acting in concert with him which would otherwise arise as a result of the issue of the Consideration Shares to Mr. Zhu and/or its nominee(s) upon completion of the Investwise Transaction;
"Whitewash Waiver Independent Board Committee"	an independent committee of the Board comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, and Mr. Li Hui, the non-executive Director, established for the purpose of advising the Independent Shareholders on the Whitewash Waiver pursuant to Rule 2.8 of the Takeovers Code;

"Yancheng Property Management"	鹽城市蘇嘉物業服務有限公司 (Yancheng Sujia Property Management Co., Ltd.*), a company established in the PRC, and a wholly-owned subsidiary of Yancheng Sujia;
"Yancheng Sujia"	鹽城市蘇嘉房地產開發有限公司 (Yancheng Sujia Real Estate Development Co., Ltd.*), a company established in the PRC whose registered capital is held as to 55% by Investwise and as to 45% by Haining Zhongyuan prior to Completion;
"Yancheng Sujia Agreement"	the agreement dated May 26, 2008 entered into between Zhejiang Kasen Property and Haining Zhongyuan, in relation to the Yancheng Sujia Transaction;
"Yancheng Sujia Transaction"	the proposed acquisition of the Sale Interest from Haining Zhongyuan by Zhejiang Kasen Property;
"Zhejiang Kasen Property"	浙江卡森置業有限公司 (Zhejiang Kasen Property Development Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company; and
"%"	per cent.

* *for identification purposes only*

For the purpose of this circular, the exchange rates of RMB1.00 = HK$1.13 and US$1.00 = HK$7.79 have been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in RMB, US$ or HK$ have been, could have been or may be converted at such rates.

KASEN INTERNATIONAL HOLDINGS LIMITED

卡 森 國 際 控 股 有 限 公 司

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

(Stock Code: 496)

Executive Directors:
ZHU Zhangjin *(Chairman and Chief Executive Officer)*
ZHOU Xiaosong
ZHU Jianqi

Non-executive Director:
LI Hui

Independent non-executive Directors:
LU Yungang
CHOW Joseph
ZHANG Huaqiao

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

Head office:
259 Qianjiang Road West
Haining City
Zhejiang Province 314400
China

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

June 30, 2008

To the Shareholders

Dear Sir/Madam,

(1) Major and Connected Transactions in relation to the acquisition of share in Investwise International Limited and the interest in Yancheng Sujia Real Estate Development Company Limited and (2) Application for Whitewash Waiver

INTRODUCTION

On May 30, 2008, the Board announced that the Company, Joyview and Mr. Zhu entered into the Investwise Agreement on May 26, 2008 pursuant to which Joyview has conditionally agreed to sell the Sale Share, representing the entire issued share capital of Investwise, to the

Company at a consideration of RMB209,002,021 (equivalent to approximately HK$236,172,284). The consideration for the acquisition of the Sale Share is to be satisfied by the allotment and issue by the Company to Joyview the Consideration Shares at the Issue Price. The Consideration Shares represent (i) approximately 17.62% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

On the same day, Zhejiang Kasen Property, an indirect wholly-owned subsidiary of the Company, and Haining Zhongyuan entered into the Yancheng Sujia Agreement pursuant to which Haining Zhongyuan has conditionally agreed to transfer the Sale Interest, representing 45% interest in Yancheng Sujia, to Zhejiang Kasen Property at a consideration of RMB171,001,654 (equivalent to approximately HK$193,231,869), which shall be payable by Zhejiang Kasen Property to Haining Zhongyuan in three cash installments.

The purpose of this circular is:

(i) to provide you with details on the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver;

(ii) to set out the advice of GF Capital (Hong Kong) Limited in respect of the terms of the Investwise Transaction and the Yancheng Sujia Transaction, and the Whitewash Waiver;

(iii) to set out the recommendations of the Independent Board Committees in respect of the terms of the Investwise Transaction and the Yancheng Sujia Transaction, and the Whitewash Waiver; and

(iv) to give you notice of the EGM to consider and if thought fit, to approve the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver.

THE INVESTWISE AGREEMENT

Date:	May 26, 2008
Vendor:	Joyview Enterprises Limited, a company incorporated in the British Virgin Islands and beneficially and wholly owned by Mr. Zhu. It is principally engaged in investment holding. Its subsidiaries are principally engaged in property development business
Purchaser:	The Company
Guarantor:	Mr. Zhu, an executive Director and the controlling shareholder of the Company
Subject matter:	Joyview has agreed conditionally to sell and the Company has conditionally agreed to purchase the Sale Share at a consideration of RMB209,002,021 (equivalent to approximately HK$236,172,284). Further information about the Sale Share is set out below.

Mr. Zhu has unconditionally and irrevocably agreed to guarantee the due performance of Joyview's obligations under the Agreement.

Consideration: The total consideration for the acquisition of the Sale Share shall be RMB209,002,021 (equivalent to approximately HK$236,172,284), which will be satisfied by the allotment and issue by the Company to Joyview the Consideration Shares.

The consideration for the acquisition of the Sale Share was determined after arm's length negotiation between the Company and Joyview with reference to, among other things, the net asset value of Investwise per its unaudited consolidated balance sheet as at December 31, 2007 of approximately RMB578,000,000 (equivalent to approximately HK$653,140,000), after taking into account the appreciation value of the Property amounting to RMB611,807,723 (equivalent to approximately HK$691,342,727), which is based on the valuation of the existing status of the Property for approximately RMB1,072,000,000 (equivalent to approximately HK$1,211,360,000) as set out in the valuation report in Appendix VI to this circular, of which approximately RMB460,192,000 (equivalent to approximately HK$520,017,000) is the book value accounted for the total development costs (including land acquisition costs, construction costs and capitalised finance costs) as at April 30, 2008 as appraised by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, on open market basis and a discount of approximately 34.26% on the adjusted fair value of Yancheng Sujia. The discount of approximately 34.26% was determined after arm's length negotiation between the parties and with reference to similar transactions entered into by other companies whose shares are listed on the Stock Exchange.

The Directors are of the view that the consideration for the acquisition of the Sale Share is fair and reasonable.

Consideration Shares: The consideration for the acquisition of the Sale Share shall be satisfied by the Company allotting and issuing 174,425,616 Consideration Shares to Joyview. The Consideration Shares represented (i) approximately 17.62% of the issued share capital of the Company as at the Latest Practicable Date; and represent (ii) approximately 14.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in its issued share capital from the Latest Practicable Date to Completion save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. There is no restriction for dealing with the Consideration Shares under the Investwise Agreement.

The Issue Price of HK$1.354 represents:

(a) a discount of approximately 3.97% to the closing price per Share of HK$1.41 as quoted on the Stock Exchange on May 23, 2008, being the Last Trading Day;

(b) a discount of approximately 3.29% to the average closing price per Share of HK$1.40 as quoted on the Stock Exchange for the last 5 trading days leading up to and including the Last Trading Day;

(c) a discount of approximately 1.88% to the average closing price per Share of HK$1.38 as quoted on the Stock Exchange for the last 10 trading days leading up to and including the Last Trading Day;

(d) a premium of approximately 4.15% over the average closing price per Share of HK$1.30 as quoted on the Stock Exchange for the last 20 trading days leading up to and including the Last Trading Day;

(e) a discount of approximately 11.5% to the closing price per Share of HK$1.53 as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a discount of approximately 39.82% to the latest published audited consolidated net tangible assets per Share of approximately HK$2.25 as at December 31, 2007.

Conditions Precedent: Completion of the Investwise Agreement is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions, among others:

(a) (i) the acquisition of the Sale Share; (ii) the issue of the Consideration Shares; (iii) the acquisition of the Sale Interest; (iv) the Whitewash Waiver; and (v) the transactions contemplated under the Investwise Agreement and the Yancheng Sujia Agreement all having been approved by resolutions of the Shareholders (or such of them as are not required to abstain from voting under the Listing Rules and the Takeovers Code) in the EGM taken on poll;

(b) the grant of the Whitewash Waiver by the Executive (as defined in the Takeovers Code);

(c) the listing of, and permission to deal in the Consideration Shares having been granted by the Stock Exchange and not having been revoked prior to Completion; and

(d) the PRC legal opinion confirming that, among others, Yancheng Sujia has legally obtained the relevant land use right certificate in respect of the Property.

Save for condition precedent (d) above, none of the above conditions can be waived by the parties to the Investwise Agreement. The conditions precedent are required to be fulfilled or waived (as the case may be) on or before August 29, 2008. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the date aforesaid, the Investwise Agreement shall cease and terminate, provided that the rights and liabilities of the parties to the Investwise Agreement which have accrued prior to termination shall subsist. As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

Completion: Completion of the Investwise Agreement shall take place on the second Business Day after the day on which the last of the conditions precedent are fulfilled or waived or such other date as the Company and Joyview may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Investwise Agreement.

THE YANCHENG SUJIA AGREEMENT

Date: May 26, 2008

Vendor: 海寧市中遠房產有限公司 (Haining Zhongyuan Real Estate Co., Ltd.*), a company incorporated in the PRC and beneficially owned by seven natural persons who are Independent Third Parties. It is principally engaged in the property development business.

Purchaser: Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司), an indirect wholly-owned subsidiary of the Company.

Subject matter: Haining Zhongyuan has conditionally agreed to sell and Zhejiang Kasen Property has conditionally agreed to purchase the Sale Interest at a consideration of RMB171,001,654 (equivalent to approximately HK$193,231,869).

Consideration Price: The total consideration for the acquisition of the Sale Interest shall be approximately RMB171,001,654 (equivalent to approximately HK$193,231,869), which will be satisfied by the payment of three cash installments in the following manner:

(a) the sum of RMB57,000,000 (equivalent to approximately HK$64,410,000) to be paid within five Business Days from the date of signing of the Yancheng Sujia Agreement;

(b) the sum of RMB57,000,000 (equivalent to approximately HK$64,410,000) to be paid within five Business Days after the transfer of Sale Interest to Zhejiang Kasen Property has been registered with the relevant PRC authorities; and

(c) the remaining sum of RMB57,001,654 (equivalent to approximately HK$64,411,869) to be paid within three months after the transfer of Sale Interest to Zhejiang Kasen Property has been registered with the relevant PRC authorities.

The Consideration Price was determined after arm's length negotiation between Haining Zhongyuan and Zhejiang Kasen Property with reference to, among other things, the net asset value of the Target Group per its unaudited consolidated balance sheet as at December 31, 2007 of approximately RMB578,000,000 (equivalent to approximately HK$653,140,000), after taking into account the appreciation value of the Property amounting to RMB611,807,723 (equivalent to approximately HK$691,342,727), which is based on the valuation of the existing status of the Property for approximately RMB1,072,000,000 (equivalent to approximately HK$1,211,360,000) as set out in the valuation report in Appendix VI to this circular, of which approximately RMB460,192,000 (equivalent to approximately HK$520,017,000) is the book value accounted for the total development costs (including land acquisition costs, construction costs and capitalised finance costs) as at April 30, 2008 as appraised by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, on open market basis and a discount of approximately 34.26% on the adjusted fair value of Yancheng Sujia. The discount of approximately 34.26% was determined after arm's length negotiation between the parties and with reference to similar transactions entered into by other companies whose shares are listed on the Stock Exchange.

The Directors are of the view that the Consideration Price is fair and reasonable.

Conditions Precedent:	Completion of the Yancheng Sujia Agreement is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions, among others:

(a) (i) the acquisition of the Sale Share; (ii) the issue of the Consideration Shares; (iii) the acquisition of the Sale Interest; (iv) the Whitewash Waiver; and (v) the transactions contemplated under the Investwise Agreement and the Yancheng Sujia Agreement all having been approved by resolution of the Shareholders (or such of them as are not required to abstain from voting under the Listing Rules and the Takeovers Code) in the EGM taken on poll;

(b) the disposal of the Sale Interest and the transactions contemplated thereunder all having been approved by the shareholders of Haining Zhongyuan in accordance with its articles of association; and

(c) the granting of the new Certificate of Approval (批准證書) to Yancheng Sujia by the Jiangsu Provincial Government (江蘇省人民政府).

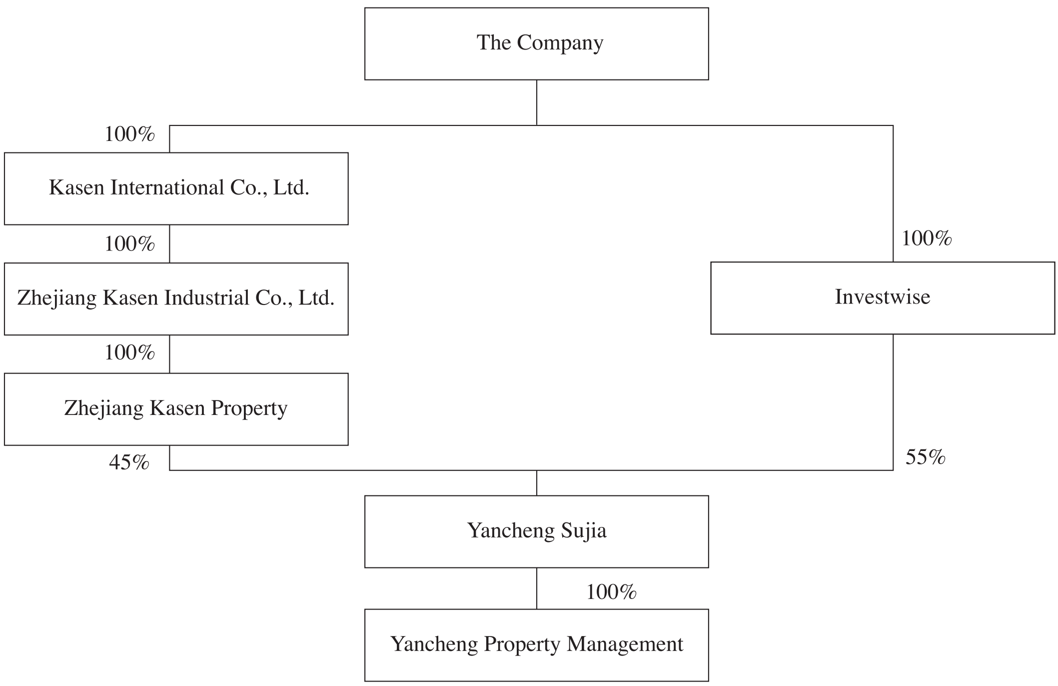
Completion:	Completion of the Yancheng Sujia Agreement shall take place on the second Business Day after approval on the Yancheng Sujia Agreement is received from the relevant PRC authorities, or on such other date as Haining Zhongyuan and Zhejiang Kasen Property may agree.

CORPORATE AND SHAREHOLDING STRUCTURE OF THE COMPANY

The following diagrams illustrate the corporate and shareholding structure of the Company immediately before Completion, and immediately after Completion:

The shareholding structure of the Company immediately before Completion

The shareholding structure of the Company immediately after Completion



INFORMATION ON THE TARGET GROUP

Overview

The Company will acquire from Joyview the Sale Share, representing the entire issued share capital of Investwise, and indirectly acquire 55% interest in Yancheng Sujia through the Investwise Transaction. Investwise is an investment holding company which holds a 55% interest in Yancheng Sujia. The Company will through Zhejiang Kasen Property indirectly acquire from Haining Zhongyuan the Sale Interest, representing 45% interest in Yancheng Sujia.

Immediately after Completion, the Company will own the entire issued share capital of Investwise, and indirectly own 100% of the registered capital in Yancheng Sujia. Yancheng Sujia is a limited liability company which is established in the PRC and was owned as to 55% by Investwise and as to 45% by Haining Zhongyuan as at the Latest Practicable Date. The registered capital of Yancheng Sujia is RMB50,000,000 (equivalent to approximately HK$56,500,000). The scope of business of Yancheng Sujia includes the development and management of properties in the PRC.

Yancheng Property Management is a limited liability company, which is established in the PRC, and a wholly-owned subsidiary of Yancheng Sujia. The registered capital of Yancheng Property Management is RMB1,000,000 (equivalent to approximately HK$1,130,000). The scope of business of Yancheng Property Management includes the provision of property management services.

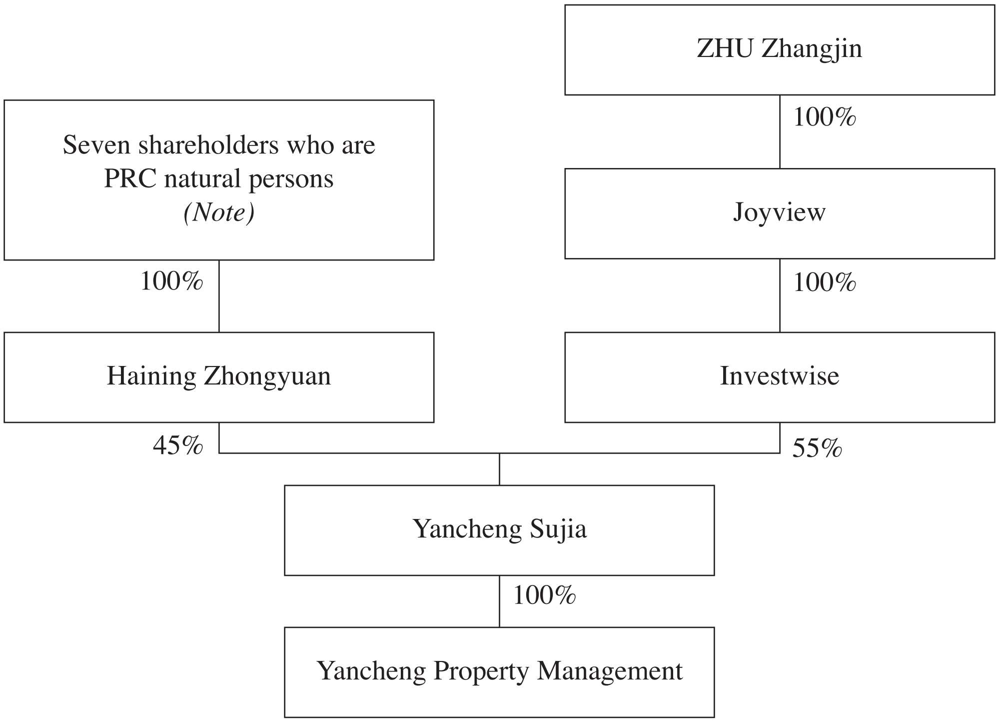
Yancheng Sujia owns a piece of land located to the south of Dongjin Road, north of Qingnian Road, west of Jiefangnan Road, and east of Yinbingnan Road, Yancheng City in Jiangsu Province, the PRC with a site area of approximately 346,846.67 sq.m. The Property has been earmarked for the development of residential and commercial buildings and a hotel, with a proposed aggregate gross floor area of approximately 684,700 sq.m. The Project consists of three phases. Yancheng Sujia has been granted the land use rights certificate, the required construction works commencement permits and pre-sale permit for phase 1 of the Project. The construction of 20 residential buildings in phase 1 of the Project is expected to be completed at the end of 2008 and the remaining 20 residential buildings is expected to be completed in June 2009. As of April 30, 2008, the total development costs incurred for phase 1 of the Project were approximately RMB114,000,000 (equivalent to approximately HK$128,820,000). It is estimated that additional costs of approximately RMB253,000,000 (equivalent to approximately HK$285,890,000) will be required to complete phase 1 of the Project. Such costs will be mainly financed by pre-sale deposits and bank loans.

Phases 2 and 3 of the Project are expected to comprise commercial buildings, residential buildings and a hotel. The development of phase 2 of the Project is expected to commence in September 2008 and to be completed in 2010. The development of phase 3 of the Project is expected to commence in 2009 and to be completed in 2011. Yancheng Sujia has been granted the land use rights certificates for phase 2 and part of phase 3 of the Project. Yancheng Sujia is still in the process of applying for the land use rights certificate for the remaining part of phase 3 of the Project. It is estimated that additional costs of approximately RMB800,000,000 (equivalent to approximately HK$904,000,000) will be required to develop phases 2 and 3 of the Project. Such costs will be mainly financed by pre-sale deposits and bank loans.

As at the Latest Practicable Date, the Company had no capital commitment for the Project. Having taken into account the pre-sale deposits of phase 1 of the Project, the estimated future pre-sale deposits of phases 2 and 3 of the Project and the bank loans obtained by Yancheng Sujia, it is estimated that Yancheng Sujia will have sufficient funds to operate the Project. As such, the Company has no plan at present to fund Yancheng Sujia by way of capital injection or have any capital commitment for the Project.

As at the Latest Practicable Date, no other properties or assets were held by Yancheng Sujia save for its interests in Yancheng Property Management and the Project.

The following diagram illustrates the shareholding of the Target Group immediately before Completion:



Note: As at the Latest Practicable Date, none of these seven shareholders of Haining Zhongyuan had any shareholding interest in the Company and/or has dealt with the securities of the Company within the Relevant Period.

Financial Information

(a) Investwise

Investwise was incorporated in the British Virgin Islands on August 15, 2007 by Mr. Zhu through Joyview. Investwise is an investment holding company and its sole asset is its 55% interest in the registered capital of Yancheng Sujia. Save for the costs incurred for the incorporation of Investwise, no other acquisition costs have been incurred by Mr. Zhu in respect of Investwise.

For the purpose of the Investwise Transaction, the financial statements for the period from August 15, 2007 (being the date of incorporation of Investwise) to December 31, 2007 of the Target Group as set out in Appendix II to this circular have been prepared in accordance with International Financial Reporting Standards.

According to the accountants' report on the Target Group, the audited net profit before and after taxation of Investwise for the period from August 15, 2007 (being the date of incorporation of Investwise) to December 31, 2007 was approximately RMB4,000 (equivalent to approximately HK$4,500).

As there was no investment income received from Yancheng Sujia, no turnover was generated by Investwise for the period from August 15, 2007 (being the date of incorporation of Investwise) to December 31, 2007. The audited net assets value of Investwise as at December 31, 2007 was approximately RMB4,000 (equivalent to approximately HK$4,500).

(b) The Target Group

According to the accountants' report on the Target Group, the audited consolidated net loss before and after taxation of the Target Group for the period from August 15, 2007 (being the date of incorporation of Investwise) to December 31, 2007 were approximately RMB249,000 (equivalent to approximately HK$281,370) and RMB186,000 (equivalent to HK$210,180), respectively.

As there were no investment income received from Yancheng Sujia and development of the Project has not been completed yet, there was no consolidated turnover generated by the Target Group for the period from August 15, 2007 (being the date of incorporation of Investwise) to December 31, 2007. The audited consolidated net assets value of the Target Group as at December 31, 2007 was approximately RMB25,613,000 (equivalent to approximately HK$28,943,000).

(c) Yancheng Sujia

Yancheng Sujia was established in the PRC on October 21, 2004. In September 2007, Haining Zhongyuan acquired the entire interest in Yancheng Sujia at a consideration of RMB50,000,000 (equivalent to approximately HK$56,500,000). On December 18, 2007, Haining Zhongyuan transferred its 55% interest in Yancheng Sujia to Investwise at a consideration of RMB31,532,550 (equivalent to approximately HK$35,631,782).

According to the accountants' report on Yancheng Sujia, the audited consolidated net loss before and after taxation of Yancheng Sujia and its subsidiary for the year ended December 31, 2006 was approximately RMB23,678,000 (equivalent to approximately HK$26,756,000), and the audited consolidated net losses before and after taxation of Yancheng Sujia and its subsidiary for the year ended December 31, 2007 were approximately RMB18,393,000 (equivalent to approximately HK$20,784,000) and RMB12,477,000 (equivalent to approximately HK$14,099,000), respectively, primarily as a result of the incur of finance costs, advertising and marketing costs with nil turnover for the two years ended December 31, 2007.

As payments received from pre-sale of phase 1 of the Project are classified as current liabilities but not revenue, and development of phases 2 and 3 have not commenced yet, no turnover was generated by Yancheng Sujia and its subsidiary for the year ended December 31, 2007. Based on the audited consolidated balance sheet of Yancheng Sujia and its subsidiary as at December 31, 2007 the net liabilities value of Yancheng Sujia and its subsidiaries amounted to approximately RMB39,233,000 (equivalent to approximately HK$44,333,000), mainly due to the borrowings from the bank and related companies, as well as interest payments accruing on the borrowings and the pre-sale deposits. Yancheng Sujia's operation was funded by its shareholder's equity, bank loans, advance from related parties and money received from pre-sale of phase 1 of the Project since it commenced its operation and it is expected that Yancheng Sujia will fund its future operation mainly by bank loans and sales revenue from the Project.

Upon Completion, Investwise, Yancheng Sujia and Yancheng Property Management will all be accounted for as wholly-owned subsidiaries of the Company.

Information on the Project

The Directors believe that the Project has the following characteristics which are compelling to potential investors:

(i) *premium location* – The Project is situated at the prime commercial area in the city of Yancheng, which is located in the central of Jiangsu province, the PRC. With the well-built infrastructure facilities in Yangtze River Triangle, the Project can tap on its macro-economic competitive advantage to generate a sustainable revenue.

(ii) *landmark development* – The Project involves the development of residential and commercial buildings situated on the Property, with distinct themes for leisure, entertainment, shopping, dining and cultural activities in central of Jiangsu province. The plans for commercial development include the construction of a five-star hotel, which will serve as the centrepiece of the Project.

(iii) *calculated financial commitments* – As the relocation compensation and land premium have been paid, the total development costs of the Project can be relatively easy to control.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE TARGET GROUP AND YANCHENG SUJIA

(1) Management Discussion and Analysis of the Performance of the Target Group

Investwise was incorporated on August 15, 2007 which does not carry on any business or have any material assets. After completion of the Investwise Transaction, Investwise holds 55% interest in the registered capital of Yancheng Sujia.

Save for its 55% equity interest in Yancheng Sujia, Investwise did not have and had not had any other significant businesses and/or operations, profits or losses, and assets and liabilities as at the Latest Practicable Date.

(2) Management Discussion and Analysis of the Performance of Yancheng Sujia

The following are the management discussion and analysis of the performance of Yancheng Sujia:

Review of Past Performance

Yancheng Sujia did not record any turnover for each of the three years ended December 31, 2007. The audited consolidated loss of Yancheng Sujia amounted to approximately RMB28,167,000 (equivalent to approximately HK$31,829,000), RMB23,678,000 (approximately HK$26,756,000) and RMB12,477,000 (equivalent to approximately HK$14,099,000) for the three years ended December 31, 2007, respectively.

Yancheng Sujia has not generated any revenue from its principal activity as such revenue will only be generated from the sale of the properties developed under the Property, which is still not ready for delivery.

Yancheng Sujia does not have any geographical segment information as the activities of Yancheng Sujia for each of the three years ended December 31, 2007 were all carried out in Yancheng City, the PRC.

Yancheng Sujia does not have any business segment information as it was only engaged in the development of the Project for the three years ended December 31, 2007.

Material acquisitions and disposals

Save for its interest in the Project, Yancheng Sujia did not have any significant investments, material acquisitions and disposals during the three years ended December 31, 2007.

Financial resources and liquidity

The audited net liabilities of Yancheng Sujia as at December 31, 2005, December 31, 2006 and December 31, 2007 were approximately RMB43.1 million (equivalent to approximately HK$48.7 million), RMB26.8 million (equivalent to approximately HK$30.3 million) and RMB39.2 million (equivalent to approximately HK$44.3 million), respectively.

As at December 31, 2005, December 31, 2006, and December 31, 2007, Yancheng Sujia had bank balances and cash in the amounts of approximately RMB1,792,000 (equivalent to approximately HK$2,025,000), RMB14,370,000 (equivalent to approximately HK$16,238,000), and RMB63,724,000 (equivalent to approximately HK$72,008,000), respectively. Yancheng Sujia had no bank borrowing as at December 31, 2005 and December 31, 2006. Yancheng Sujia had bank borrowings of RMB150 million (equivalent to approximately HK$169.5 million) as at December 31, 2007 with the average interest rate of 6.91%. Yancheng Sujia generally finances its operations with the funds from its shareholders, pre-sale deposits and bank loans.

The gearing ratio of Yancheng Sujia was nil, as Yancheng Sujia had no bank borrowing as at December 31, 2005 and December 31, 2006, and had net liabilities as at December 31, 2007.

Contingent Liabilities

Yancheng Sujia did not have any material contingent liabilities as at December 31, 2005, December 31, 2006 and December 31, 2007.

Employees and emoluments policies

The number of persons employed by Yancheng Sujia as at December 31, 2005, December 31, 2006, and December 31, 2007 were 8, 13 and 20, respectively. Yancheng

Sujia remunerated its staff by reference to market terms and the performance, qualifications and experience of individual employees. Total staff costs of Yancheng Sujia and its subsidiary (including salaries, wages and other benefits) for each of the three years ended December 31, 2007 were approximately RMB232,000 (equivalent to approximately HK$262,000), RMB350,000 (equivalent to approximately HK$396,000), and RMB922,000 (equivalent to approximately HK$1,042,000), respectively.

Pledge of assets

As at December 31, 2005, December 31, 2006 and December 31, 2007, save for the land use right with a site area of 163,576 sq.m. which was pledged to the Yancheng Branch of Agriculture Bank of China for securing a loan granted on April 29, 2007, Yancheng Sujia did not charge any of its assets.

Foreign exchange exposure

The transactions of Yancheng Sujia were denominated in RMB. Therefore, there is no exposure of Yancheng Sujia to foreign currency fluctuation. Yancheng Sujia did not enter into any financial instrument for hedging purposes.

Except that Yancheng Sujia will continue developing the Project, there is no other concrete plan for material investments or capital assets in the coming year. Yancheng Sujia will rely on the funding from pre-sale deposits and bank loans for carrying out the Project.

(3) Prospect

Upon Completion, Yancheng Sujia will become an indirect wholly-owned subsidiary of the Company, and the effective equity interest of the Company in the Project will be 100%. The Directors consider that investment in the Target Group will provide a good opportunity for the Company to further participate in the property development, leasing and investment business. The Directors also consider the investment in the Target Group will allow the Company to diversify its business and reduce the Group's reliance on the upholstered furniture business which has been adversely impacted by the slow down in the housing market of the United States and the subprime loan crises. The construction works of the Project have been commenced with an expected construction period of approximately 4 years. Phases 1, 2 and 3 of the Project are expected to be completed in the year of 2009, 2010 and 2011, respectively. The total costs of the Project is estimated to be approximately RMB1,167,000,000 (equivalent to approximately HK$1,318,710,000), in which approximately RMB114,000,000 (equivalent to approximately HK$128,820,000) were incurred as of April 30, 2008. It is expected that the Project will be funded mainly by bank loans and sales revenue from the Project. The Directors believe that the Transactions will enable the Shareholders to enjoy the benefits brought by the blooming PRC property market and will strengthen the assets base of the Group in the near future.

INFORMATION ON JOYVIEW

Joyview is an investment holding company. Its subsidiaries and associates are principally engaged in investment holding and property holding businesses.

INFORMATION ON HAINING ZHONGYUAN

Haining Zhongyuan, an Independent Third Party, is engaged in real estate development business.

CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE INVESTWISE TRANSACTION

The following table sets out the shareholding structures of the Company (based on information received by the Company and notified pursuant to Part XV of the SFO up to the Latest Practicable Date) immediately before and after Completion (assuming that there are no changes other than those contemplated in the Investwise Agreement):

	As at the Latest Practicable Date		**Immediately after Completion**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Zhu, his associates and parties acting in concert with any of them	328,867,019	33.22	503,292,635	43.22
Public	661,181,350	66.78	661,181,350	56.78
Total	**990,048,369**	**100.00**	**1,164,473,985**	**100.00**

The Transactions will not result in a change of control of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business.

RELATIONSHIP BETWEEN MR. ZHU, HIS ASSOCIATES AND PARTIES IN CONCERT WITH ANY OF THEM

Mr. Zhu is the sole shareholder of Joyview and the ultimate beneficial owner of the Target Group. Joyview is an associate of Mr. Zhu and hence a connected person of the Company. Immediately after Completion and the issue of the Consideration Shares (assuming no further Shares, other than the Consideration Shares, were issued by the Company between the Latest Practicable Date and Completion), the controlling stake of Mr. Zhu, his associates and parties acting in concert with any of them in the Company will increase from approximately 33.22% as at the Latest Practicable Date to approximately 43.22% of the enlarged issued share capital of the Company. Mr. Zhu has no intention to transfer, charge, pledge any of the Consideration Shares to any other persons.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business. The Directors consider that investment in the Target Group will provide a good opportunity for the Company to further participate in property development, leasing and investment business in the PRC which the Directors consider to have continuous growth potential in the future in light of the continuous and rapid growth in the economy of the PRC. The Directors also consider the investment in the Target Group will allow the Company to diversify its business and reduce the

Group's reliance on the upholstered furniture business which has been adversely impacted by the slow down in the housing market of the United States and the subprime loan crises, as well as allow the Company to move into a solid business area. It is proposed that the consideration for the acquisition of the Sale Share be paid for by the issue of the Consideration Shares and not by payment of cash because this is the best financing method available to the Company.

The Directors have no intention of disposing of the Company's existing business after Completion and will, following the Completion, conduct a more detailed review of its operations with the view of developing a corporate strategy to enhance its existing businesses and asset base and broaden its income stream by various measures, which may include further investing in and expanding its existing businesses or divesting of loss-making operations should appropriate opportunities arise.

Mr. Zhu intends to maintain the existing businesses of the Group upon successful completion of the Investwise Agreement and the Yancheng Sujia Agreement. Mr. Zhu does not intend to introduce any major changes to the existing operation and management structures of the Group as a result of completion of the Investwise Agreement and the Yancheng Sujia Agreement.

The Directors believe that the terms of the Investwise Agreement and the Yancheng Sujia Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors consider the issue of Consideration Shares as consideration for the acquisition of the Sale Share is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company will not need to use substantial amount of its existing cash resources to fund the Investwise Transaction. The Directors intend to finance the Yancheng Sujia Transaction by internal resources of the Group. The total assets of the Group will be increased, as well as the total liabilities of the Group as the payments received from the pre-sale of phase 1 of the Project are classified as current liabilities but not revenue.

The Directors also believe that the Project will provide the Company with the following strategic and operational benefits:

(i) The Project will enable the Company to further develop its property development and leasing businesses;

(ii) Stable revenue stream is expected to be generated from the property development and leasing market; and

(iii) The property market experience of the existing Board will be enhanced substantially.

As Completion is subject to the fulfillment of a number of conditions precedent, the Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

APPLICATION FOR WHITEWASH WAIVER

Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon completion of the Investwise Agreement, the interests held by Mr. Zhu, his associates and parties acting in concert with any of them will increase from approximately 33.22% to approximately 43.22% of the issued share capital of the Company as enlarged by the Consideration Shares. Mr. Zhu and parties acting in concert with him will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to Mr. Zhu and/or its nominee(s) upon completion of the Investwise Agreement.

Mr. Zhu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code on the basis that, among other things, the Consideration Shares will be issued as consideration for the Investwise Transaction pursuant to the Investwise Agreement and the Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the EGM on a vote taken by way of a poll whereby Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement and the Whitewash Waiver will abstain from voting. The Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Independent Shareholders taken by way of poll at the EGM.

The Whitewash Waiver Independent Board Committee comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, and Mr. Li Hui, the non-executive Director, has been formed to advise the Independent Shareholders on the Whitewash Waiver. Your attention is drawn to the letter of recommendation from the Whitewash Waiver Independent Board Committee set out on page 26 of this circular.

Mr. Zhu has confirmed that he and/or parties acting in concert with him have not dealt with the securities of the Company within the 6-month period prior to the date of the Announcement and up to and including the Latest Practicable Date.

FUTURE INTENTIONS

Mr. Zhu intends to maintain the existing businesses of the Group upon successful completion of the Investwise Agreement and the Yancheng Sujia Agreement. Mr. Zhu does not intend to introduce any major changes to the existing operation and management structure of the Group, or to discontinue the employment of any employees of the Group, or to deploy any material fixed assets of the Group, as a result of completion of the Investwise Agreement and the Yancheng Sujia Agreement. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of completion of the Investwise Agreement and the Yancheng Sujia Agreement. Mr. Zhu is optimistic about the prospect of leather processing and property development businesses of the Group and consider that the increase of his equity interest in the Company is commercially justifiable.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, Investwise, a wholly-owned subsidiary of Joyview, was an investment holding company holding 55% interest in Yancheng Sujia. Immediately after Completion, the Company will own the entire issued share capital of Investwise and indirectly acquire 100% of Yancheng Sujia.

As at the Latest Practicable Date, the Company had 990,048,369 Shares in issue. Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement, the Yancheng Sujia Agreement and the Whitewash Waiver (who in aggregate, as at the Latest Practicable Date, were beneficially interested in 328,867,019 Shares, representing approximately 33.22% of the existing issued share capital of the Company) have material interest in the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver and are therefore required to abstain from voting in respect of the resolution to approve the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver. Immediately after Completion and the issue of the Consideration Shares (assuming no further Shares, other than the Consideration Shares, are issued by the Company prior to the Completion), the controlling stake of Mr. Zhu, his associates and parties acting in concert with any of them in the Company will be approximately 43.22% of the enlarged issued share capital of the Company. As Mr. Zhu is the controlling shareholder of the Company and the ultimate beneficial owner of the Target Group, Mr. Zhu is therefore a connected person of the Company. Accordingly, the Investwise Transaction constitutes a connected transaction for the Company under the Listing Rules. In addition, the Transactions will constitute major transactions for the Company under Rule 14.06 of the Listing Rules. Upon Completion, both Investwise and Yancheng Sujia will become subsidiaries of the Company. The Transactions are conditional upon, among other things, the approval of the Independent Shareholders by way of poll where Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement, the Yancheng Sujia Agreement and the Whitewash Waiver will abstain from voting in respect of the resolution to approve the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver.

The Directors consider that the terms of the Investwise Transaction and the Yancheng Sujia Transaction are on normal commercial terms and are fair and reasonable, and in the interests of the Shareholders as a whole.

The Acquisition Independent Board Committee comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, has been formed to advise Independent Shareholders on the Transactions. Your attention is drawn to the letter of recommendation from the Acquisition Independent Board Committee set out on page 27 of this circular.

Appointment of Independent Financial Adviser

The Company has appointed GF Capital (Hong Kong) Limited as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in relation to the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver in accordance with the Listing Rules and Takeovers Code. Such appointment has been approved by the Independent Board Committees. Your attention is drawn to their letter of advice set out on pages 28 to 43 of this circular.

EGM

The EGM will be held at 259 Qianjiang Road West, Haining, Zhejiang, China on July 16, 2008 at 9:30 a.m. for the purpose of considering, and if thought fit, approving the Transactions and the Whitewash Waiver. A notice of the EGM is set out on pages N-1 to N-2 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions contained therein and deliver the same with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th 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 scheduled for holding of the EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

PROCEDURES TO DEMAND A POLL BY SHAREHOLDERS

Under the articles of association of the Company, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or is demanded before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll:

(a) by the chairman of the meeting; or

(b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by one or more Shareholder(s) present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by one or more Shareholder(s) present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(e) if required by the Listing Rules, by an Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

The Transactions are subject to the reporting, announcement and the Independent Shareholders' approval requirements and the vote of the Independent Shareholders taken at the EGM will be taken by poll pursuant to the Listing Rules and the Takeovers Code. Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement, the Yancheng Sujia Agreement and the Whitewash Waiver will abstain from voting in respect of the resolution to approve the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver at the EGM.

RECOMMENDATIONS

The Whitewash Waiver Independent Board Committee, having taken into account the opinion of GF Capital (Hong Kong) Limited as set out in the letter of advice on pages 28 to 43 of this circular, considers that the Whitewash Waiver taken as a whole is fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the resolution to approve the Whitewash Waiver at the EGM. The Acquisition Independent Board Committee, having taken into account the opinion of GF Capital (Hong Kong) Limited as set out in the letter of advice on pages 28 to 43 of this circular, considers that the terms of the Investwise Transaction and the Yancheng Sujia Transaction taken as a whole are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the resolutions to approve the Investwise Transaction and the Yancheng Sujia Transaction at the EGM. The letters from the Independent Board Committees are set out on pages 26 to 27 of this circular.

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

By Order of the Board
Kasen International Holdings Limited
Yiu Hoi Yan
Company Secretary

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)

June 30, 2008

To the Shareholders

Dear Sir or Madam,

Application for Whitewash Waiver

We refer to the circular of the Company to the Shareholders dated June 30, 2008 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to form the Whitewash Waiver Independent Board Committee to advise the Independent Shareholders whether the Whitewash Waiver are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from GF Capital (Hong Kong) Limited as set out on pages 28 to 43 of the Circular and the letter from the Board set out on pages 6 to 25 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of GF Capital (Hong Kong) Limited as stated in its letter of advice, we consider that the Whitewash Waiver are fair and reasonable so far as the Company and the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Whitewash Waiver to be proposed at the EGM.

Yours faithfully
The Whitewash Waiver Independent Board Committee of
Kasen International Holdings Limited

Chow Joseph
Independent non-executive Director

Lu Yungang
Independent non-executive Director

Zhang Huaqiao
Independent non-executive Director

Li Hui
Non-executive Director

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)

June 30, 2008

To the Shareholders

Dear Sir or Madam,

**Major and Connected Transactions
in relation to
the acquisition of share in Investwise International Limited and
the interest in Yancheng Sujia Real Estate Development Company Limited**

We refer to the circular of the Company to the Shareholders dated June 30, 2008 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to form the Acquisition Independent Board Committee to advise the Independent Shareholders on whether the terms of the Investwise Transaction and the Yancheng Sujia Transaction are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from GF Capital (Hong Kong) Limited as set out on pages 28 to 43 of the Circular and the letter from the Board set out on pages 6 to 25 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of GF Capital (Hong Kong) Limited as stated in its letter of advice, we consider that the terms of the Investwise Transaction and the Yancheng Sujia Transaction are fair and reasonable so far as the Company and the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Investwise Transaction and the Yancheng Sujia Transaction to be proposed at the EGM.

Yours faithfully,
**The Acquisition Independent Board Committee of
Kasen International Holdings Limited**

Chow Joseph	**Lu Yungang**	**Zhang Huaqiao**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from GF Capital, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committees and the Independent Shareholders in connection with the Agreements.

廣發融資（香港）有限公司
GF Capital (Hong Kong) Limited

Suites 2301-5 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

June 30, 2008

To the Independent Board Committees
and the Independent Shareholders

Dear Sirs,

(1) Major and Connected Transactions
in relation to
the acquisition of share in Investwise International Limited and
the interest in Yancheng Sujia Real Estate Development Company Limited;
and
(2) Application for Whitewash Waiver

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committees and the Independent Shareholders in respect of the Investwise Transaction, the Yancheng Sujia Transaction and the Whitewash Waiver, particulars of which are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated June 30, 2008 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As Mr. Zhu is the controlling Shareholder and the ultimate beneficial owner of the Target Group, Mr. Zhu is therefore a connected person of the Company under the Listing Rules. Accordingly, the Investwise Transaction constitutes a connected transaction for the Company under the Listing Rules. As the Agreements are inter-conditional, completion of the Transactions are conditional upon, among other things, the approval of the Independent Shareholders by way of poll.

Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon completion of the Investwise Agreement, the interests held by Mr. Zhu, his associates and parties acting in concert with any of them will increase from approximately 33.22% to approximately 43.22% of the issued share capital of the Company as enlarged by the Consideration Shares. Mr. Zhu and parties acting in concert with him will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to Mr. Zhu and/or its nominee(s) upon completion of the Investwise Agreement.

Mr. Zhu has applied to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code on the basis that, among other things, the Consideration Shares will be issued as consideration for the Investwise Transaction pursuant to the Investwise Agreement and the Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the EGM on a vote taken by way of poll whereby Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement and the Whitewash Waiver will abstain from voting.

INDEPENDENT BOARD COMMITTEES

The Acquisition Independent Board Committee comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, has been formed to advise Independent Shareholders on the Transactions. The Whitewash Waiver Independent Board Committee comprising Mr. Chow Joseph, Mr. Lu Yungang and Mr. Zhang Huaqiao, the independent non-executive Directors, and Mr. Li Hui, the non-executive Director, has been formed to advise the Independent Shareholders on the Whitewash Waiver.

We have been appointed to advise the Independent Board Committees and the Independent Shareholders as to whether the Whitewash Waiver and the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned; whether the Transactions are on normal commercial terms and whether the entering into of the Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and to make recommendations to the Independent Board Committees and the Independent Shareholders on how to vote on the relevant resolutions to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives and the Directors for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Company, its representatives and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

Our review and analyses were based upon the information provided by the Company which include, among others, (i) the Investwise Agreement; (ii) the Yancheng Sujia Agreement; (iii) the annual report of the Company for the year ended December 31, 2007 ("**2007 Annual Report**"); (iv) the audited report of the Target Group for the year ended December 31, 2007; (v) the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at December 31, 2007 ("**Pro Forma Statement**"); (vi) the valuation report of the Property issued by Jones Lang LaSalle Sallmanns Limited (the "**Valuer**") dated June 30, 2008 (the "**Valuation Report**"); and (vii) the whitewash waiver application dated June 13, 2008. We consider that we have reviewed sufficient information which enables us to reach an informed view and to provide us with a reasonable basis for our opinion. We have no reason to suspect that any material facts or information which is known to the Company, its representatives and the Directors have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information, facts, and representation provided, or the reasonableness of the opinions and representation expressed by the Company, its representatives and the Directors. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, assets and liabilities, and the prospects of the Company and the Target Group.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business.

Review of financial information of the Group

Based on the information set out in 2007 Annual Report of the Company, the audited financial results of the Company are summarized as follows:

	For the year ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	3,310,727	3,916,513	3,475,457	2,852,391	2,135,498
Gross profit	299,537	427,377	548,263	443,672	377,407
Gross profit margin	9.05%	10.91%	15.78%	15.55%	17.67%
(Loss) profit attributable to equity holders of the Company	(194,149)	64,143	265,699	225,701	199,323
Net profit margin	Not applicable	1.64%	7.65%	7.91%	9.33%

	As at December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	508,850	380,973	372,278	213,458	410,293
Total borrowings	1,580,864	1,257,089	1,291,738	1,880,251	1,338,681
Total assets	4,139,450	4,074,528	4,441,690	4,036,944	2,634,285
Total liabilities	2,169,604	1,891,551	2,143,824	2,835,568	1,917,225
Equity attributable to equity holders of the Company	1,917,154	2,108,865	2,199,560	1,091,104	557,247

For the year ended December 31, 2007, the loss attributable to equity holders of the Company is approximately RMB194 million which is primarily due to the decrease in sales. Sales of upholstered furniture including finished sofa and sofa cut-and-sew accounted for 77.7% of the Group's total revenue for the year ended December 31, 2007 (2006: 79.7%). According to the Directors, the subprime crises and downturn in the US housing market severely affected the sales of home furnishing and furniture products. Most of the Group's major US customers have experienced difficulties in their business. This has in turn affected the Group's sales. In addition, due to the increase in manufacturing costs and the slow down in export-oriented upholstered furniture industry, the Group's export sales of furniture leather decreased by 25.0%, from approximately RMB615.1 million in 2006 to approximately RMB461.3 million in 2007.

It is expected by the Group that the export-oriented manufacturers for household products in China will continue to face challenges as US economy will not see any turnaround in the foreseeable future and RMB is expected to accelerate its appreciation. As China inflation rate escalates and the New Labor Contract Law of the PRC enacted in 2008, the Group has to focus on cost saving programs to go through the rest of 2008. The decreases of both gross profit margin and net profit margin of the Group over the last three years indicate that the business environment of the existing business of the Group is deteriorating. Therefore, the Group believes the entering into of property market will provide the Group with a good opportunity to diversify its business and will contribute to the Group's profitability in the long run.

2. Background of the Agreements

As disclosed in the Company's announcement dated May 30, 2008, on May 26, 2008, the Company, Joyview and Mr. Zhu entered into the Investwise Agreement pursuant to which Joyview has conditionally agreed to sell the Sale Share, representing the entire issued share capital of Investwise, to the Company at a consideration of RMB209,002,021 (equivalent to approximately HK$236,172,284). The consideration for the acquisition of the Sale Share is to be satisfied by the Company by allotting and issuing to Joyview the Consideration Shares at the Issue Price. The Consideration Shares represent (i) approximately 17.62% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 14.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

On the same day, Zhejiang Kasen Property, an indirect, wholly-owned subsidiary of the Company, and Haining Zhongyuan entered into the Yancheng Sujia Agreement pursuant to which Haining Zhongyuan has conditionally agreed to transfer the Sale Interest, representing 45% interest in Yancheng Sujia, to Zhejiang Kasen Property at a consideration of RMB171,001,654 (equivalent to approximately HK$193,231,869), which shall be payable by Zhejiang Kasen Property to Haining Zhongyuan in three cash installments.

3. Information on the Target Group

As stated in the Board Letter, the Company will acquire from Joyview the Sale Share, representing the entire issued share capital of Investwise, and indirectly acquire 55% interest in Yancheng Sujia through the Investwise Transaction.

Investwise is an investment holding company which holds a 55% interest in Yancheng Sujia. Immediately after Completion, the Company will own all of the shares in Investwise, and indirectly acquire 100% of the registered capital in Yancheng Sujia. Yancheng Sujia is a limited liability company which is established in the PRC and owned as to 55% by Investwise and as to 45% by Haining Zhongyuan as at the Latest Practicable Date. The registered capital of Yancheng Sujia is RMB50,000,000 (equivalent to approximately HK$56,500,000). The scope of business of Yancheng Sujia includes the development and management of properties.

Yancheng Property Management is a limited liability company, which is established in the PRC, and a wholly-owned subsidiary of Yancheng Sujia. The registered capital of Yancheng Property Management is RMB1,000,000 (equivalent to approximately HK$1,130,000). The scope of business of Yancheng Property Management includes the provision of property management services.

Yancheng Sujia owns a piece of land located to the south of Dongjin Road, north of Qingnian Road, west of Jiefangnan Road, east of Yinbingnan Road, Yancheng City in Jiangsu Province, the PRC with a site area of approximately 346,846.67 sq.m. The Property has been earmarked for the development of residential and commercial buildings and a hotel, with a proposed aggregate gross floor area of approximately 684,700 sq.m.

The Project consists of three phases. Yancheng Sujia has been granted the land use rights certificate, the required construction works commencement permits and pre-sale permit for phase 1 of the Project. The construction of 20 residential buildings in phase 1 of the Project is expected to be completed at the end of 2008 and the remaining 20 residential buildings are expected to be completed in June 2009. As of April 30, 2008, the total development costs incurred for phase 1 of the Project were approximately RMB114,000,000. It is estimated that additional costs of approximately RMB253,000,000 will be required to complete phase 1 of the Project. Such costs will be mainly financed by pre-sale deposits and bank loans.

Phases 2 and 3 of the Project are expected to comprise commercial buildings, residential buildings and a hotel. The development of phase 2 of the Project is expected to commence in September 2008 and to be completed in 2010. The development of phase 3 of the Project is expected to commence in 2009 and to be completed in 2011. Yancheng Sujia has been granted the land use rights certificates for phase 2 and part of phase 3 of the Project. Yancheng Sujia is still in the process of applying for the land use rights certificate for the remaining part of phase 3 of the Project. It is estimated that additional costs of approximately RMB800,000,000 will be required to develop phases 2 and 3 of the Project. Such costs will be mainly financed by pre-sale deposits and bank loans. As disclosed in the Board Letter, at the Latest Practicable Date, the Company had no capital commitment for the Project. Having taken into account the pre-sale deposits of phase 1 of the Project, the estimated future pre-sale deposits of phases 2 and 3 of the Project and the bank loans obtained by Yancheng Sujia, it is estimated by the Directors that Yancheng Sujia will have sufficient funds to operate the Project.

Based on the audited reports of the Target Group, the audited financial information of the Target Group is summarized as follows:

Target Group

	Period from August 15, 2007 to December 31, 2007
	RMB'000
Turnover	0
Loss before taxation	(249)
Loss for the period	(186)

	As at December 31, 2007
	RMB'000
Bank balances and cash	66,799
Total assets	701,864
Total liabilities	676,251
Net assets	25,613

Yancheng Sujia

	For the year ended December 31,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	0	0	0
Loss before taxation	(28,167)	(23,678)	(18,393)
Loss for the year	(28,167)	(23,678)	(12,477)

	As at December 31,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash	1,792	14,370	63,724
Total assets	361,548	409,216	602,414
Total liabilities	404,626	435,972	641,647
Net assets/(liabilities)	(43,078)	(26,756)	(39,233)

The account of Yancheng Sujia has been consolidated into the account of the Target Group. Please refer to the section "7. Financial effects of the Acquisitions" below for our analysis on the financial effects of the Acquisitions.

4. Overview of the property market in the PRC

The PRC's economy has been experiencing continuous growth in previous years. According to the National Bureau of Statistics of China, from 2000 to 2006, the PRC's nominal gross domestic product ("GDP") grew from RMB9,921 billion to RMB20,941 billion, representing a compound annual growth rate ("CARG") of 13.26%. In 2007, the PRC's nominal GDP reached RMB24,662 billion, which increased by RMB3,721 billion, or 17.8%, from that in 2006. According to the Economist Intelligence Unit, the PRC's economy is expected to continue growing rapidly in the coming years. The strong growth was contributed by, among others, rapid growth in fixed assets investments such as properties.

According to the National Bureau of Statistics of China, prices for real estate in PRC increased from 2001 to 2006, with the average price of residential properties in PRC increasing from approximately RMB2,017.0 per sq.m. in 2001 to approximately RMB3,119 per sq.m. in 2006, representing a CAGR of 9.1%, while the average price for commercial properties in the same period increased from approximately RMB3,274.0 per sq.m. in 2001 to approximately RMB5,247 per sq.m. in 2006, a CAGR of 9.9%. The average price for office buildings increased from approximately RMB4,588.0 per sq.m in 2001 to RMB8,053 per sq.m. in 2006, representing a CAGR of 11.9%. According to the National Development and Reform Commission, the average price for property sales in 2007 further increased by approximately 7.6% as compared with 2006.

Based on the above information and statistics, we consider that it is justifiable for the Group to enter into of the PRC property market aiming at diversifying its business and enhancing its profitability in the long run.

5. Terms of the Agreements

As the Investwise Agreement and the Yancheng Sujia Agreement are inter-conditional and their ultimate acquisition target are the same (i.e. Yancheng Sujia), we will review the terms of the Agreements together so as to provide a comprehensive analysis on the Acquisitions.

Parties to the Agreements

The Investwise Agreement

Vendor: Joyview which is beneficially and wholly owned by Mr. Zhu

Purchaser: The Company

Guarantor: Mr. Zhu

The Yancheng Sujia Agreement

Vendor: Haining Zhongyuan which is beneficially owned by seven natural persons who are Independent Third Parties

Purchaser: Zhejiang Kasen Property, an indirect wholly-owned subsidiary of the Company

We note that the Investwise Agreement was entered into by the Group with a connected person of the Company while the Yancheng Sujia Agreement was entered into by the Group with an Independent Third Party.

Subject of the Acquisitions

The Investwise Agreement

Sale Share, representing the entire issued share capital of Investwise. Investwise is an investment holding company and its sole asset is its 55% interest in the registered capital of Yancheng Sujia.

The Yancheng Sujia Agreement

Sale Interest, representing 45% interest in the registered capital of Yancheng Sujia.

We note that upon completion of the Agreements, the Company will be indirectly interested in the entire registered capital of Yancheng Sujia. As stated in the section "Information on the Target Group" above, Yancheng Sujia is principally engaged in the development and management of properties and owns the Property and Yancheng Property Management.

Considerations

The Investwise Agreement

The total consideration for the acquisition of the Sale Share is RMB209,002,021 (equivalent to approximately HK$236,172,284) which was determined after arm's length negotiation between the Company and Joyview with reference to, among other things, the net asset value of Investwise based on its unaudited consolidated balance sheet as at December 31, 2007 of approximately RMB578,000,000 (equivalent to approximately HK$653,140,000) after taking into account of the appreciation value of the Property. The consideration represents a discount of approximately 34.26% on the adjusted fair value of Yancheng Sujia. The discount of approximately 34.26% was determined after arm's length negotiation between the parties.

The Yancheng Sujia Agreement

The total consideration for the acquisition of the Sale Interest shall be approximately RMB171,001,654 (equivalent to approximately HK$193,231,869) which was determined after arm's length negotiation between Haining Zhongyuan and Zhejiang Kasen Property with reference to, among other things, the net asset value of Target Group per its unaudited consolidated balance sheet as at December 31, 2007 of approximately RMB578,000,000 (equivalent to approximately HK$653,140,000) after taking into account of the appreciation value of the Property. The consideration represents a discount of approximately 34.26% which was determined after arm's length negotiation between the parties.

We note that the aggregate consideration for the entire interest of the Target Group under the Transactions is RMB380,003,675 while the audited net asset value of the Target Group was approximately RMB25,613,000 as at December 31, 2007, pursuant to its audited report for the year ended December 31, 2007. We have examined the composition of the assets and liabilities of the Target Group and note that the value of the Property as shown in the Valuation Report, which is approximately RMB1,072,000,000 as at April 30, 2008, has not been fully reflected in the audited account of the Target Group. The audited carrying value of the Property as at December 31, 2007, which is the aggregate of properties for development and properties under development, is approximately RMB562,615,000. As the Property is the principal assets of the Target Group and the reference date of the Valuation Report is more recent than the date of the audited report, we consider that it is necessary to take into account the recent valuation of the Property when consider the reasonableness and fairness of the consideration. As such, the net asset value of the Target Group should be adjusted upward by approximately RMB509,385,000 (being the difference of the appraised value and the carrying value of the Property) to reflect such revaluation. Taking into account such revaluation, we note that the aggregate consideration of RMB380,003,675 for the entire interest in Target Group represents a discount to the adjusted net asset value of the Target Group.

Upon reviewing the Valuation Report, we note that the Property is classified into three categories and different approaches were adopted during the valuation.

(i) For the property which is held by Yancheng Sujia for future development, it is valued by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

(ii) For the property which was under development as at the date of valuation, it is assumed that it will be developed and completed in accordance with the development proposal provided to the Valuer by the Group. In its valuation the Valuer have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

(iii) For the property which is to be acquired by Yancheng Sujia, since Yancheng Sujia has not yet obtained the State-owned Land Use Rights Certificates, the Valuer has attributed no commercial value to the property interest.

We have enquired the Valuer about the methodologies they adopted and understand that it is consistent with the market practice in valuation of properties. Based on the above, we are satisfied that the methodology applied by the Valuer is reasonable. We would like to draw the attention of the Independent Shareholders to the fact that potential tax liability would arise on the disposal of property interests concerned in the Transactions as the Property is held for sale in the future.

We note that the consideration for the Sale Share (representing 55% interest in the registered capital of Yancheng Sujia) and the consideration for Sale Interest (representing 45% interest in the registered capital of Yancheng Sujia) represent 55% and 45% of the aggregate consideration of the Transactions respectively. Having considered that there are no material assets or liabilities in Investwise apart from its interest in Yancheng Sujia, we are of the view that the consideration payable to Mr. Zhu, a connected person of the Company, under the Investwise Agreement is no more favorable than the consideration payable to Haining Zhongyuan, which is Independent Third Party, under the Yancheng Sujia Agreement.

As the aggregate consideration of RMB380,003,675 for the entire interest in the Target Group represents a substantial discount to the net asset value of the Target Group based on the audited balance sheet as at December 31, 2007 as adjusted by the revaluation of the Property based on the Valuation Report, we are of the view that the consideration under the Agreements is fair and reasonable and on normal commercial terms. However, the Independent Shareholders should have to be fully aware that there is a substantial premium in aggregate consideration over the audited net asset value of the Target Group as at December 31, 2007 if the above mentioned revaluation of the Property and adjustment of net asset value are omitted.

Settlement of considerations

The Investwise Agreement

The total consideration for the acquisition of the Sale Share will be satisfied by the Company by allotting and issuing to Joyview 174,425,616 Consideration Shares. The Consideration Shares represent (i) approximately 17.62% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price of HK$1.354 represents:

(a) a discount of approximately 3.97% to the closing price per Share of HK$1.41 as quoted on the Stock Exchange on May 23, 2008, being the Last Trading Day;

(b) a discount of approximately 3.29% to the average closing price per Share of HK$1.40 as quoted on the Stock Exchange for the last 5 trading days leading up to and including the Last Trading Day;

(c) a discount of approximately 1.88% to the average closing price per Share of HK$1.38 as quoted on the Stock Exchange for the last 10 trading days leading up to and including the Last Trading Day;

(d) a premium of approximately 4.15% over the average closing price per Share of HK$1.30 as quoted on the Stock Exchange for the last 20 trading days leading up to and including the Last Trading Day;

(e) a discount of approximately 11.5% to the closing price per Share of HK$1.53 as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a discount of approximately 39.82% to the latest published audited consolidated net assets per Share of approximately HK$2.25 as at December 31, 2007.

The Yancheng Sujia Agreement

The total consideration for the acquisition of the Sale Interest will be satisfied by the payment of three cash installments in the following manners:

(a) the sum of RMB57,000,000 (equivalent to approximately HK$64,410,000) to be paid within five Business Days from the date of signing of the Yancheng Sujia Agreement;

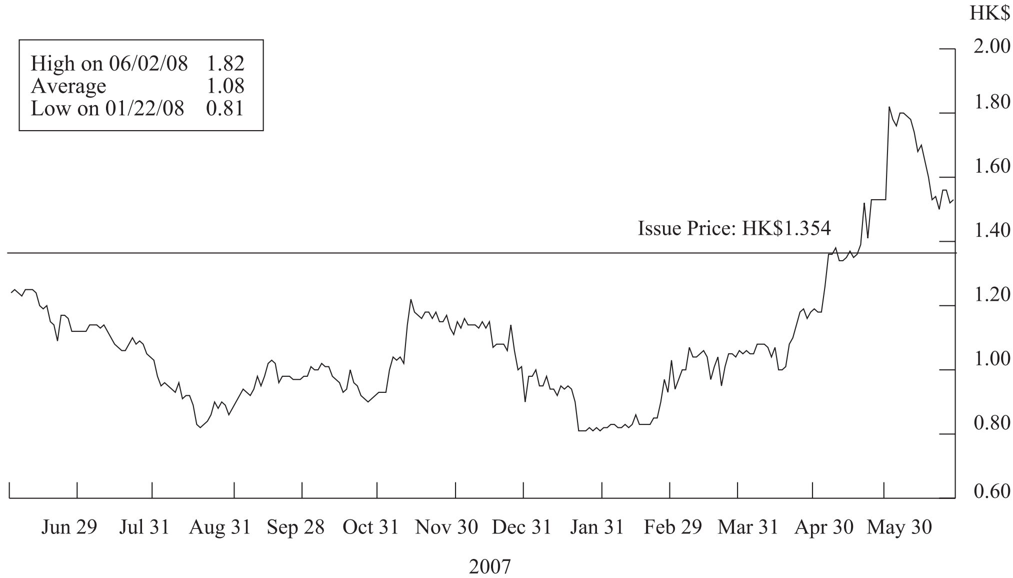
(b) the sum of RMB57,000,000 (equivalent to approximately HK$64,410,000) to be paid within five Business Days after the transfer of Sale Interest to Zhejiang Kasen Property has been registered with the relevant PRC authorities; and

(c) the remaining sum of RMB57,001,654 (equivalent to approximately HK$64,411,869) to be paid within three months after the transfer of Sale Interest to Zhejiang Kasen Property has been registered with the relevant PRC authorities.

We note that the consideration for the Investwise Agreement is settled by Consideration Shares while the consideration for the Yancheng Sujia Agreement is settled by cash. According to the Board Letter, the Directors consider the issue of Consideration Shares as consideration for the acquisition of the Sale Share is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company will not need to use substantial amount of its existing cash resources to fund the Investwise Transaction. The Directors intends to finance the Yancheng Sujia Transaction by internal resources of the Group.

According to the 2007 Annual Report of the Company, the Group has cash and cash equivalents of RMB508,850,000 and gearing ratio (total liabilities divided by total assets) of 52.4% as at December 31, 2007. We have discussed with the Directors and understand that if entire aggregate consideration of RMB380,003,675 for both Acquisitions is satisfied by cash, it will exert great pressure on the working capital of the Group which is unfavourable to the operation of the Group. We concur with the Directors that satisfying part of the aggregate consideration by the issue of Consideration Shares is favourable to the Group as such method of funding may result in lower financial risks to the Group, avoiding an increase in leverage as compared to seeking external debt financing for the Acquisitions. We also consider that it is prudent for the Group to utilise equity capital to avoid additional financial burden on the Group due to serving of the borrowings. Taking into account (i) the cash balances of the Group upon settling the cash consideration of RMB171,001,654 under the Yancheng Sujia Transaction which is payable in three installments; and (ii) the Director's statement as to the sufficiency of working capital of the Enlarged Group (details of which is set out in Appendix I to the Circular) to which a comfort letter has been issued by the Company's auditors pursuant to Rule 14.66(4), we consider that the cash settlement of consideration under the Yancheng Sujia Transaction will not drive the Group to working capital insufficiency in the next 12 months.

In accessing the fairness and reasonableness of the Issue Price under the Investwise Transaction, we have reviewed the closing price and trading volume of the Shares during the last 12 months since June 1, 2007 up to and including the Latest Practicable Date were plotted against the Issue Price in the following graph:



Source: Website of Stock Exchange (www.hkex.com.hk)

Note: Trading of the Shares was suspended from May 27 to 30, 2008.

As illustrated in the graph above, the Issue Price of HK$1.354 represents premium over most of the closing prices of the Shares during the period from June 1, 2007 to the Latest Practicable Date, except for the period after May 7, 2008. Upon release the announcement of the Acquisitions dated May 30, 2008, closing price of the Shares surge to HK$1.82 on the first day of resumption in trading on June 2, 2008. The Issue Price of HK$1.354 per Consideration Share represents a premium of approximately 25.4% over the average closing price of approximately HK$1.08 during the above review period from June 1, 2007 up to and including the Latest Practicable Date.

We also note that the latest published audited consolidated net assets per Share of approximately HK$2.25 as at December 31, 2007 (based on 990,048,369 Shares in issue) will be diluted to HK$2.11 upon Completion (based on 1,164,473,985 issued Shares as enlarged by the issue of 174,425,616 Consideration Shares). The Issue Price represents a discount of approximately 35.83% to the diluted net assets per Share of approximately HK$2.11 as at December 31, 2007. As discussed in the section headed "Information on the Group" above, the Group recorded a loss of RMB194,149,000 for the year ended December 31, 2007 due to deterioration of its business environment and further reduction in furniture sales. As the Group has an operating business and is loss-making, we consider that the net asset value per Share as at December 31, 2007 is less appropriate in accessing the existing value of the Shares. Instead the trading price of the Shares should be a better indicator of the market's view on the value of Share.

Based on the fact that the Issue Price represents premium over most of the closing prices of the Shares during the period from June 1, 2007 to the Latest Practicable Date, we consider that the Issue Price is fair and reasonable to the Company and the Independent Shareholders.

Upon Completion, the shareholding of the public Shareholders will be diluted as a result of the issue of Consideration Shares. According to the Board Letter, upon Completion, shareholding of Mr. Zhu, his associates and parties acting in concert with any of them will increase from 33.22% to 43.22% while that of the public Shareholders will decrease from 66.78% to 56.78%. Having considered the possible benefits of the Transactions and merits of settlement by way of Consideration Shares as stated herein, we consider that the dilution effect on the public shareholders in terms of shareholding is acceptable.

6. Reasons for the Acquisitions

The Directors consider that investment in the Target Group will provide a good opportunity for the Company to further participate in property development, leasing and investment business in the PRC which the Directors consider to have continued growth potential in the future in light of the continued and rapid growth in the economy of the PRC. The Directors also consider the investment in the Target Group will allow the Company to diversify its business and reduce the Group's reliance on the upholstered leather business which has been adversely impacted by the slow down in the US housing market and the subprime loan crises, as well as allow the Company to move into a solid business area. It is proposed that the consideration for the acquisition of the Sale Share be paid for by the issue of the Consideration Shares and not by payment of cash because this is the best financing method available to the Company.

The Directors have no intention of disposing of the Company's existing business after Completion and will, following the Completion, conduct a more detailed review of its operations with the view of developing a corporate strategy to enhance its existing businesses and asset base and broaden its income stream by various measures, which may include further investing in and expanding its existing businesses or divesting of loss-making operations should appropriate opportunities arise.

As stated in the 2007 Annual Report of the Company, the Group had been looking into opportunities in residential housing development. The Group through a joint venture company had tendered for a land of approximately 145,078 square meters in Changsha, Hunan province. In addition, the Group had acquired a parcel of land with a site area of approximately 139,669 square meters in Boao, Hainan province in 2006. In December 2007, the Group acquired Qionghai Bodi Real Estate Co., Ltd. that held a parcel of land with a site area of approximately 450,497 square meters, adjacent to the Group's existing land in Boao. After this acquisition, the Group owns a total site area of 590,166 square metres of lands in Boao which will be used for residential property development projects beginning in late 2008. The Group believes these projects will provide the Group with good opportunity to diversify its business and will contribute to the Group's profitability in the long run.

According to the Board Letter, the Directors believe that the Project will provide the Company with the following strategic and operational benefits:

(i) The Project will enable the Company to further develop its property development and leasing businesses;

(ii) Stable revenue stream is expected to be generated from the property development and leasing market; and

(iii) The property market experience of the existing Board will be enhanced substantially.

As set out in the section headed "Information on the Target Group" in this letter, the scope of business of Yancheng Sujia includes the development and management of properties and the scope of business of Yancheng Property Management includes the provision of property management services. In addition, Yancheng Sujia owns the Property which site area is approximately 346,846.67 sq.m. We are of the view that the Acquisitions aligns with the overall business strategy of the Group. In addition, as discussed in the section "Overview of the property market in the PRC" above, we concur with the view of the Directors that the Acquisitions enable the Group to further participate in the promising property market in the PRC. Therefore we concur with the Directors that the Agreements have been entered into on normal commercial terms and the entering into of the Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Acquisitions

The financial effects of the Acquisitions on the Group based on the Pro Forma Statement (details of which are set out in Appendix IV of this circular) are summarized as the following:

Earnings

After the Acquisition, the Target Group will be accounted for as a subsidiary of the Company and its results will be consolidated with the results of the Company. As the Target Group has no turnover and a slight loss for the period of RMB186,000 for the year ended December 31, 2007, it is expected that there will not be any immediate material effect on the earnings of the Group.

Net asset value

According to the 2007 Annual Report, the Group has net assets of approximately RMB1,969,846,000. Pursuant to the Pro Forma Statement, the net assets of the Group upon completion of the Acquisitions will increase to approximately RMB2,178,848,000.

Liquidity and financial resources

According to the Yancheng Sujia Agreement, the consideration which amounts to RMB171,001,654 will be payable in cash. Based on the 2007 Annual Report, the Group had bank balances and cash of approximately RMB504,549,000 as at December 31, 2007 and thus the cash consideration payable by the Group would not cause immediate material adverse impact to the Group's financial resources.

According to the 2007 Annual Report, the Company has a gearing ratio (total liabilities divided by total assets) of 52.4% as at December 31, 2007. Pursuant to the Pro Forma Statement, the gearing ratio (total liabilities divided by total assets) upon completion of the Acquisitions will become 56.6%. The increase in the gearing ratio is mainly attributable to the increase in current liabilities of RMB526,251,000 and non-current liabilities of RMB150,000,000. Financial information of the Target Group is set out in Appendix II of this circular. We are of the view that the Acquisitions will only slightly increase the gearing level of the Group.

Based on the above analysis, it appears that the Acquisitions will cause an immediate negative impact on the financial performance and gearing of the Group. However, since the much higher appraised value of the Property as shown in the Valuation Report is not reflected in the Pro Forma Statement, we are of the view that the above financial impacts on the Group which are calculated based on the Pro Forma Statement have not fully reflected the potential profits or losses arising from the Acquisitions. According to the Directors, the income from property sales of the Project is expected to arise at the end of 2008 when phase 1 of the Project is completed. However, the Independent Shareholders should note that such income may or may not realize at the end of 2008, depending on the progress of the Project or other factors which may not be controllable by the Group.

8. Whitewash Waiver

Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon completion of the Investwise Agreement, the interests held by Mr. Zhu, his associates and parties acting in concert with any of them will increase from approximately 33.22% to approximately 43.22% of the issued share capital of the Company as enlarged by the Consideration Shares. Mr. Zhu and parties acting in concert with him will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to Mr. Zhu and/or its nominee(s) upon completion of the Investwise Agreement. Mr. Zhu has applied to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code on the basis that, among other things, the Consideration Shares will be issued as consideration for the Investwise Transaction pursuant to the Investwise Agreement and the Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the EGM on a vote taken by way of poll whereby Mr. Zhu, his associates and parties acting in concert with any of them and those who are involved or interested in the Investwise Agreement and the Whitewash Waiver will abstain from voting.

As the Acquisitions are conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM, if the Whitewash Waiver is not approved, the Acquisitions will not proceed and no general offer obligation will be triggered. In the event the Acquisitions cannot proceed, the Group and the Shareholders will not be able to enjoy the benefits that would arise from the Acquisitions, in particular, the participation in property development, leasing and investment business in the PRC which is considered to have continued growth potential in the future in light of the continued and rapid growth in the economy of the PRC as discussed above.

CONCLUSIONS

Having considered the above, we are of the view that the Whitewash Waiver and the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned; the Transactions are on normal commercial terms and the entering into of the Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Acquisition Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions approving the Acquisitions; (ii) the Whitewash Waiver Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the granting of Whitewash Waiver; and (iii) the Independent Shareholders to vote in favour of the resolutions approving the Acquisitions and the granting of Whitewash Waiver.

For and on behalf of
GF Capital (Hong Kong) Limited

Ken Chen
Responsible Officer

Dino Ng
Responsible Officer

1. FINANCIAL SUMMARY

The following is a summary of the consolidated income statement of the Group for the three years ended December 31, 2007 and the consolidated balance sheets as at December 31, 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the two years ended December 31, 2007. The consolidated financial statements of the Group for each of the three years ended December 31, 2007 were unqualified.

CONSOLIDATED INCOME STATEMENT

For the three years ended December 31, 2007

	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
Turnover	3,310,727	3,916,513	3,475,457
Cost of sales	(3,011,190)	(3,489,136)	(2,927,194)
Gross profit	299,537	427,377	548,263
Other income	70,921	71,230	42,675
Distribution costs	(116,721)	(107,908)	(81,524)
Administrative expenses	(168,788)	(171,115)	(113,180)
Other expenses	(168,913)	(29,997)	(4,915)
Share of profit (loss) of associates	103	937	(1,114)
Finance costs	(91,579)	(85,390)	(111,540)
(Loss) profit before taxation	(175,440)	105,134	278,665
Taxation	(14,584)	(21,707)	(18,311)
(Loss) profit for the year	(190,024)	83,427	260,354
Attributable to:			
Equity holders of the Company	(194,149)	64,143	265,699
Minority interests	4,125	19,284	(5,345)
	(190,024)	83,427	(260,354)
Dividend	–	114,258	–
Dividend per share	–	3.53 cents	7.86 cents
(Loss) earning per share			
Basic	(20) cents	6 cents	41 cents
Diluted	(20) cents	6 cents	34 cents

Except for the year ended December 31, 2006, no dividend had been recognized as distributions by the Group for each of the year ended December 31, 2005 and 2007. No extraordinary or exceptional items was recorded for each of the three years ended December 31, 2007. No qualified opinion or modified audit opinion had been issued by the Company's auditor, Deloitte Touche Tohmatsu, for each of the three years ended December 31, 2007.

CONSOLIDATED BALANCE SHEET

At December 31, 2005, 2006 and 2007

	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Goodwill	–	157,958	181,006
Property, plant and equipment	952,492	1,173,599	1,281,230
Prepaid lease payment – non-current portion	102,265	131,860	142,812
Properties for development	314,781	–	–
Investment properties	–	32,901	–
Intangible assets	1,321	1,485	1,077
Investments in associates	15,833	26,728	9,127
Investment in a jointly controlled entity	2,614	2,614	811
Available-for-sale investments	43,278	310	310
Other long term assets	143,360	–	–
	1,575,944	1,527,455	1,616,373
CURRENT ASSETS			
Inventories	1,142,720	1,326,216	1,378,842
Trade and other receivables	549,588	633,848	795,665
Prepaid lease payment – current portion	2,311	2,904	3,543
Amounts due from related companies	24,372	36,596	21,253
Taxes recoverable	6,682	3,315	13,624
Derivative financial instruments	16,151	–	–
Pledged bank deposits	85,743	163,221	240,112
Bank balances and cash	504,549	380,973	372,278
	2,332,116	2,547,073	2,825,317
Assets classified as held for sale	231,390	–	–
TOTAL ASSETS	4,139,450	4,074,528	4,441,690

	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Trade, bills and other payables	429,576	604,036	783,992
Amounts due to related companies	81	19,467	60,287
Bank and other borrowings			
– due within one year	1,546,812	1,246,689	1,191,246
Taxes payable	7,722	10,959	7,807
	1,984,191	1,881,151	2,043,332
Liabilities classified as held for sale	175,013	–	–
NET CURRENT ASSETS	404,302	665,922	781,985
TOTAL ASSETS LESS CURRENT LIABILITIES	1,980,246	2,193,377	2,398,358
NON-CURRENT LIABILITIES			
Bank and other borrowings			
– due after one year	10,400	10,400	100,492
	10,400	10,400	100,492
NET ASSETS	1,969,846	2,182,977	2,297,866
CAPITAL AND RESERVES			
Share capital	1,227	1,227	1,256
Reserves	1,915,927	2,107,638	2,198,304
Equity attributable to equity holders of the Company	1,917,154	2,108,865	2,199,560
Minority interests	52,692	74,112	98,306
Total equity	1,969,846	2,182,977	2,297,866

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

Set out below are the consolidated income statement of the Group for the two years ended December 31, 2007, the consolidated balance sheets of the Group as at December 31, 2006 and 2007, the consolidated statement of changes in equity of the Group for the two years ended December 31, 2007, the consolidated cash flow statement of the Group for the two years ended December 31, 2007, together with the accompanying notes as extracted from the annual report of the Company for the year ended December 31, 2007:

CONSOLIDATED INCOME STATEMENT
For the two years ended December 31, 2007

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
Turnover	*6*	3,310,727	3,916,513
Cost of sales		(3,011,190)	(3,489,136)
Gross profit		299,537	427,377
Other income	*7*	70,921	71,230
Distribution costs		(116,721)	(107,908)
Administrative expenses		(168,788)	(171,115)
Other expenses	*8*	(168,913)	(29,997)
Share of profit of associates	*21*	103	937
Finance costs	*9*	(91,579)	(85,390)
(Loss) profit before taxation	*10*	(175,440)	105,134
Taxation	*12*	(14,584)	(21,707)
(Loss) profit for the year		(190,024)	83,427
Attributable to:			
Equity holders of the Company		(194,149)	64,143
Minority interests		4,125	19,284
		(190,024)	83,427
Dividend	*14*	–	114,258
(Loss) earning per share	*15*		
Basic		(20) cents	6 cents
Diluted		(20) cents	6 cents

Except for the year ended December 31, 2006, no dividend had been recognized as distributions by the Group for the year ended December 31, 2007. No extraordinary or exceptional items was recorded for each of the two years ended December 31, 2007. No qualified opinion or modified audit opinion had been issued by the Company's auditor, Deloitte Touche Tohmatsu, for each of the two years ended December 31, 2007.

CONSOLIDATED BALANCE SHEET
At December 31, 2006 and 2007

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
NON-CURRENT ASSETS			
Goodwill	*16*	–	157,958
Property, plant and equipment	*17*	952,492	1,173,599
Prepaid lease payment – non-current portion	*18*	102,265	131,860
Properties for development	*19*	314,781	–
Investment properties	*19*	–	32,901
Intangible assets	*20*	1,321	1,485
Investments in associates	*21*	15,833	26,728
Investment in a jointly controlled entity	*22*	2,614	2,614
Available-for-sale investments	*23*	43,278	310
Other long term assets	*24*	143,360	–
		1,575,944	1,527,455
CURRENT ASSETS			
Inventories	*25*	1,142,720	1,326,216
Trade and other receivables	*26*	549,588	633,848
Prepaid lease payment – current portion	*18*	2,311	2,904
Amounts due from related companies	*27*	24,372	36,596
Taxes recoverable		6,682	3,315
Derivative financial instruments	*28*	16,151	–
Pledged bank deposits	*29*	85,743	163,221
Bank balances and cash	*29*	504,549	380,973
		2,332,116	2,547,073
Assets classified as held for sale	*13*	231,390	–
TOTAL ASSETS		4,139,450	4,074,528

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
CURRENT LIABILITIES			
Trade, bills and other payables	*30*	429,576	604,036
Amounts due to related companies	*27*	81	19,467
Bank and other borrowings – due within one year	*31*	1,546,812	1,246,689
Taxes payable		7,722	10,959
		1,984,191	1,881,151
Liabilities classified as held for sale	*13*	175,013	–
NET CURRENT ASSETS		404,302	665,922
TOTAL ASSETS LESS CURRENT LIABILITIES		1,980,246	2,193,377
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	*31*	10,400	10,400
		10,400	10,400
NET ASSETS		1,969,846	2,182,977
CAPITAL AND RESERVES			
Share capital	*32*	1,227	1,227
Reserves		1,915,927	2,107,638
Equity attributable to equity holders of the Company		1,917,154	2,108,865
Minority interests		52,692	74,112
Total equity		1,969,846	2,182,977

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the two years ended December 31, 2007

	Attributable to equity holders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Statutory reserve *RMB'000* *(note 34)*	Special reserve *RMB'000* *(note 34)*	Share option reserve *RMB'000* *(note 33)*	Reserve on acquisition *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At January 1, 2006	1,256	1,147,408	(793)	169,262	168,659	–	–	713,768	2,199,560	98,306	2,297,866
Reversal of exchange difference on translation of foreign operation	–	–	793	–	–	–	–	–	793	–	793
Profit for the year	–	–	–	–	–	–	–	64,143	64,143	19,284	83,427
Total recognised income and expense for the year	–	–	793	–	–	–	–	64,143	64,936	19,284	84,220
Acquisition of additional interests in subsidiaries from minority shareholders	–	–	–	–	–	–	(30,968)	–	(30,968)	(29,188)	(60,156)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(19,230)	(19,230)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	5,600	5,600
Share repurchase	(29)	(25,862)	–	–	–	–	–	–	(25,891)	–	(25,891)
Dividend paid	–	–	–	–	–	–	–	(114,258)	(114,258)	(660)	(114,918)
Share based payment expense	–	–	–	–	–	15,486	–	–	15,486	–	15,486
Appropriation to statutory reserve	–	–	–	10,742	–	–	–	(10,742)	–	–	–
At December 31, 2006	1,227	1,121,546	–	180,004	168,659	15,486	(30,968)	652,911	2,108,865	74,112	2,182,977
(Loss) profit for the year	–	–	–	–	–	–	–	(194,149)	(194,149)	4,125	(190,024)
Total recognised income and expense for the year	–	–	–	–	–	–	–	(194,149)	(194,149)	4,125	(190,024)
Share based payment expense *(note 33)*	–	–	–	–	–	2,438	–	–	2,438	–	2,438
Acquisition of additional interests in subsidiaries from minority shareholders *(note 35)*	–	–	–	–	–	–	–	–	–	(3,600)	(3,600)
Dividend paid	–	–	–	–	–	–	–	–	–	(21,945)	(21,945)
Appropriation to statutory reserve	–	–	–	11,689	–	–	–	(11,689)	–	–	–
At December 31, 2007	1,227	1,121,546	–	191,693	168,659	17,924	(30,968)	447,073	1,917,154	52,692	1,969,846

CONSOLIDATED CASH FLOW STATEMENT

For the two years ended December 31, 2007

	2007	2006
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	(175,440)	105,134
Adjustments for:		
Impairment loss recognised in respect of trade and other receivables	10,368	17,626
Impairment loss in respect of property, plant and equipment	7,004	–
Allowances for inventories	99,639	11,404
Amortization of intangible assets	500	350
Investment income	(157)	–
Gain on disposal of an associate	(1,056)	–
Amortization of prepaid lease payment	2,707	3,277
Depreciation of property, plant and equipment	94,498	95,858
Loss on disposal of property, plant and equipment	396	2,161
Interest expenses	91,579	85,390
Interest income	(6,358)	(8,905)
Share based payment expense	2,438	15,486
Adjustment of exchange reserve recognised in previous years	–	793
Fair value of forward contracts	(16,151)	–
Fair value change on investment property	(5,671)	–
Gain on disposals of subsidiaries	(7,720)	(8,838)
Goodwill impairment	157,958	23,048
Share of profit of associates	(103)	(937)
Discounts on acquisition of an additional interest in a subsidiary	–	(10,279)
Operating cash flows before movements in working capital	254,431	331,568
Decrease (increase) in inventories	2,220	(9,097)
(Increase) decrease in trade and other receivables	(6,040)	68,604
Increase in amounts due from related companies	(22,750)	(15,993)
Increase (decrease) in trade, bills and other payables	13,827	(98,713)
Decrease in amounts due to related companies	(10,413)	(35,225)
Cash (used in) generated from operations	231,275	241,144
Income taxes paid	(29,629)	(27,277)
Income taxes refunded	8,975	19,031
NET CASH (USED IN) FROM OPERATING ACTIVITIES	210,621	232,898

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
INVESTING ACTIVITIES			
Acquisition of available for sale investment		(42,968)	–
Purchase of property, plant and equipment		(39,644)	(41,123)
Additions to properties for development		(276,209)	–
Additions to other long term assets		(143,360)	–
Increase in prepaid lease payment		(82)	(614)
Increase in investment properties		–	(32,901)
Investment in a jointly controlled entity		–	(1,803)
Investment in associates		–	(13,664)
Payment for acquisition of additional interests in subsidiaries	*35*	(3,600)	(49,877)
Decrease in pledged bank deposits		49,532	76,891
Purchase of intangible assets		(394)	(891)
Proceeds from disposals of property, plant and equipment		95	250
Interest received		6,358	8,905
Proceeds from sale of available-for-sales investments		157	–
Disposal of subsidiaries	*36*	24,823	(5,672)
Disposal of investment in associate	*21*	12,054	–
NET CASH USED IN INVESTING ACTIVITIES		(413,238)	(60,499)
FINANCING ACTIVITIES			
Bank and other borrowings raised		2,528,008	2,301,375
Repurchase of shares		–	(25,891)
Advances from related companies		–	8,000
Repayment of bank and other borrowings		(2,084,233)	(2,250,224)
Interest paid		(85,336)	(85,646)
Repayment to related companies		(6,000)	(2,000)
Dividends paid to equity shareholders		–	(114,258)
Dividends paid to minority shareholders		(21,945)	(660)
Capital contribution from minority shareholders		–	5,600
NET CASH FROM (USED IN) FINANCING ACTIVITIES		330,494	(163,704)
NET INCREASE IN CASH AND CASH EQUIVALENTS		127,877	8,695
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		380,973	372,278
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		508,850	380,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2007

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since October 20, 2005. Its parent and ultimate holding company is Joyview Enterprises Ltd. (incorporated in the British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information attached to the annual report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the processing of raw cowhides, wet blues into finished leather or fully assembled leather products. To accommodate market change, the board of directors of the Company approved and began to develop new business in property and retail industry in late 2007.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning January 1, 2007.

IFRS 1 (Amendment)	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the new standard, amendment and interpretations had no material effect on the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IFRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after January 1, 2009
[2] Effective for annual periods beginning on or after July 1, 2009
[3] Effective for annual periods beginning on or after March 1, 2007
[4] Effective for annual periods beginning on or after January 1, 2008
[5] Effective for annual periods beginning on or after July 1, 2008

The adoption of IFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. IAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as assets and measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair values of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in subsidiaries

On acquisition of additional interest in a subsidiary, the difference between the consideration paid and the aggregate of the goodwill (or discount on acquisition) and the carrying values of the underlying assets and liabilities attributable to the additional interests in a subsidiary acquired is debited to reserve on acquisition.

Goodwill

Goodwill arising on acquisition on or after March 31, 2004.

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the relevant business recognised at the date of acquisition. Goodwill is initially recognised as asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealized profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealized losses provide evidence of an impairment of the assets transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair values of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives and after taking into account of the estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment property

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the assets is included in the consolidated income statement in the year in which the item is derecognised.

Properties for development

Properties for development represent leasehold land located in the PRC for development for future rental or sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. The costs of land use rights representing leasehold land held for future development are stated at cost less accumulated amortisation and any identified impairment loss. Other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development are stated at cost less any identified impairment loss.

Upon commencement of development, the properties are transferred to properties under development.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Rental income from operating leases is recognised in the consolidated income statements on a straight-line basis over the term of the relevant leases.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which are the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency ("foreign currencies") are recorded at the rates of exchanges prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including mandatory provident fund schemes and state-managed retirement benefit schemes, are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payments

Equity-settled share-based payments to employees

The fair value of services received is determined by reference to the fair value of the share options at the grant date.

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted on substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognizing an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss exists. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are determined on the weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale investments and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame estimated by regulation or convention in the marketplace and is recognised and derecognised on a trade date basis. The accounting policies adopted in respect of each category of financial assets are set out below.

Amounts due from related companies, trade and other receivables, bank balances and cash and pledged bank deposits

These financial assets have fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables, pledged bank deposits, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investment

Available-for-sale investments are non-derivatives. The Group classified unlisted equity securities as available-for-sale financial assets.

For available-for-sale equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than those deemed as held for trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for financial liabilities are set out below.

Bank and other borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade, bills and other payables and amounts due to related companies

The above financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments. Financial liabilities are recognised in respect of the financial guarantee provided by the Group to a third party. Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortization.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key estimations that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2007 *RMB'000*	2006 *RMB'000*
Financial assets		
Loans and receivables (Including cash and cash equivalents)	1,121,145	1,143,666
Financial assets at fair value through profit or loss (FVTPL)	16,151	–
Available-for-sale financial assets	43,278	310
Financial liabilities		
Amortised cost	1,936,088	1,836,858

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, derivative financial instruments, amounts due from/to related companies, trade, bills and other payables and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and are summarized below.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

Interest rate risk

The Group's exposure to fair value interest rate risk relates primarily to bank balances and bank and other borrowings (see notes 29 and 31 for detail). The Group has not entered into any interest rate hedging contracts. The directors monitor the Group's exposure on continuing basis and will consider hedging interest rate risk should the need arise.

Foreign currency risk

The Company and its subsidiaries' functional currency is RMB since majority of the revenue of the companies are derived from operations in the PRC.

The Company's exposure to foreign currency risk related primarily to the sales and purchases that denominated in US dollars and such related bank balances and cash, trade and other receivables and trade and other payables arising from time to time. In addition, the Group has short term bank and other borrowings denominated in US dollars. The derivative financial instrument used has no direct relationship with the transactions denominated in US dollars but also give rise to foreign exchange risk exposure for the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
USD	554,143	539,522	332,014	279,116
EUR	18	–	23,469	–
HKD	192	1,463	1,646	862
GBP	12	–	–	–

The notional amount of the Group's outstanding foreign currency derivative contracts are set out in note 28.

Sensitivity analysis

As at December 31, 2007, if RMB had strengthened by 5% against USD, loss for the year would have been decreased by RMB3.5 million (including the effect of foreign currency forward contract) (2006: profit for the year would have been RMB13.0 million lower). If RMB had weakened by 5% against USD, loss for the year would have been increased by RMB3.5 million (2006: profit for the year would have been RMB13.0 million higher), mainly as a result of foreign exchange losses on translation of USD denominated trade and other receivables and bank balances and cash cannot be compensated by foreign exchange gains on translation of USD denominated trade and other payables, foreign currency forward contracts and bank and other borrowings.

Credit risk

The carrying amount of pledged bank deposits, bank balances and cash, amounts due from related companies, trade and other receivables and the financial guarantees provided by the Group as disclosed in note 42, represent the Group's maximum exposure to credit risk in relation to its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. During the year, the Group maintained export credit insurance of major customers to protect the Group against the risk that the overseas customers may default settlement. The Group has no significant concentration of credit risk by customers, with exposure spread over a number of counterparties and customers, however there is concentration of credit risk by geographical location as 85% of the trade receivables amounting to RMB362 million are concentrated on the United States.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of adequate level of liquid assets to ensure the availability of sufficient cash flows to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and non-derivative financial assets which are monetary in nature. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities. In the case of financial liabilities, the cash flows are categorised based on the earliest date on which the Group can be required to pay. The table include both interest and principal cash flows.

	Weighted average effective interest rate %	Within 1 year *RMB'000*	1-5 years *RMB'000*	Total *RMB'000*
2007				
Non-derivative financial assets				
Trade and other receivables		530,853	–	530,853
Pledged bank deposits	0.72	86,360	–	86,360
Bank balances and cash	0.72	508,182	–	508,182
Derivative financial instruments (net settlement)				
Foreign currency forward contracts		16,151	–	16,151
Total		1,141,546	–	1,141,546
Non-derivative financial liabilities				
Trade, bills and other payables		378,795	–	378,795
Amounts due to related companies		81	–	81
Bank and other borrowings	6.24	1,643,333	11,049	1,654,382
Total		2,022,209	11,049	2,033,258
2006				
Non-derivative financial assets				
Trade and other receivables		599,472	–	599,472
Pledged bank deposits	0.72	164,396	–	164,396
Bank balances and cash	0.72	383,716	–	383,716
Total		1,147,584	–	1,147,584
Non-derivative financial liabilities				
Trade, bills and other payables		560,302	–	560,302
Amounts due to related companies		19,467	–	19,467
Bank and other borrowings	6.71	1,330,341	11,098	1,341,439
Total		1,910,110	11,098	1,921,208

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organized into five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Business segment

During the year, the Group has presented its business by the following segments:

– Upholstered furniture, comprising leather and fabric upholstered furniture and furniture covers;

– Furniture leather;

– Automotive leather;

– Properties development; and

– Others (including sale of wooden frame, retail and others)

Segment information about these businesses is presented below:

	Upholstered furniture *RMB'000*	Furniture leather *RMB'000*	Automotive leather *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
2007						
Turnover						
External Sales	2,573,856	461,269	217,980	57,622	–	3,310,727
Inter-segment sales	994,756	948,459	–	121,107	(2,064,322)	–
2006						
Turnover						
External Sales	3,122,953	615,104	150,141	28,315	–	3,916,513
Inter-segment sales	603,005	2,249,976	–	126,818	(2,979,799)	–

Inter-segment sales are charged at prevailing market prices.

	Year ended December 31, 2007 *RMB'000*	2006 *RMB'000*
Result		
Segment result		
– Upholstered furniture	(83,458)	195,956
– Furniture leather	(27,631)	(17,748)
– Automotive leather	(11,042)	(9,391)
– Others	8,214	(246)
	(113,917)	168,571
Unallocated income	40,292	31,361
Unallocated expenses	(10,339)	(10,345)
Share of profit of associates	103	937
Finance costs	(91,579)	(85,390)
(Loss) profit before taxation	(175,440)	105,134
Taxation	(14,584)	(21,707)
(Loss) profit for the year	(190,024)	83,427

Other Information

	Year ended December 31, 2007 RMB'000	2006 RMB'000
Impairment loss recognised in respect of property, plant and equipment		
– Upholstered furniture	2,252	–
– Furniture leather	2,951	–
– Automotive leather	1,801	–
	7,004	–
Impairment loss recognised (reversed) in respect of trade and other receivables		
– Upholstered furniture	15,610	5,747
– Furniture leather	(6,128)	10,398
– Automotive leather	(2,250)	1,392
– Others	3,136	89
	10,368	17,626
Allowances for inventories		
– Upholstered furniture	14,448	1,480
– Furniture leather	69,021	9,924
– Automotive leather	15,855	–
– Others	315	–
	99,639	11,404
Capital additions		
– Upholstered furniture	13,926	52,518
– Furniture leather	17,646	15,102
– Automotive leather	1,724	493
– Properties development	19,260	–
– Others	6,742	5,653
	59,298	73,766
Addition to other non-current assets		
– Properties development	387,881	32,901
Depreciation and amortization		
– Upholstered furniture	43,340	45,911
– Furniture leather	40,734	42,497
– Automotive leather	5,680	3,825
– Others	5,244	3,975
	94,998	96,208
Goodwill impairment		
– Upholstered furniture	157,958	10,138
– Automotive leather	–	12,910
	157,958	23,048

Balance Sheets

	As at December 31, 2007 RMB'000	2006 RMB'000
ASSETS		
Segment assets		
– Upholstered furniture	1,178,095	1,656,269
– Furniture leather	1,402,775	1,475,264
– Automotive leather	185,323	200,962
– Properties development	471,133	–
– Others	105,826	128,275
Subtotal	3,343,152	3,460,770
Investments in associates	15,833	26,728
Investment in a jointly controlled entity	2,614	2,614
Unallocated corporate assets	777,851	584,416
	4,139,450	4,074,528
LIABILITIES		
Segment liabilities		
– Upholstered furniture	353,699	437,400
– Furniture leather	116,240	119,390
– Automotive leather	6,844	7,410
– Others	45,653	39,836
Subtotal	522,436	604,036
Unallocated corporate liabilities	1,647,168	1,287,515
	2,169,604	1,891,551

Geographical segment

Segment assets are substantively located in the People's Republic of China ("PRC").

The following table provides an analysis of the Group's sales by geographical market based on geographical location of customers:

	2007 RMB'000	2006 RMB'000
United States	2,041,107	2,825,773
PRC, including Hong Kong	792,301	736,138
Europe	293,506	160,326
Australia	100,546	122,253
Others	83,267	72,023
	3,310,727	3,916,513

7. OTHER INCOME

Details of other income are as follows:

	2007 *RMB'000*	2006 *RMB'000*
Government grants		
Grants for technology development	1,480	2,830
Grants for export sales	9,676	18,362
Incentive for business development	3,691	4,274
Other grants	4,177	3,456
	19,024	28,922
Net gain from sale of raw materials	3,755	10,947
Interest income	6,358	8,905
Discounts on acquisition of an additional interest in a subsidiary	–	10,279
Gain on disposals of subsidiaries *(note 36)*	7,720	8,838
Gain on disposal of an associate	1,056	–
Gain on fair value change on foreign currency forward contracts	16,151	–
Gain on fair value change on investment property	5,671	–
Others	11,186	3,339
	70,921	71,230

8. OTHER EXPENSES

	2007 *RMB'000*	2006 *RMB'000*
Goodwill impairment *(note 16)*	157,958	23,048
Impairment loss on property, plant and equipment	7,004	–
Donation	1,394	2,919
Loss on disposal of property, plant and equipment	–	2,161
Others	2,557	1,869
	168,913	29,997

9. FINANCE COSTS

	2007 *RMB'000*	2006 *RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	90,797	84,611
Other borrowings wholly repayable within five years	272	269
Other borrowings not wholly repayable within five years	510	510
	91,579	85,390

10. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	2007	2006
	RMB'000	*RMB'000*
Amortization of intangible assets (included in administrative expenses)	500	350
Amortization of prepaid lease payments	2,707	3,277
Depreciation of property, plant and equipment	94,498	95,858
Total depreciation and amortization	97,705	99,485
Auditor's remuneration	5,064	4,619
Cost of inventories recognised as expense	3,011,190	3,489,136
Impairment loss recognised in respect of trade and other receivables	10,368	17,626
Operating lease rentals in respect of land and buildings	10,051	1,892
Net foreign exchange losses	26,740	17,836
Expenses of sampling and products upgrading	9,453	8,048
Gain on disposal of listed securities	(157)	–
Total employee benefit expenses	270,209	286,659

11. DIRECTORS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

2007

	Zhu Zhangjin ("Mr. Zhu")	Zhou Xiaosong	Zhu Jianqi	Li Hui	Lu Yungang	Chow Joseph	Zhang Huaqiao	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	340	238	238	–	175	175	175	1,341
Contributions to retirement benefits schemes	2	2	2	–	–	–	–	6
Share based payment	378	378	378	–	76	76	–	1,286
Total emoluments	720	618	618	–	251	251	175	2,633

2006

	Mr. Zhu	Zhou Xiaosong	Zhu Jianqi	Li Hui	Lu Yungang	Chow Joseph	Zhang Huaqiao	Shi Zhengfu	Sun Qiang Chang	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fees	–	–	–	–	–	–	–	–	–	–
Other emoluments										
Salaries and other benefits	340	238	238	–	150	150	75	75	–	1,266
Contributions to retirement benefits schemes	2	2	2	–	–	–	–	–	–	6
Share based payment	1,039	1,039	1,039	–	208	208	–	–	–	3,533
Total emoluments	1,381	1,279	1,279	–	358	358	75	75	–	4,805

Three (2006: three) of the five individuals with the highest emoluments in the Group were directors of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining two (2006: two) individuals was as follows:

	2007 *RMB'000*	**2006** *RMB'000*
Basic salaries and other benefits	653	854
Contributions to retirement benefits schemes	12	14
Share based payment	453	1,247
	1,118	2,115

The emoluments of the two individuals with the highest emoluments are within the following bands:

HK$	**2007 Number of individuals**	**2006 Number of individuals**
1,000,000 or below	2	1
1,000,001-1,500,000	–	1

During the year, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

12. TAXATION

	2007 *RMB'000*	**2006** *RMB'000*
Hong Kong Profits Tax		
– current year	19	1,027
– (over)under provision in previous year	(42)	58
PRC enterprise income tax		
– current year	15,602	18,717
– (over)under provision of income tax in previous year	(995)	1,905
	14,584	21,707

Hong Kong Profits Tax is calculated at 17.5% of estimated assessable profit for the year.

PRC enterprise income tax is calculated at the applicable rates to the PRC subsidiaries. Certain subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the years of 2007 and 2006 ("Tax Holidays"). The maximum Tax Holidays period is 5 years from the first taxable profit year.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2007	2006
	RMB'000	*RMB'000*
(Loss) profit before taxation	(175,440)	105,134
Tax rate applicable to the major operation of the Group	26.4%	26.4%
Tax at the applicable rate	(46,316)	27,755
Tax effect of income not taxable for tax purpose	(2,796)	(1,210)
Tax effect of expenses/losses not deductible for tax purpose	42,717	6,052
Tax effect of temporary differences not recognised as deferred tax assets	19,652	1,693
Tax effect of tax losses not recognised as deferred tax assets	13,747	9,519
Tax effect of tax profits not recognised as deferred tax liabilities	(1,497)	–
Tax effect of Tax Holidays and concessions	(13,511)	(27,988)
Tax effect of different tax rates of subsidiaries operating with different tax regulations in the PRC and in Hong Kong	3,652	4,170
(Over) under provision in previous years	(1,037)	1,963
Tax effect of share of result of associates	(27)	(247)
Taxation for the year	14,584	21,707

As at December 31, 2007, the Group has unused tax losses of approximately RMB61,121,000 (2006: RMB43,761,000) available to offset against future profits, of which losses of RMB28,374,000 (2006: RMB5,527,000) will expire in year 2011, losses of RMB32,747,000 (2006: RMB38,234,000) will expire in year 2012. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

On March 16, 2007, the PRC promulgated Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the president of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulation will change the tax rate from 26.4% to 25% for subsidiaries located in PRC of the Group from January 1, 2008.

Under the New Tax Law and Implementation Regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to interest and dividends payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. If the Company is deemed to be a PRC "resident enterprise", dividends distributed from the Company's PRC subsidiaries to the Company's Hong Kong subsidiaries and ultimately to the Company's Cayman Islands subsidiaries, could be exempted from Chinese dividend withholding tax, and dividends from Cayman Islands subsidiaries to ultimate shareholders would be subject to PRC withholding tax at 10% or a lower treaty rate. There is no such tax implication in 2007.

13. ASSETS/LIABILITIES HELD FOR SALE

Pursuant to a Board resolution dated October 8, 2007 and the shareholders' approval on November 23, 2007, the Company entered into a binding agreement with two independent third parties to dispose a 50.5% held subsidiary, Haining Oyi May Sofa Co., Ltd. ("Oyi May") (海寧歐意美沙發有限公司), for a consideration of RMB24.5 million. As at December 31, 2007, this disposal has not been completed due to delay of local government approval. The assets and liabilities attributable to Oyi May have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet (see below).

The subsidiary is included in the Group's upholstered furniture production activities for segment reporting purposes (see note 6). The net proceeds of the disposal exceeds the Group's attributable portion of net carrying amount of the relevant assets and liabilities as at December 31, 2007, accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Oyi May classified as held for sale are as follows:

	2007
	RMB'000
Property, plant and equipment	74,377
Inventories	63,064
Trade and other receivables	47,772
Pledged bank deposits	27,946
Bank balances and cash	4,301
Prepaid lease payment	9,083
Intangible assets	54
Amount due from related companies	4,793
Assets classified as held for sale	231,390
Trade, bills and other payables	148,388
Amount due to related companies	2,973
Bank and other borrowings	23,652
Liabilities classified as held for sale	175,013
Net assets classified as held for sale	56,377
Less: minority interest	(27,907)
Net assets classified as held for sale attributable to the Group	28,470

The net assets set out above do not include intercompany balances owed to other Group's entities amounting to RMB15.8 million.

14. DIVIDEND

Dividends recognised as distributions during the year:

	2007	2006
	RMB'000	*RMB'000*
Final 2005 – HK7.59 cents per share	–	79,575
Interim 2006 – HK3.45 cents per share	–	34,683
	–	114,258

15. (LOSS) EARNING PER SHARE

The calculation of the basic and diluted (loss) earning per share attributable to the equity holders of the Company are based on the following data:

(Loss) earning

	2007	2006
	RMB'000	*RMB'000*
(Loss) earning for the purposes of basic and diluted (loss) earning per share, being (loss) profit attributable to equity holders of the Company	(194,149)	64,143

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earning per share	990,048,369	1,004,410,969

The share options granted to the employees of the Group has no effect to the diluted (loss) earning per share because the exercise price of the Company's share options was higher than average market price for shares during the share option outstanding period.

16. GOODWILL

	2007 *RMB'000*	2006 *RMB'000*
COST		
At January 1 and December 31	181,006	181,006
ACCUMULATED IMPAIRMENT LOSS		
At January 1	23,048	–
Impairment loss recognised in the year	157,958	23,048
At December 31	181,006	23,048
CARRYING AMOUNTS		
At December 31	–	157,958

Goodwill arose from the Group's acquisition of the subsidiaries from SFT International Pty. Ltd. ("SFT") in September 2004. Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

During the financial year of 2007, the Group assessed the recoverable amount of the goodwill, and determined that goodwill associated with the Group's upholstered furniture operation was impaired by approximately RMB158 million (2006: automotive leather impairment RMB13 million; upholstered furniture impairment RMB10 million). The recoverable amount of the upholstered furniture operation was assessed by reference to the estimated value in use of the CGUs.

The main factor contributing to the impairment of the cash-generating units were deteriorating demand from customers as a result of the downturn in the U.S. housing market, the appreciation of the RMB against the U.S. dollars, increase in the costs of chemicals, foam, timber and labor, and the reduction of export tax rebates.

Allocation of goodwill to CGUs

Before recognition of impairment losses, the carrying amount of goodwill allocated to the following CGUs:

	2007 *RMB'000*	2006 *RMB'000*
Haining Kareno Furniture Co., Ltd. ("Kareno")	60,287	60,287
Haining Kasen Leather Co., Ltd. ("Haining Kasen")	97,671	97,671
Haining Schinder Tanning Co., Ltd.	12,910	12,910
Haining Home Direct Furniture Co., Ltd. ("Home Direct")	10,138	10,138
	181,006	181,006

Impairment testing on goodwill

The carrying amount of goodwill (net of accumulated impairment loss) as at December 31, 2007 is allocated as follows:

	2007	2006
	RMB'000	*RMB'000*
Upholstered furniture operation		
– Kareno	–	60,287
– Haining Kasen	–	97,671
	–	157,958

The recoverable amount of the CGUs is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.85% per annum (2006: 11.78% per annum). The cash flows beyond that five year period have been extrapolated using a steady 2% per annum growth rate.

The key assumptions used in the value in use calculations for the above operations are as follows:

Budgeted sales growth rate	The values assigned to the assumptions reflect the past experiences, overall industry situation in PRC, as well as the marketing staff's best estimate for the sales in the next five years. The growth factor is consistent with management development strategies. Management believes that the planned sales decrease and growth per year for the next five years is acceptable.
Budgeted gross margin	The average gross margins achieved in the three years immediately before the budget period, normalized with the effect of increased raw material prices and currency appreciation. This reflects past experience, with management expects that the Group will absorb the adverse effects of increased raw material prices and the appreciation of RMB against US dollars at a reasonable extent.
Raw materials price inflation	The forecast takes into account of major raw materials' price adjustments (included the exchange rate implication) during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At January 1, 2006	883,689	475,158	26,828	47,765	72,636	1,506,076
Additions	5,224	28,941	5,808	5,168	27,734	72,875
Disposals of subsidiaries	(72,242)	(8,839)	(1,672)	(2,568)	(4,029)	(89,350)
Disposals	–	(545)	(133)	(501)	(1,617)	(2,796)
Reclassification	74,970	1,439	1,006	329	(77,744)	–
At December 31, 2006	891,641	496,154	31,837	50,193	16,980	1,486,805
Additions	4,177	18,727	8,580	3,397	4,763	39,644
Disposals	(239)	(17,684)	(150)	(101)	(4,680)	(22,854)
Disposals of subsidiaries	(73,763)	(10,974)	(791)	(2,303)	(496)	(88,327)
Reclassification	(295)	–	–	295	–	–
Transfers	13,117	584	–	–	(13,701)	–
Reclassified as held for sale	(63,312)	(23,137)	(3,809)	(2,386)	–	(92,644)
At December 31, 2007	771,326	463,670	35,667	49,095	2,866	1,322,624
DEPRECIATION AND IMPAIRMENT						
At January 1, 2006	78,244	115,917	13,327	17,358	–	224,846
Provided for the year	42,085	41,773	3,990	8,010	–	95,858
Elimination on disposals of subsidiaries	(4,937)	(1,241)	(406)	(529)	–	(7,113)
Elimination on disposals	–	(149)	(44)	(192)	–	(385)
At December 31, 2006	115,392	156,300	16,867	24,647	–	313,206
Provided for the year	40,449	41,635	4,773	7,641	–	94,498
Eliminated on disposals	–	(15,708)	(135)	(40)	–	(15,883)
Eliminated on disposal of subsidiaries	(7,532)	(1,727)	(346)	(821)	–	(10,426)
Impairment loss recognised	502	6,502	–	–	–	7,004
Reclassified as held for sale	(9,078)	(6,745)	(1,365)	(1,079)	–	(18,267)
At December 31, 2007	139,733	180,257	19,794	30,348	–	370,132
CARRYING AMOUNTS						
At December 31, 2007	631,593	283,413	15,873	18,747	2,866	952,492
At December 31, 2006	776,249	339,854	14,970	25,546	16,980	1,173,599

The buildings are located on the land leased under medium-term land use rights in the PRC.

The above items other than construction in progress are depreciated on a straight line basis after consideration of residual value at the following rates per annum:

Buildings	20 years or lease term, if shorter
Plant and equipment	10-15 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5-10 years

The Group has pledged its buildings with a carrying amount of approximately RMB482 million (2006: RMB469 million) to secure general banking facilities granted to the Group.

As at December 31, 2007, the title deeds of buildings with net carrying amount of RMB42 million (2006: RMB45 million) has not been obtained. The directors believe that the relevant title deeds will be granted in the due course and the absence of official certificate does not impair the value of the relevant properties of the Group.

Additional impairment losses recognised in respect of plant and equipment in the year amounted to RMB7.0 million (note 8). These losses are attributable to technological obsolescence in the case of certain plant and equipment and the result of the impairment assessment of the relevant CGUs mentioned in note 16.

18. PREPAID LEASE PAYMENTS

The prepaid lease payments made by the Group are payment for land use rights under medium-term lease in the PRC. An amount of approximately RMB72,325,000 (2006: RMB82,125,000) had been pledged to banks to secure the borrowings of the Group granted by the banks.

	2007	**2006**
	RMB'000	*RMB'000*
Analyzed for reporting purposes as:		
Non-current asset	102,265	131,860
Current asset	2,311	2,904
	104,576	134,764

	2007	**2006**
	RMB'000	*RMB'000*
Without title deeds	13,668	23,189
With title deeds	90,908	111,575
	104,576	134,764

The directors believe that the relevant title deeds will be granted to the Group in due course.

19. PROPERTIES FOR DEVELOPMENT

	2007	**2006**
	RMB'000	*RMB'000*
At January 1, 2007	–	–
Transfer from investment property	51,000	–
Additions	263,781	–
At December 31, 2007	314,781	–

In 2006, the Group acquired a parcel of land in Boao, Hainan Province with acquisition cost of RMB32,901,000 for capital appreciation purpose under medium-term lease in the PRC and it was recorded as an investment property. Further cost of RMB12.4 million was incurred by the Group in relation to the land. Pursuant to a board resolution dated October 8, 2007, the Group decided that the land will be used for properties development purpose. The preliminary design for the development has commenced and the land was, as a result, reclassified to properties for development at its fair value as at October 8, 2007.

The fair value of the land as at October 8, 2007 was RMB51,000,000 and it was arrived at by reference to a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuer. The fair value change on investment property up to October 8, 2007 of approximately RMB5,671,000 was recorded as other income for the year ended December 31, 2007 (2006: Nil).

In 2007, the Group acquired another parcel of land in Changsha, Hunan Province with acquisition cost of RMB263,781,000 for properties development purpose.

20. INTANGIBLE ASSETS

	RMB'000
COST	
At January 1, 2006	1,474
Additions	891
Elimination on disposals of subsidiaries	(147)
At December 31, 2006	2,218
Additions	394
Elimination on disposals of subsidiaries	(5)
Classified as held for sale	(177)
At December 31, 2007	2,430
ACCUMULATED AMORTIZATION	
At January 1, 2006	397
Provided for the year	350
Elimination on disposals of subsidiaries	(14)
At December 31, 2006	733
Provided for the year	500
Elimination on disposals of subsidiaries	(1)
Classified as held for sale	(123)
At December 31, 2007	1,109
CARRYING AMOUNT	
At December 31, 2007	1,321
At December 31, 2006	1,485

Intangible assets represent expenditure incurred for upgrade of computer software and are amortized over five years.

21. INVESTMENTS IN ASSOCIATES

At December 2006, the interests in associates represents a 25% interest in 海寧美景海綿有限公司 (Future Foam Asia, Inc.) ("Future Foam"), an equity joint venture established in the PRC in 2004, and a 30% interest in 海寧市斜橋森博水務有限公司 (Haining Xieqiao Senbo Water Co., Ltd.) ("Senbo Water"), an associate changed from a subsidiary through additional capital injection by minority shareholders, and a 35% interest in Sichuan Longteng Leather Co., Ltd. ("Longteng"), an equity joint venture established in the PRC in 2006.

At December 31, 2007, the interests in associates represents a 30% interest in 海寧市斜橋森博水務有限公司 (Haining Xieqiao Senbo Water Co., Ltd.) ("Senbo Water"), an equity joint venture established in PRC in 2003; and a 35% interest in Sichuan Longteng Leather Co., Ltd. ("Longteng"), an equity joint venture established in the PRC in 2006.

During the year, the Group has disposed of its 25% interest in Future Foam to an independent third party. The consideration of the disposal was RMB12,054,000 and the Group recorded a disposal gain of RMB1,056,000.

	2007	**2006**
	RMB'000	*RMB'000*
Cost of unlisted investment in associates	16,667	26,905
Share of post-acquisition losses	(834)	(177)
	15,833	26,728

	2007 RMB'000	2006 RMB'000
Summarized financial information relating to the associates		
Total assets	50,609	130,734
Total liabilities	(5,276)	(52,275)
Net assets	45,333	78,459
Group's share of net assets of associates	15,833	26,728
Revenue	73,284	96,309
Profit for the year	891	4,048
Group's share of associates' profit for the year	103	937

22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The interest in a jointly controlled entity represents a 50% interest in 海寧市卡森－美如可思皮革有限公司 (Haining Kasen-Melx Leather Co., Ltd.) ("Kasen-Melx"), an equity joint venture established in the PRC in August 2005. The jointly controlled entity was established for the principal purpose of trading in leather and other furniture products.

Jointly controlled entity is accounted for using the equity method of accounting:

	2007 RMB'000	2006 RMB'000
Cost of unlisted investment in jointly controlled entity	2,614	2,614

The summarized financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2007 RMB'000	2006 RMB'000
Current assets	5,469	7,891
Non current assets	190	240
	5,659	8,131
Current liabilities	(226)	(2,778)
Net assets	5,433	5,353
Group's share of net assets of jointly controlled entity	2,614	2,614
Revenue	3,062	2,103
Profit for the year	80	164
Group's share of jointly controlled entity's profit for the year	–	–

23. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	RMB'000	*RMB'000*
Unlisted equity securities		
– Haining China Leather Market Co. Ltd. ("HCLM")	42,968	–
– Other	310	310
	43,278	310

The Group made a strategic investment of RMB42,968,000 in HCLM in September 2007 which represents 4.92% equity interest in the HCLM.

The equity securities represents investments in unlisted equity securities issued by state owned entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

24. OTHER LONG TERM ASSETS

Other long term assets represent the deposits and initial payments for acquisition of:

	2007	2006
	RMB'000	*RMB'000*
A subsidiary primarily holding a property *(note)*	79,200	–
An office	19,260	–
Land use rights in the PRC under medium-term lease from the Government	44,900	–
	143,360	–

note: Pursuant to an equity transfer agreement dated December 20, 2007, the Company agreed to purchase 99% equity interest in Qionghai Bodi Real Estate Co., Ltd. (琼海博地置業有限公司) from an independent third party for a consideration of approximately RMB100 million. As at December 31, 2007, RMB79.2 million have been paid to the vendor and are recorded as an other long term asset at December 31, 2007.

25. INVENTORIES

	2007	2006
	RMB'000	*RMB'000*
Raw materials	258,303	348,878
Work in progress	771,779	806,913
Finished goods	112,638	170,425
	1,142,720	1,326,216

26. TRADE AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	400,469	535,961
Less: allowance for doubtful debts	(34,153)	(45,494)
	366,316	490,467
Prepayments	83,102	64,917
Other receivables	129,503	92,890
Less: allowance for doubtful debts	(29,333)	(14,426)
	549,588	633,848

The Group grants a credit period ranging from 30 days to 90 days to their trade customers. The aging analysis of trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
Aged:		
Within 60 days	256,714	345,725
61-90 days	37,943	53,892
91-180 days	49,144	47,468
181-365 days	19,691	35,546
1-2 years	2,824	7,836
	366,316	490,467

Before accepting any new customers, the Group reviews the credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group believes that 19.56% of the trade receivables that are neither pass due nor impaired have the best credit rating.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB71,659,000 (2006: RMB90,850,000) which are past due at the reporting date. However, the directors have considered these amounts in the context of the credit quality of the relevant customers and concluded that those balances are not impaired.

Aging of trade receivables which are past due but not impaired:

	2007	2006
	RMB'000	*RMB'000*
Aged:		
91-180 days	49,144	47,468
181-365 days	19,691	35,546
1-2 years	2,824	7,836
	71,659	90,850

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts

	2007 *RMB'000*	2006 *RMB'000*
Balance at beginning of the year	59,920	44,413
Amounts written off during the year	(770)	(496)
Amount relating to disposal of subsidiaries	(1,107)	(1,623)
Increase in allowance recognised in profit or loss	10,368	17,626
Classified as held for sale	(3,218)	–
Balance at end of the year	65,193	59,920

The impairment recognised represented the long-aged overdue debts with uncertain collection.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Details of the amounts due from (to) related companies are as follows:

Name of related companies	*Notes*	2007 *RMB'000*	2006 *RMB'000*
(a) Operating in nature			
海寧宇潔物資回收有限公司 Haining Yujie Material Recycling Co., Ltd. ("Yujie")	*(i), (v)*	3,250	3,783
伊犁霍爾果斯皮革有限公司 Yili Horgos Leather Co., Ltd. ("Yili Horgos")	*(i), (v)*	922	(29)
Starcorp Corporation Pty. Ltd. ("Starcorp")	*(i), (v)*	19,861	28,496
Haining Kasen-Melx Leather Co., Ltd. ("Kasen-Melx")	*(v), (viii)*	196	3,080
澳林家具(上海)有限公司 AoLin Furniture (Shanghai) Co., Ltd.	*(i), (v)*	5	196
海寧長虹進出口有限公司 Haining Changhong Import and Export Co., Ltd. ("Changhong I&E")	*(iv), (v)*	–	193
海派皮業有限公司 Haining Haipai Leather Industry Co., Ltd.	*(iv), (v)*	39	29
(b) Non-operating in nature			
海寧美景海綿有限公司 Future Foam	*(ii), (vii)*	–	(13,438)
North Pole Ltd.	*(v), (vi)*	–	313
海寧市斜橋森博水務有限公司 Haining Xieqiao Senbo Water Co., Ltd. ("Senbo Water")	*(iii), (v)*	99	506
海寧獵馬皮革服裝有限公司 Haining Liema Leather Garments Co., Ltd.	*(iv), (ix)*	(81)	(6,000)
		24,291	17,129
Represented by:			
Amounts due from related companies, included in current assets		24,372	36,596
Amounts due to related companies, included in current liabilities		(81)	(19,467)
		24,291	17,129

(c) Aging of amounts due from (to) related companies in operating nature is as follows:

	2007		2006	
	Amounts due from related companies	**Amounts due to related companies**	**Amounts due from related companies**	**Amounts due to related companies**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aging:				
Within 60 days	17,787	–	10,421	(12,621)
61-90 days	795	(81)	5,619	(6,105)
91-180 days	5,532	–	12,067	(706)
181-365 days	245	–	6,303	(35)
1-2 years	13	–	2,186	–
2-3 years	–	–	–	–
	24,372	(81)	36,596	(19,467)

Aging of trade receivables which are past due but not impaired:

	2007	2006
	RMB'000	*RMB'000*
Aging:		
91-180 days	5,532	12,067
181-365 days	245	6,303
1-2 years	13	2,186
	5,790	20,556

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Details of the operating transactions with the related parties are set out in note 40.

notes:

(i) Mr. Zhu has influence and beneficial interests in these companies through Sunbridge Industrial Group Co., Ltd.

(ii) The amounts are unsecured, interest-free and repayable according to the credit terms.

(iii) Senbo Water ceased to be a subsidiary and became an associate of the Group since May 2006.

(iv) A director of a non-wholly owned subsidiary has influence and beneficial interests in the company.

(v) The amounts are unsecured, interest-free and expected to be settled within one year.

(vi) The company is the subsidiary of one major shareholder of the Company.

(vii) Future Foam ceased to be an associate of the Group in August 2007.

(viii) Jointly controlled entity of the Group.

(ix) The amounts are unsecured, carried annual interest rate of 6.696% and repayable on demand.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended December 31, Current 2007	2006
	RMB'000	*RMB'000*
Foreign currency forward contracts	16,151	–

At balance sheet date, the Company had the following foreign currency forward contracts in order to manage the Company's foreign currency exposure in relation to its foreign currency monetary assets. Major terms of these contracts are as follows:

Notional amount	Maturity	Exchange rates
Sell USD1,000,000	2008/01/04	US$1: RMB7.5707
Sell USD1,000,000	2008/01/05	US$1: RMB7.5800
Sell USD1,000,000	2008/01/15	US$1: RMB7.5645
Sell USD2,500,000	2008/01/15	US$1: RMB7.5619
Sell USD2,000,000	2008/01/22	US$1: RMB7.4600
Sell USD1,000,000	2008/01/25	US$1: RMB7.5610
Sell USD1,000,000	2008/02/05	US$1: RMB7.5568
Sell USD1,000,000	2008/02/05	US$1: RMB7.5690
Sell USD2,500,000	2008/02/15	US$1: RMB7.5499
Sell USD1,000,000	2008/02/15	US$1: RMB7.5530
Sell USD2,000,000	2008/02/20	US$1: RMB7.4600
Sell USD1,000,000	2008/02/25	US$1: RMB7.5490
Sell USD1,000,000	2008/03/05	US$1: RMB7.5580
Sell USD1,000,000	2008/03/05	US$1: RMB7.5452
Sell USD1,000,000	2008/03/14	US$1: RMB7.5413
Sell USD2,500,000	2008/03/17	US$1: RMB7.5394
Sell USD2,000,000	2008/03/20	US$1: RMB7.4600
Sell USD1,000,000	2008/04/05	US$1: RMB7.5470
Sell USD2,500,000	2008/04/15	US$1: RMB7.5205
Sell USD2,000,000	2008/04/21	US$1: RMB7.4600
Sell USD2,500,000	2008/05/15	US$1: RMB7.5071
Sell USD2,000,000	2008/05/20	US$1: RMB7.4600
Sell USD2,500,000	2008/06/16	US$1: RMB7.4933
Sell USD2,000,000	2008/06/20	US$1: RMB7.4600
Sell USD2,500,000	2008/07/15	US$1: RMB7.4804
Sell USD2,500,000	2008/08/15	US$1: RMB7.4682
Sell USD2,500,000	2008/09/15	US$1: RMB7.4565
Sell USD2,500,000	2008/10/17	US$1: RMB7.4448
Buy USD2,000,000	2008/01/24	US$1: RMB7.3860
Buy USD2,000,000	2008/02/22	US$1: RMB7.3565
Buy USD2,000,000	2008/03/24	US$1: RMB7.3285
Buy USD2,000,000	2008/04/23	US$1: RMB7.2980
Buy USD2,000,000	2008/05/22	US$1: RMB7.2735
Buy USD2,000,000	2008/06/24	US$1: RMB7.2420

The foreign currency forward contracts have been classified as financial instruments held for trading. Fair value of these foreign currency forward contracts are determined by using a forward contract pricing model, which discounts the profit/loss of each contract determined based on the movement in market forward rates to the Valuation Date using risk free rate of RMB.

During the year, the Group recorded a gain on fair value changes on foreign currency forward contracts of approximately RMB16,151,000 (2006: Nil) as other income.

29. BANK BALANCES AND CASH

(a) Pledged bank deposits

The amount mainly represents deposits pledged to banks to secure the bills payable issued by the Group and the bank facilities granted to the Group.

The deposits carry an average fixed interest rate of 0.72% (2006: 0.72%). The pledged bank deposits will be released upon the settlement of relevant bill payables and bank borrowings.

(b) Bank balances and cash

Bank balances and cash comprised of bank deposits with short maturity at market interest rate of 0.72% (2006: 0.72%) and cash on hand.

30. TRADE, BILLS AND OTHER PAYABLES

	2007	**2006**
	RMB'000	*RMB'000*
Trade payables	247,576	346,908
Bills payables *(note)*	36,836	142,479
Other payables and accrued liabilities	145,164	114,649
	429,576	604,036

The aging analysis of trade payables is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Aging:		
Within 60 days	186,645	286,950
61-90 days	19,851	20,807
91-180 days	13,454	13,080
181-365 days	17,500	10,907
1-2 years	3,169	8,719
Over 2 years	6,957	6,445
	247,576	346,908

note: The aging analysis of bills payable is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Aging:		
Within 60 days	–	61,156
61-90 days	32,022	26,937
91-180 days	4,814	54,386
	36,836	142,479

During the year of 2003, the local government paid approximately RMB53 million to the Group for the construction of certain infrastructure and public facilities on local government's behalf in a location which is under-developed. The Group applied the amount received from the government to the construction of such facilities and entered into various construction contracts. Up to December 31, 2007, the Group recorded a balance of approximately RMB13 million (2006: RMB14 million) which had not been utilized in the constructions and was included in other payables and accrued liabilities. Details of the capital commitments of the Group relating to the construction contracts at the balance sheet dates are set out in note 40.

31. BANK AND OTHER BORROWINGS

	2007	2006
	RMB'000	*RMB'000*
Bank borrowings	1,546,812	1,246,689
Other borrowings	10,400	10,400
Total	1,557,212	1,257,089
Analyzed as:		
Secured	958,483	475,936
Unsecured	598,729	781,153
	1,557,212	1,257,089
Denominated in Eur Dollars (foreign currency)	23,469	–
Denominated in United States Dollars (foreign currency)	145,143	124,998
Denominated in Renminbi	1,388,600	1,132,091
	1,557,212	1,257,089

The bank and other borrowings are repayable as follows:

	2007	2006
	RMB'000	*RMB'000*
Within one year or on demand	1,546,812	1,246,689
After five years	10,400	10,400
	1,557,212	1,257,089
Less: Amount due within one year shown under current liabilities	(1,546,812)	(1,246,689)
Amount due after one year	10,400	10,400

Bank borrowings are substantively fixed-rate borrowings and carry interests ranging from 4.86% to 7.62% (2006: from 4.65% to 8.78%) per annum.

Other borrowings represent loans advanced by independent third parties and carry fixed interest rate of 2.55% (2006: 2.55%) per annum.

RMB100,592,000 borrowings were guaranteed by independent third parties and were also secured by the assets owned by the Group. Details of the assets pledged by the Group in favor of the Group's borrowings are set in note 38.

The directors consider that the carrying amount of bank and other borrowings at December 31, 2007 approximates their fair value.

32. SHARE CAPITAL

	Number of ordinary shares	US$'000
Authorized share capital of the Company		
At December 31, 2006 and at December 31, 2007	266,666,666,666	40,000

	Number of ordinary shares	US$	Equivalent to RMB'000
Issued and fully paid ordinary shares of the Company			
At January 1, 2006	1,014,045,369	148,511	1,256
Share repurchase	(23,997,000)	(4)	(29)
At December 31, 2006 and at December 31, 2007	990,048,369	148,507	1,227

Pursuant to the general mandate granted by the shareholders of the Company, the board of directors resolved on July 31, 2006 to repurchase the Company's shares of up to 10% of the issued shares of the Company as at the date of May 30, 2006. The repurchase was made at the discretion of the Board. 23,997,000 shares were repurchased during 2006 and the shares were cancelled upon repurchase. None of the Company and its subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year of 2007.

33. SHARE OPTION

A share option scheme was adopted by the Company pursuant to a resolution passed on September 26, 2005 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. The Scheme became effective on October 20, 2005 and the option issued pursuant to the Scheme will expire with no later than 10 years from the date of grant of the option. Under the Scheme, the board of directors of the Company may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

The Company granted a total of 29,800,000 share options to the directors and other eligible employees on March 9, 2006. The exercise price of the options is fixed at HK$2.38 (the share price immediately before grant date was HK$2.24). The fair value of the options determined at the date of grant using the Binomial Model was approximately RMB21 million and the Company recorded a share based payment expense of RMB2,438,000 in the year ended December 31, 2007 (2006: RMB15,486,000).

The following assumptions were used in the Binomial model:

	2006 options to employees
Average risk-free rate of return	4.44%
Weighted average expected option life	7.58 years
Volatility rate	49%
Dividend yield	5.95%
Average share price at the grant date	HK$2.35

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of the Company over the period starting from its listing date on October 20, 2005 to March 9, 2006.

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The share options could be exercised during the following periods:

Date	**Percentage of share options**
From January 1, 2007 to March 8, 2016	50%
From January 1, 2008 to March 8, 2016	50%

Details of the share options outstanding during the current year are as follows:

	Number of share options
Granted on March 9, 2006 and outstanding as at December 31, 2006	29,800,000
Forfeited during the year due to resignation of employees	(4,500,000)
Outstanding as at December 31, 2007	25,300,000

No share option has been exercised during the year.

34. RESERVES

(a) The statutory reserve represents amounts appropriated from the profits after tax of certain subsidiaries of the Company established in the PRC to comply with the PRC laws and regulations.

(b) The special reserve arose from the reorganization completed in 2004.

(c) The Company suffered loss of RMB39,574,000 for the year ended December 31, 2007 (2006: loss of RMB53,104,000).

35. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

In November 2007, the Group acquired 6% additional interest in its subsidiary, Haining Gaosheng Industrial Co., Ltd. ("Gaosheng") from its minority shareholders. The acquisition prices were agreed through negotiation between the Group and the minority shareholders.

In June 2006, the Group acquired 44.55% and 49.5% additional interests in its subsidiaries, Haining Hainix Sofa Co., Ltd. ("Hainix Sofa") and Haining Hidea Furniture Co., Ltd. ("Hidea Furniture"), respectively, from their minority shareholders.

	2007	2006
	RMB'000	*RMB'000*
Net assets acquired	3,600	29,188
Reserve on acquisition *(note)*	–	30,968
Discounts on acquisition of an additional interest in a subsidiary	–	(10,279)
	3,600	49,877
Satisfied by:		
Cash consideration	3,600	49,877

note: This represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the increase of the Group's interests.

36. DISPOSAL OF SUBSIDIARIES

During the year, the Group entered into agreements to dispose of two wholly owned subsidiaries, 海寧家藝傢俱有限公司 ("Haining Home Craft Furniture Co., Ltd.") ("Home Craft") and 海寧家典傢俱有限公司 ("Haining Home Point Furniture Co., Ltd.") ("Home Point"), both carried out upholstered furniture manufacturing operations. The disposal was completed on January 29, 2007 and August 31, 2007, respectively, on which date the control of Home Craft and Home Point passed to the acquirers.

In 2006, the Group entered into an agreement to dispose of a non-wholly owned subsidiary, 海寧萬盛沙發有限公司 ("Haining Wansheng Furniture Co., Ltd.") ("Wansheng Furniture"), which carried out upholstered furniture manufacturing operations. The disposal was completed on June 29, 2006, on which date the control of Wansheng Furniture passed to the acquirer.

Senbo Water ceased to be a subsidiary of the Group from May 2006 due to additional capital injected by its minority shareholder.

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2007			2006
	Home Point	**Home Craft**	**Total**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	77,405	496	77,901	82,237
Prepaid lease payment	9,174	9,306	18,480	8,928
Amounts due from related companies	452	26,916	27,368	650
Inventories	18,573	–	18,573	50,319
Trade and other receivables	48,340	1	48,341	75,587
Intangible assets	4	–	4	133
Bank balances and cash	49,656	4,593	54,249	26,983
Trade and other payables	(45,902)	–	(45,902)	(112,739)
Tax payable	(534)	–	(534)	–
Bank borrowings	(120,000)	–	(120,000)	(85,800)
Amount due to related companies	–	–	–	(11,595)
	37,168	41,312	78,480	34,703
Minority interests	–	–	–	(19,230)
Gain on disposal	4,332	3,388	7,720	8,838
	41,500	44,700	86,200	24,311
Satisfied by:				
Cash consideration received	34,372	44,700	79,072	21,311
Transferred to trade and other receivables	7,128	–	7,128	–
Transferred to interests in associates	–	–	–	3,000
	41,500	44,700	86,200	24,311
Net cash inflow (outflow) arising on disposal of subsidiaries:				
Cash consideration	34,372	44,700	79,072	21,311
Cash and cash equivalents disposed of	(49,656)	(4,593)	(54,249)	(26,983)
	(15,284)	40,107	24,823	(5,672)

Home Point and Home Craft did not make any significant contributions to the results and cash flows of the Group during the current year.

37. RETIREMENT BENEFITS PLAN

The Group contributes to a local municipal government retirement scheme for all qualifying employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

In addition, the Group operates a Mandatory Provident Fund ("MPF") Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 or 5% of relevant payroll costs monthly to the MPF Scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of approximately RMB13,936,000 (2006: RMB8,844,000) represents contributions paid and payable to the above schemes by the Group in respect of the current accounting period. As at December 31, 2007, contributions of approximately RMB2,367,000 (2006: RMB2,589,000) in respect of the reporting period had not been paid to the above schemes.

38. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's assets have been pledged to secure the borrowings and general banking facilities of the Group. The aggregate carrying amount of the pledged assets of the Group at the balance sheet date is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Buildings *(note 17)*	481,671	468,517
Prepaid lease payments *(note 18)*	72,325	82,125
Pledged bank deposits *(note 29)*	113,689	163,221
	667,685	713,863

39. LEASE ARRANGEMENTS

As lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Within one year	16,253	1,502
In the second to fourth year inclusive	89,991	3,169
	106,244	4,671

The lease payments represent rentals payable by the Group for its retail store and certain of its office properties. The lease terms are various from one year to nine years.

40. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	19,260	1,464
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of construction of certain infrastructure and public facilities in the PRC on behalf of the government (note 30)	13,202	14,135
Commitment for acquisition of a subsidiary (note 24)	20,862	–
	53,324	15,599

41. CONNECTED AND RELATED PARTY DISCLOSURES

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) The Group had the following significant transactions with the connected and related parties during the year:

	Nature of transactions	*Notes*	2007 *RMB'000*	2006 *RMB'000*
Connected and related parties				
Yili Horgos	Purchase by the Group		34,873	34,242
Yujie	Sales of production wastes by the Group		11,040	8,975
白銀卡森皮革有限公司 Baiyin Kasen Leather Co., Ltd.	Purchase by the Group Sales by the Group	*(i)* *(i)*	68,992 7	68,854 –
克孜勒蘇新蓉皮革有限公司 Kezilesu Xinrong Leather Co., Ltd.	Purchase by the Group	*(i)*	15,713	60,220
Starcorp	Sales by the Group		53,065	49,209
Haining Haipai Leather Industry Co., Ltd.	Sales by the Group Subcontracted manufacturing of leather sofa cover provided by the Group		7,608 1,956	74 –
Related parties				
Changhong I&E	Sales by the Group		414	259
浙江森橋實業(集團)有限公司 Zhejiang Sunbridge Industrial (Group) Co., Ltd. ("Sunbridge")	Sales by the Group	*(ii)*	23	–
Future Foam	Purchase by the Group		–	81,374
Kasen-Melx	Sales by the Group Purchase by the Group		764 2,141	3,759 –
Shanghai Star Furniture Co., Ltd.	Sales by the Group	*(ii)*	328	–
Haining Liema Leather Garments Co., Ltd.	Interest expense charged to the Group		16	115
Senbo Water	Provision of sewage treatment service to the Group		91	22
AoLin Furniture (Shanghai) Co., Ltd.	Sales by the Group		238	196
海寧萬盛絲綢噴織有限公司 Haining Wansheng Silk Weaving Co., Ltd.	Purchase by the Group	*(iii)*	–	9,541
North Pole Ltd.	Sales by the Group		–	10,830

notes:

(i) Mr. Zhu has influence and beneficial interests in the company through Sunbridge.

(ii) Mr. Zhu has influence and beneficial interests in the company.

(iii) A director of a non-wholly owned subsidiary has influence and beneficial interests in the company.

(b) Share options granted to the directors

	As at December 31, 2007	2006
Number of share options granted to the directors	6,800,000	6,800,000

(c) Details of the balances with the related companies are set out in note 27.

(d) Key management of the Group is all directors whose remunerations were disclosed in note 11.

42. CONTINGENT LIABILITIES

As at December 31, 2007, the Group provided guarantee to the banks in connection with short-term bank loans of RMB120 million extended to a former subsidiary, Haining Home Point Furniture Co., Ltd ("HHPF"), see note 36. HHPF has also pledged its properties to secure bank loans of approximately RMB90 million for the Group as at December 31, 2007.

In the opinion of the directors of the Company, no relevant financial liabilities have been recognised in the consolidated financial statements as the effect of such financial liabilities to the Group's financial statement was immaterial and the possibility that the third party defaults the bank loan repayment is remote.

43. PRINCIPAL SUBSIDIARIES

The following table lists major subsidiaries of the Company as at December 31, 2007 and 2006 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of the company	Country of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Company Direct %	Indirect %	Principal activities
Haining Gaosheng Industrial Co., Ltd. (Formerly known as: Haining Gaosheng Leather Co., Ltd.) 海寧高盛實業有限公司 (原名: 海寧高盛皮革有限公司) *(note a)*	PRC	RMB60,000,000	–	95	Production and processing of leather and tailored products
Haining Hainix Sofa Co., Ltd. 海寧漢林沙發有限公司 *(note b)*	PRC	US$6,000,000	–	95.05	Production and sale of sofas, dining chairs and other furniture products
Haining Hengsen Furniture Co., Ltd. 海寧恒森傢俱有限公司 *(note a)*	PRC	RMB30,000,000	–	100	Production of furniture and glass fiber reinforced plastic products; wood processing
Haining Hidea Furniture Co., Ltd. 海寧慧達傢俱有限公司 *(note b)*	PRC	US$7,800,000	–	100	Production and sale of sofas, dining chairs and other furniture products

Name of the company	Country of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Company Direct %	Indirect %	Principal activities
Zhejiang Kasen Property Development Co., Ltd. (Formerly known as: Haining Higher Points Investment Development Co., Ltd.) 浙江卡森置業有限公司 (原名:海寧高點投資發展有限公司) *(note a)*	PRC	RMB400,000,000	–	100	Investment holding
Haining Home Impression Furniture Co., Ltd. 海寧家美傢俱有限公司 *(note b)*	PRC	US$2,000,000	–	100	Production and sale of upholstered furniture
Haining Kareno Furniture Co., Ltd. 海寧卡雷諾傢俬有限公司 *(note b)*	PRC	US$3,600,000	–	100	Production and sale of upholstered furniture
Haining Kasen Leather Co., Ltd. 海寧卡森皮革有限公司 *(note b)*	PRC	US$3,000,000	–	100	Production and sale of upholstered furniture
Haining Oyi May Sofa Co., Ltd. 海寧歐意美沙發有限公司 *(note b)*	PRC	US$5,000,000	–	50.5	Production and sale of upholstered furniture
Haining Schinder Tanning Co., Ltd. 海寧森德皮革有限公司 *(note b)*	PRC	US$1,000,000	–	100	Production and sale of automotive leather
Richmond International Trading Limited 富華國際貿易有限公司 *(note a)*	Hong Kong	HK$100	–	100	Trading of leather and other furniture products
Shanghai La Kassa Furniture Co., Ltd. 上海禾美傢俱有限公司 *(note b)*	PRC	US$4,000,000	–	100	Production and sale of upholstered furniture
Zhejiang Kasen Industrial Co., Limited 浙江卡森實業有限公司 *(note b)*	PRC	RMB896,240,000	–	100	Research, development, production and sales of furniture leather
Zhejiang Liema Furniture Co., Ltd. 浙江獵馬傢俬有限公司 *(note b)*	PRC	US$7,000,000	–	50.5	Production and sale of upholstered furniture

notes:

(a) The companies are limited liability companies.

(b) The companies are Sino-foreign owned enterprises.

None of the subsidiaries had issued any debt securities at the end of the year.

44. POST BALANCE SHEET EVENTS

Pursuant to an equity transfer agreement dated February 19, 2008, a wholly owned subsidiary of the Company has agreed to purchase from an independent third party 49.5% equity interest in Chengdu Longteng Shoes Market Investment and Development Co., Ltd. (成都隆騰鞋城投資開發有限公司) for a consideration of RMB29.7 million. This transaction has been approved by local authority on March 7, 2008. Chengdu Longteng Shoes Market Investment and Development Co., Ltd. becomes the associate of the Group since then.

3. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since December 31, 2007, being the date of which the latest audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business. To further diversify its revenue sources and implement its domestic marketing plans, the Group has acquired certain parcels of land located in the PRC and also formed joint venture with major developer and operator of large leather product shopping malls in PRC.

The Group considers that the investment in the Target Group will provide a good opportunity for the Group to further participate in property development, leasing and investment business in the PRC which it considers to have continued growth potential in the future in light of the continued and rapid growth in the economy of the PRC. The Group also considers the investment in the Target Group will allow the Group to diversify its business and reduce the Group's reliance on the upholstered furniture business which has been adversely impacted by the slow down in the US housing market and the subprime loan crises, as well as allow the Company to move into a solid business area.

5. INDEBTEDNESS

Borrowings

As at the close of business on April 30, 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, the Enlarged Group had outstanding borrowings of approximately RMB1,703,728,000, details of which are set out below:

	As at April 30, 2008
	RMB'000
Short term bank borrowings (repayable within one year or on demand)	1,544,037
Long term bank borrowings (repayable after one year on demand)	150,000
Other borrowings (repayable after one year)	9,691
	1,703,728
Analysed as:	
Secured	770,637
Unsecured	933,091
	1,703,728

Pledge of assets

As at the close of business on April 30, 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, certain of the Enlarged Group's assets have been pledged to secure the borrowings of the Enlarged Group. The aggregate carrying amount of the assets of the Enlarged Group as at April 30, 2008 is as follows:

	As at April 30, 2008
	RMB'000
Building	527,293
Prepaid lease payment	74,592
Properties under development	167,834
Bank deposits	12,000
	781,719

Contingent liabilities

As at April 30, 2008, the Enlarged Group provided guarantees to the extent of RMB90,000,000 for a former subsidiary 海寧家典傢俱有限公司 (Haining Home Point Furniture Co., Ltd*).

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on April 30, 2008. The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since April 30, 2008.

6. WORKING CAPITAL

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

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

June 30, 2008

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

Dear Sirs,

We set out below our report on the financial information regarding to Investwise International Limited ("Investwise") and its subsidiaries (hereinafter collectively referred to as the "Investwise Group") for the period from August 15, 2007 (date of establishment) to December 31, 2007 (the "Relevant Period") (the "Financial Information") for inclusion in the circular dated June 30, 2008 issued by Kasen International Holdings Limited ("Kasen") in connection with Kasen's proposed acquisition of the entire equity interests in Investwise (the "Circular").

Investwise was incorporated in the British Virgin Islands (the "BVI") with limited liability on August 15, 2007 as an investment holding Company.

On December 18, 2007, Investwise acquired 55% interests of Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia") from Haining Zhongyuan Real Estate Co., Ltd. for a cash consideration of RMB31,533,000.

As at the date of this report, the particulars of Investwise's subsidiaries are as follows:

Name of subsidiary	Date of establishment	Place of establishment	Effective interest attributable to equity holders		Paid in capital	Principal activities
			Direct	*Indirect*	*RMB*	
Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia")	October 21, 2004	The People's Republic of China ("PRC")	55%	–	50,000,000	Property development

Name of subsidiary	Date of establishment	Place of establishment	Effective interest attributable to equity holders *Direct*	*Indirect*	Paid in capital *RMB*	Principal activities
Yancheng Sujia Property Management Co., Ltd. ("Yancheng Sujia Property Management")	May 17, 2007	The People's Republic of China ("PRC")	–	55%	1,000,000	Provision of property management service

The financial year end date of the companies now comprising the Investwise Group is December 31.

The statutory financial statements of Yancheng Sujia for the year ended December 31, 2007 were prepared in accordance with the relevant accounting principle and financial regulations applicable in the PRC and were audited by Yancheng Deshun Certified Public Accountants, a firm of certified public accountants registered in the PRC.

The statutory financial statements of Yancheng Sujia Property Management for the period from May 17, 2007 (date of establishment) to December 31, 2007 were prepared in accordance with the relevant accounting principle and financial regulations applicable in the PRC and were audited by Yancheng Deshun Certified Public Accountants, a firm of certified public accountants registered in the PRC.

For the purpose of this report, the directors of Investwise have prepared the consolidated financial statements of the Investwise Group for the Relevant Period in accordance with the accounting principles in compliance with International Financial Reporting Standards ("IFRS(s)") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements") and such Underlying Financial Statements have been audited by us in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information of the Investwise Group for the Relevant Period has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

We have examined the Underlying Financial Statements for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Underlying Financial Statements are the responsibility of the directors of Investwise who approved their issue. The directors of Kasen are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Investwise Group and of Investwise as at December 31, 2007 and of the consolidated results and consolidated cash flows of the Investwise Group for the Relevant Period.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Notes	**Period from August 15, 2007 to December 31, 2007** *RMB'000*
Turnover	*7*	–
Interest income		7
Administrative expenses		(256)
Loss before taxation	*8*	(249)
Taxation	*10*	63
Loss for the period		(186)
Attributable to:		
Equity holders of the Company		(101)
Minority interests		(85)
		(186)

CONSOLIDATED BALANCE SHEET

	Notes	**As at December 31, 2007** *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	*11*	1,260
Deferred tax assets	*12*	5,916
Properties for development	*13*	300,979
		308,155
CURRENT ASSETS		
Properties under development	*14*	261,636
Other receivables	*15*	49,038
Prepaid taxes	*16*	16,236
Bank balances and cash	*17*	66,799
		393,709
TOTAL ASSETS		701,864
CURRENT LIABILITIES		
Pre-sale deposits		272,869
Trade and other payables	*18*	37,160
Amounts due to related companies	*19*	204,036
Taxes payable	*20*	12,186
		526,251
NET CURRENT LIABILITIES		(132,542)
TOTAL ASSETS LESS CURRENT LIABILITIES		175,613
NON-CURRENT LIABILITY		
Bank borrowings – due after one year	*21*	150,000
		150,000
NET ASSETS		25,613
CAPITAL AND RESERVE		
Paid-in capital	*22*	–
Accumulated losses		(101)
Equity attributable to equity holders of Investwise		(101)
Minority interests		25,714
TOTAL SHAREHOLDERS' EQUITY		25,613

BALANCE SHEET

	Notes	As at December 31, 2007 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	24	31,533
		31,533
CURRENT ASSET		
Bank balances and cash	17	3,075
TOTAL ASSETS		34,608
CURRENT LIABILITY		
Amounts due to related companies	19	34,604
		34,604
NET CURRENT LIABILITIES		(31,529)
TOTAL ASSETS LESS CURRENT LIABILITY		4
NET ASSETS		4
CAPITAL AND RESERVE		
Share capital	22	–
Retained earnings	25	4
TOTAL EQUITY		4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Investwise				
	Paid-in capital RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
On August 15, 2007 (date of establishment)	–	–	–	–	–
Loss for the period	–	(101)	(101)	(85)	(186)
Arising on acquisition of subsidiaries	–	–	–	25,799	25,799
At December 31, 2007	–	(101)	(101)	25,714	25,613

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Period from August 15, 2007 to December 31, 2007** *RMB'000*
OPERATING ACTIVITIES		
Loss before taxation		(249)
Adjustment for:		
Interest income		(7)
NET CASH USED IN OPERATING ACTIVITIES		(256)
INVESTING ACTIVITIES		
Interest received		7
Acquisition of subsidiaries	*23*	63,977
NET CASH FROM INVESTING ACTIVITY		63,984
FINANCING ACTIVITY		
Advance from related companies		3,071
NET CASH FROM FINANCING ACTIVITIES		3,071
NET INCREASE IN CASH AND CASH EQUIVALENTS		66,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		66,799

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Investwise was established in the British Virgin Islands (the "BVI") on August 15, 2007 with limited liability. Its parent and ultimate holding company is Joyview Enterprises Limited ("Joyview") that incorporated in the British Virgin Islands with limited liability. Investwise's address of its registered office and principal place of business is at OMC Chambers, P.O. Box 3152, Road Town, Tortola, the BVI.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Investwise.

Investwise acts as an investment holding company. Its subsidiaries are principally engaged in the property development and provision of property management service.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Joyview has agreed to provide adequate funds to enable the Investwise Group to meet in full its financial obligations as they fall due so long as it remains as its controlling shareholder.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Period, the Investwise Group has consistently applied all International Accounting Standards ("IAS"), IFRSs, amendments and related Interpretations ("IFRIC(s)") (hereinafter collectively referred to as "New IFRSs") which are effective for the Investwise Group for financial period beginning on August 15, 2007 throughout the Relevant Period.

At the date of this report, the IASB has issued the following new and revised standards and interpretations which are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[4]
IFRIC 12	Service Concession Arrangements[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 14	IFRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

[1] Effective for annual periods beginning on or after January 1, 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after July 1, 2009
[2] Effective for annual periods beginning on or after January 1, 2009
[3] Effective for annual periods beginning on or after July 1, 2009
[4] Effective for annual periods beginning on or after March 1, 2007
[5] Effective for annual periods beginning on or after January 1, 2008
[6] Effective for annual periods beginning on or after July 1, 2008

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of Investwise anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Investwise Group.

4. PRINCIPAL ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis, and in accordance with the accounting policies set out below, which conform to IFRSs issued by the IASB.

Basis of consolidation

The Financial Information incorporates the financial information of Investwise and entities controlled by Investwise (its subsidiaries). Control is achieved where Investwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Period are included in the Financial Information from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of the subsidiaries to bring the accounting policies used in line with those used by other members of the Investwise Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Investwise Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Investwise Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in a subsidiary which is not a business is accounted for as an acquisition of additional interest in assets. The difference between the consideration paid or payable and the carrying amount of minority interests attributable to the acquired interest is allocated to the value of the underlying assets acquired. No goodwill or discount on acquisition is recognised from this transaction.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Income from properties developed for sale is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from forward sales of properties are carried as pre-sale deposits.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives and after taking into account of the estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Financial Information in the period in which the item is derecognised.

Properties for development

Properties for development represent leasehold land located in the PRC for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. The costs of land use rights representing leasehold land held for future development are stated at cost less accumulated amortisation and any identified impairment loss. Other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development are stated at cost.

Upon commencement of development, the properties are transferred to properties under development.

Properties under development

Properties under development, representing leasehold land located in the PRC under development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including mandatory provident fund schemes and state-managed retirement benefit schemes, are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Investwise Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Investwise Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Investwise Group intends to settle its current tax assets and liabilities on a net basis.

Impairment of tangible assets with finite useful lives

At each balance sheet date, the Investwise Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Investwise Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Investwise Group's balance sheet when the Investwise Group becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Investwise Group's financial assets are classified into loans and receivables. All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame estimated by regulation or convention in the marketplace and is recognised and derecognised on a trade date basis. The accounting policies adopted in respect of each category of financial assets are set out below.

Trade and other receivables and bank balances and cash

These financial assets have fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for financial liabilities are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Bank borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade and other payables and amounts due to related companies

The above financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Investwise Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

Equity instruments issued by Investwise are recorded at the proceeds received, net of direct issue costs.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is disclosed below.

Net realisable value for properties under development

Properties under development are stated at the lower of cost and net realisable value.

As at December 31, 2007, the carrying value of properties under development amounted to RMB261,636,000. Net realisable value for properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Management is required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by management, additional adjustments to the value of properties under development may be required.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

The Investwise Group

	December 31, 2007 *RMB'000*
Financial assets	
Loans and receivables (including cash and cash equivalents)	98,663
Financial liabilities	
Amortised cost	374,188

Investwise

	December 31, 2007 *RMB'000*
Financial assets	
Loans and receivables (including cash and cash equivalents)	3,075
Financial liabilities	
Amortised cost	34,604

(b) Financial risk management objectives and policies

The Investwise Group's major financial instruments include other receivables, bank balances and cash, trade and other payables, amounts due to related companies and bank borrowings. Investwise's major financial instruments include bank balances and cash and amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The Investwise Group's and Investwise's activities expose them to a variety of financial risks: market risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and are summarised below.

There has been no significant change to the Investwise Group's and Investwise's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

Interest rate risk

The Investwise Group and Investwise is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 17 for details). The Investwise Group is also exposed to fair value interest rate risk in relation to amounts due to related companies and fixed-rate bank borrowings (see notes 19 and 21 for details) and the Company is also exposed to fair value interest rate risk in relation to amounts due to related companies (see note 21 for details).

The Investwise Group and Investwise has not entered into any interest rate hedging contracts. The directors monitor exposure on continuing basis and will consider hedging interest rate risk should the need arise.

As at December 31, 2007, if interest rates had been increased/decreased 50 basis points with all other variables were held constant, the Investwise Group's loss and Investwise's profit for the period would increase/decrease by approximately RMB334,000 and RMB15,000, respectively.

Credit risk

The carrying amount of bank balances and cash and other receivables represent the Investwise Group's maximum exposure to credit risk in relation to its financial assets, and the carrying amount of bank balances and cash and other receivables represent the Investwise's maximum exposure to credit risk in relation to its financial assets.

In order to minimise the credit risk, the management of the Investwise Group reviewed the credit limits on an regular base to ensure that follow-up action is taken to recover overdue debts. In addition, the Investwise Group reviews regularly the recoverable amount of other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Investwise Group has no significant concentration of credit risk by customers, with exposure spread over a number of customers.

The credit risk on liquid funds of the Investwise Group and Investwise is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Investwise Group and Investwise is unable to meet its current obligations when they fall due. The Investwise Group and Investwise measures and monitors its liquidity through the maintenance of adequate level of liquid assets to ensure the availability of sufficient cash flows to finance the Investwise Group's operations.

The following tables detail the Investwise Group's and Investwise's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities. In the case of financial liabilities, the cash flows are categorised based on the earliest date on which the Investwise Group and Investwise can be required to pay. The tables include both interest and principal cash flows.

The Investwise Group

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2007
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and other payables		20,152	–	20,152	20,152
Amounts due to related companies	6.12	216,523	–	216,523	204,036
Bank borrowings	6.91	–	160,365	160,365	150,000
Total		236,675	160,365	397,040	374,188

Investwise

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2007
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Amounts due to related companies	6.12	36,722	–	36,722	34,604

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

(d) Capital risk management

The Investwise Group manages its capital to ensure that entities in the Investwise Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance.

The capital structure of the Investwise Group consists of debt, which includes the borrowings disclosed in note 21 and equity attributable to equity holders of Investwise, comprising paid in capital and accumulated losses.

The directors of Investwise review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Investwise Group will balance its overall capital structure through the payment of dividends, the issue of new debt or the redemption of existing debt.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Substantially all of the Investwise Group's activities are engaged in properties development and sales and substantially all of the Investwise Group's sales are to customers located in the PRC. The directors consider that these activities constitute one business segment and one geographical segment since these activities are related and subject to common risk and returns. Accordingly, no business or geographical analysis of turnover is presented. No geographical analysis of the Investwise Group's assets and liabilities is presented as the Investwise Group's assets and liabilities are substantially located in the PRC.

8. LOSS BEFORE TAXATION

	Period from August 15, 2007 to December 31, 2007 *RMB'000*
Loss before taxation has been arrived at after charging:	
Directors' remuneration *(note 9)*	–
Staff costs	144
Retirement benefit scheme contributions	9
Total employee benefit expenses	153

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

During the Relevant Period, no emolument was paid or payable to the directors of Investwise.

Of the five highest paid individuals of the Investwise Group, none was a director of Investwise. The emoluments of the five individuals for the Relevant Period are as follows:

	Period from August 15, 2007 to December 31, 2007 *RMB'000*
Employees	
– basic salaries and allowances	15

All their emoluments were within HK$1,000,000 during the Relevant Period.

During the Relevant Period, no emoluments were paid by the Investwise Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Investwise Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Period.

10. TAXATION

	Period from August 15, 2007 to December 31, 2007 *RMB'000*
Current tax:	
PRC Enterprise Income Tax	–
LAT	–
	–
Deferred tax *(note 12)*:	
Current year	63
	63

Investwise's subsidiaries are subject to Enterprise Income Tax in the PRC which is calculated at the prevailing tax rate of 33% on the taxable income.

On March 16, 2007, the PRC promulgated Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the president of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulation will change the tax rate from 33% to 25% for the subsidiaries located in PRC of the Investwise Group from January 1, 2008. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation for the period can be reconciled to the loss before taxation per the consolidated income statements as follows:

	Period from August 15, 2007 to December 31, 2007
	RMB'000
Loss before taxation	(249)
Tax at the applicable PRC enterprise income tax rate of 33%	(82)
Tax effect of income not taxable for tax purpose	(1)
Effect of change in tax rate on deferred tax assets recognised	20
Taxation for the period	(63)

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from November 2006 in Yancheng, the local tax bureau requires pre-payment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加強土地增值稅管理工作的通知), the Investwise Group is required to pre-pay LAT on pre-sale proceeds at 1% for ordinary residential properties and 2% for other properties.

The Investwise Group accrues LAT on pre-sale proceeds based on aforesaid relevant PRC LAT regulations and recorded as prepayments in the balance sheet. As at December 31, 2007, the LAT prepaid accumulated to RMB2,729,000 (see note 16).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Furniture, fixture, and electronic equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
On August 15, 2007 (date of establishment)	–	–	–	–
Acquired on acquisition of subsidiaries *(note 23)*	307	180	773	1,260
At December 31, 2007	307	180	773	1,260
CARRYING VALUE				
At December 31, 2007	307	180	773	1,260

The following years are used for the depreciation of property, plant and equipment after considering their respective useful lives:

Furniture, fixture and electronic equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5 years or lease term, if shorter

12. DEFERRED TAXATION

The following is the deferred tax assets recognised and movements during the current year:

	Tax losses
	RMB'000
Balance as at August 15, 2007 (date of establishment)	–
Arising on acquisition of subsidiaries *(note 23)*	5,853
Credit to the consolidated income statement	63
Balance as at December 31, 2007	5,916

The Investwise Group had unused tax losses in the amount of RMB253,000 at December 31, 2007 available for offset against future profits. The directors decide to recognise deferred tax assets for such tax losses in the amount of RMB253,000 starting from 2007 after the pre-sale of the properties of the Investwise Group kicked off. Based on the latest budgets, management believes that there will be sufficient future profits for the realisation of the deferred tax assets recognised in respect of such tax losses.

13. PROPERTIES FOR DEVELOPMENT

	As at December 31, 2007
	RMB'000
Balance as at August 15, 2007 (date of establishment)	–
Arising on acquisition of subsidiaries *(note 23)*	300,979
Less: Amortisation	–
	300,979

Properties for development represents land use rights but not yet been developed. As at December 31, 2007, the title deeds of land use rights with net carrying amount of RMB18,856,000 (nil for 2006 and 2005) has not been obtained. The directors believe that the title deeds will be granted in the due course and the absence of official certificate does not impair the value of the relevant properties of the Group.

14. PROPERTIES UNDER DEVELOPMENT

Properties under development amounting to RMB261 million are expected to be recovered within 12 months.

The Investwise Group has pledged its properties under development with carrying amount of RMB168 million to secure general banking facilities granted to the Investwise Group.

15. OTHER RECEIVABLES

	As at December 31, 2007
	RMB'000
Prepayments	2,030
Other tax assets	15,144
Other receivables	31,864
	49,038

The balance of other receivables as at December 31, 2007 mainly represented the third party loans which were unsecured, interest free and fully settled at the date of this accountant's report.

The Investwise Group normally provides fully for all receivables over 365 days as historical experience indicates that such amount may not be recoverable. As at December 31, 2007, none of the Investwise Group's receivables aged over 365 days.

At the balance sheet date, the Investwise Group does not have any other receivables which are past due at the reporting date for which the Investwise Group has not provided. The Investwise Group's other receivables which are neither past due nor impaired at December 31, 2007 have no default history and of good credit quality. The Investwise Group does not hold any collateral over these balances.

The balance of other tax assets as at December 31, 2007 mainly represented the prepaid business tax which was accrued based on the pre-sale deposits.

16. PREPAID TAXES

	As at December 31, 2007 *RMB'000*
PRC Enterprise Income Tax prepayments	13,507
LAT prepayments	2,729
	16,236

17. BANK BALANCES AND CASH

The Investwise Group and Investwise

Bank balances and cash comprised of bank deposits with an original maturity of three months or less at market interest rate ranging from 0.72% to 0.81% per annum as at December 31, 2007.

18. TRADE AND OTHER PAYABLE

	As at December 31, 2007 *RMB'000*
Trade payables	19,724
Other payables	428
Salary and welfare payables	206
Other taxes payables	16,802
	37,160

The aging analysis of trade payables is stated as follows:

	As at December 31, 2007 *RMB'000*
Aged	
0 – 60 days	11,328
61 – 90 days	2,515
91 – 180 days	3,532
181 – 365 days	2,318
Over 365 days	31
Trade payables	19,724

Trade payables principally comprise amounts outstanding for properties construction expenditures.

The analysis of other taxes payables is stated as follows:

	As at December 31, 2007 *RMB'000*
Business tax	9,143
Land use tax	6,372
Others	1,287
	16,802

19. AMOUNTS DUE TO RELATED COMPANIES

Details of the amounts due to related companies are as follows:

Name of related companies	*Notes*	**The Investwise Group As at December 31, 2007** *RMB'000*	**Investwise As at December 31, 2007** *RMB'000*
Non-operating in nature			
浙江森橋實業集團有限公司 Zhejiang Sunbridge Industrial Group Co., Ltd.	*(i),(v)*	169,432	–
海寧市中遠房產有限公司 Haining Zhongyuan Real Estate Co., Ltd.	*(ii),(v)*	31,533	31,533
Joyview	*(iii),(vi)*	7	7
朱張金 Zhu Zhangjin ("Mr. Zhu")	*(iv),(vi)*	3,064	3,064
		204,036	34,604

Notes:

(i) A related party in which Mr. Zhu has influence and beneficial interests.

(ii) Shareholder of a subsidiary of Investwise commencing from September 24, 2007.

(iii) Shareholder of Investwise.

(iv) The controlling shareholder of Joyview.

(v) The amounts are unsecured, carried fixed interest rates range from 1.54% to 8.22% per annum and repayable on demand.

(vi) The amounts are unsecured, interest-free and repayable on demand.

20. TAXES PAYABLE

	As at December 31, 2007 *RMB'000*
PRC Enterprise Income Tax payable	10,357
LAT	1,829
	12,186

21. BANK BORROWINGS

	As at December 31, 2007
	RMB'000
Bank loans	150,000
Carrying amount payable:	
More than two years but less than five years	150,000

Bank borrowings are fixed-rate borrowings with interest rate at 6.91% per annum. Bank borrowings are secured by a mortgage over the Investwise Group's properties under development (see note 14).

22. PAID-IN CAPITAL

The paid-in capital of the Investwise Group at December 31, 2007 represented the issued and fully paid capital of Investwise. Investwise was incorporated on August 15, 2007 with an authorised share capital of USD5,000 divided into 5,000 shares of USD 1 each. On December 31, 2007, one share was issued and paid.

23. ACQUISITION OF SUBSIDIARIES

On December 18, 2007, the Investwise Group acquired 55% equity interests of Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia") from Haining Zhongyuan Real Estate Co., Ltd., an independent party not connected with the Investwise Group, for a consideration of RMB31,533,000, which was settled on January 31, 2008.

The principal activity of Yancheng Sujia is property development in Jiangsu Province, the People's Republic of China (the "PRC") and the major tangible assets of Yancheng Sujia are the property development sites in the PRC without an integrated set of activities and assets and did not by itself consist of a comprehensive set of "inputs, processes and outputs". In the opinion of the directors of Investwise, the acquisition of Yancheng Sujia was in substance an acquisition of net asset, being a property project under development, instead of an acquisition of business and therefore was excluded from the scope of under the IFRS 3 "Business Combination" issued by the IASB. Accordingly, the transactions have been accounted for as the acquisition of net assets by the acquisition of subsidiaries. As a result, the consideration paid was allocated to the identified assets acquired and liabilities assumed based on their fair values at the date of acquisition as if had been completed on December 31, 2007. The excess of the fair values of net assets acquired and liabilities assumed and the consideration paid has not been recognised immediately in profit or loss.

	As at December 18, 2007
	RMB'000
Net assets acquired:	
Property, plant and equipment	1,260
Deferred tax assets	5,853
Properties for development	300,979
Properties under development	261,636
Other receivables	49,038
Prepaid taxes	16,236
Bank balances and cash	63,977
	698,979
Pre-sale deposits	272,869
Trade and other payables	37,160
Amounts due to related companies	169,432
Taxes payable	12,186
Bank borrowings	150,000
	641,647
Net assets	57,332
Less: Minority interests	25,799
Net assets acquired	31,533
Total consideration, satisfied by:	
Amounts due to related companies	31,533
Net cash inflow arising on acquisition of subsidiaries:	
Cash consideration	–
Cash and cash equivalents acquired	63,977
	63,977

24. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represents a 55% equity interest in Yancheng Sujia and its subsidiary.

	As at December 31, 2007
	RMB'000
Unlisted cost of investment in subsidiaries	31,533

As at the date of this report, the particulars of Investwise's subsidiaries are as follows:

Name of subsidiary	Date of establishment	Place of establishment	Effective interest attributable to equity holders of Investwise	Paid-in capital *RMB*	Principal activities
Yancheng Sujia	October 21, 2004	The PRC	55%	50,000,000	Property development
Yancheng Sujia Property Management Co., Ltd. ("Yancheng Property Management")	May 17, 2007	The PRC	55% *(Note)*	1,000,000	Provision of property management services

Note: Yancheng Sujia Property Management is a wholly-owned subsidiary of Yancheng Sujia.

25. RETAINED EARNINGS

	The Company As at December 31, 2007 *RMB'000*
Balance as at August 15, 2007 (date of establishment)	–
Profit for the period	4
Balance as at December 31, 2007	4

26. OPERATING LEASES

As lessee

At the balance sheet date, the Investwise Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due during the Relevant Period as follows:

	As at December 31, 2007 *RMB'000*
Within one year	37
In the second to fifth year inclusive	18
	55

The lease payments represented the rentals payable by the Investwise Group for its staffs' accommodations. The lease terms are various from one year to three years.

27. CAPITAL COMMITMENTS

	The Group As at December 31, 2007 *RMB'000*
Capital expenditures contracted for but not provided in the Financial Information in respect of properties for development and properties under development	225,850

28. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. Investwise's subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Investwise Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

29. RELATED COMPANY TRANSACTIONS

There was no transaction among Investwise, its subsidiaries and other related companies from August 15, 2007 (date of establishment) to December 31, 2007.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Investwise Group, Investwise or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2007.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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35/F One Pacific Place
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June 30, 2008

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

Dear Sirs,

We set out below our report on the financial information regarding Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia") and its subsidiary (hereinafter collectively referred to as the "Yancheng Sujia Group") for each of the three years ended December 31, 2007 (the "Relevant Periods") (the "Financial Information") for inclusion in the circular dated June 30, 2008 issued by Kasen International Holdings Limited ("Kasen") in connection with Kasen's proposed acquisition of 45% equity interests in Yancheng Sujia (the "Circular").

Yancheng Sujia was incorporated in the People's Republic of China (the "PRC") with limited liability on October 21, 2004. Its principal activity is property development. As at the date of this report, Yancheng Sujia has a wholly-owned subsidiary, Yancheng Sujia Property Management Co., Ltd ("Yancheng Sujia Property Management") which is engaged in provision of properties management services and was incorporated on May 17, 2007 in the PRC with paid-in capital of RMB1,000,000.

The financial year end date of companies of the Yancheng Sujia Group is December 31.

The statutory financial statements of Yancheng Sujia for the three years ended December 31, 2005, 2006 and 2007 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by Jiaxing Zhongming Certified Public Accountants, Haining Zhengming Certified Public Accountants and Yancheng Deshun Certified Public Accountants, which are firms of certified public accountants registered in the PRC, respectively.

The statutory financial statements of Yancheng Sujia Property Management for the period from May 17, 2007 (date of establishment) to December 31, 2007 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by Yancheng Deshun Certified Public Accountants, a firm of certified public accountants registered in the PRC.

For the purpose of this report, the directors of Yancheng Sujia have prepared the consolidated financial statements of the Yancheng Sujia Group for the Relevant Periods in accordance with the accounting principles in compliance with International Financial Reporting Standards ("IFRS(s)") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements") and such Underlying Financial Statements have been audited by us in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standard Board.

The Financial Information of the Yancheng Sujia Group for the Relevant Periods has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Underlying Financial Statements are the responsibility of the directors of Yancheng Sujia who approved their issue. The directors of Kasen are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Yancheng Sujia Group and of Yancheng Sujia as at December 31, 2005, 2006 and 2007 and of the consolidated results and consolidated cash flows of the Yancheng Sujia Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
	Notes	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
Turnover	*7*	–	–	–
Interest income		32	47	4
Distribution costs		(215)	(115)	(6,264)
Administrative expenses		(5,965)	(6,745)	(7,392)
Finance costs	*8*	(22,019)	(16,865)	(4,741)
Loss before taxation	*9*	(28,167)	(23,678)	(18,393)
Taxation	*10*	–	–	5,916
Loss for the year		(28,167)	(23,678)	(12,477)

CONSOLIDATED BALANCE SHEETS

		The Yancheng Sujia Group		
		As at December 31,		
	Notes	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	245	296	1,260
Deferred tax assets	*13*	–	–	5,916
Properties for development	*14*	355,891	369,572	233,516
		356,136	369,868	240,692
CURRENT ASSETS				
Properties under development	*15*	–	–	232,724
Other receivables	*16*	3,620	24,978	49,038
Prepaid taxes	*17*	–	–	16,236
Bank balances and cash	*18*	1,792	14,370	63,724
		5,412	39,348	361,722
TOTAL ASSETS		361,548	409,216	602,414
CURRENT LIABILITY				
Pre-sale deposits		–	–	272,869
Trade and other payables	*19*	2,776	5,193	37,160
Amounts due to related companies	*20*	401,850	430,779	169,432
Taxes payable	*21*	–	–	12,186
		404,626	435,972	491,647
NET CURRENT LIABILITIES		(399,214)	(396,624)	(129,925)
TOTAL ASSETS LESS CURRENT LIABILITIES		(43,078)	(26,756)	110,767
NON-CURRENT LIABILITY				
Bank borrowings				
– due after one year	*22*	–	–	150,000
NET LIABILITIES		(43,078)	(26,756)	(39,233)
CAPITAL AND RESERVE				
Paid-in capital	*23*	10,000	50,000	50,000
Accumulated losses		(53,078)	(76,756)	(89,233)
TOTAL SHAREHOLDERS' DEFICITS		(43,078)	(26,756)	(39,233)

BALANCE SHEETS

		Yancheng Sujia		
		As at December 31,		
	Notes	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	245	296	1,251
Deferred tax assets	*13*	–	–	5,850
Properties for development	*14*	355,891	369,572	233,516
Investment in a subsidiary	*24*	–	–	1,000
		356,136	369,868	241,617
CURRENT ASSETS				
Properties under development	*15*	–	–	232,724
Other receivables	*16*	3,620	24,978	49,038
Prepaid taxes	*17*	–	–	16,236
Bank balances and cash	*18*	1,792	14,370	63,020
		5,412	39,348	361,018
TOTAL ASSETS		361,548	409,216	602,635
CURRENT LIABILITIES				
Pre-sale deposits		–	–	272,869
Trade and other payables	*19*	2,776	5,193	37,132
Amounts due to related companies	*20*	401,850	430,779	169,482
Taxes payable	*21*	–	–	12,186
		404,626	435,972	491,669
NET CURRENT LIABILITIES		(399,214)	(396,624)	(130,651)
TOTAL ASSETS LESS CURRENT LIABILITIES		(43,078)	(26,756)	110,966
NON-CURRENT LIABILITY				
Bank borrowings – due after one year	*22*	–	–	150,000
NET LIABILITIES		(43,078)	(26,756)	(39,034)
CAPITAL AND RESERVE				
Paid-in capital	*23*	10,000	50,000	50,000
Accumulated losses	*25*	(53,078)	(76,756)	(89,034)
TOTAL SHAREHOLDER'S DEFICITS		(43,078)	(26,756)	(39,034)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Yancheng Sujia Group		
	Paid-in capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2005	10,000	(24,911)	(14,911)
Loss for the year	–	(28,167)	(28,167)
At December 31, 2005	10,000	(53,078)	(43,078)
Loss for the year	–	(23,678)	(23,678)
Capital contribution	40,000	–	40,000
At December 31, 2006	50,000	(76,756)	(26,756)
Loss for the year	–	(12,477)	(12,477)
At December 31, 2007	50,000	(89,233)	(39,233)

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended December 31,		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Loss before taxation	(28,167)	(23,678)	(18,393)
Adjustments for:			
Amortisation of properties for development	4,853	4,852	2,426
Depreciation of property, plant and equipment	52	61	173
Interest expenses	22,019	16,865	4,741
Interest income	(32)	(47)	(4)
Operating cash flows before movements in working capital	(1,275)	(1,947)	(11,057)
(Increase) decrease in properties for development	(4,817)	(18,533)	133,630
Increase in properties under development	–	–	(226,081)
Increase in trade and other receivables	(3,268)	(21,358)	(24,060)
Increase in pre-sale deposits	–	–	272,869
Increase in trade and other payables	2,387	2,417	31,679
Cash (used in) from operating activities	(6,973)	(39,421)	176,980
Income tax prepaid	–	–	(4,050)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(6,973)	(39,421)	172,930
INVESTING ACTIVITIES			
Interest received	32	47	4
Purchase of property, plant and equipment	(271)	(112)	(1,137)
NET CASH USED IN INVESTING ACTIVITIES	(239)	(65)	(1,133)
FINANCING ACTIVITIES			
Bank borrowings raised	–	–	150,000
Advance from (repayment to) related companies	–	12,064	(257,246)
Interest paid	–	–	(15,197)
Contributions by shareholders	–	40,000	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	–	52,064	(122,443)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,212)	12,578	49,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9,004	1,792	14,370
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	1,792	14,370	63,724

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Yancheng Sujia was established on October 21, 2004 by Jiaxing Communication Investment Group Co., Ltd. and Jiaxing Highway Investment Co., Ltd. with registered capital of RMB10,000,000. Jiaxing Communication Investment Group Co., Ltd. and Jiaxing Highway Investment Co., Ltd. held 90% and 10% equity interests in Yancheng Sujia, respectively.

Pursuant to an equity transfer agreement dated July 31, 2006, Jiaxing Communication Investment Group Co., Ltd. and Jiaxing Highway Investment Co., Ltd sold their equity interests in Yancheng Sujia to Zhejiang Sunbridge Industrial Group Co., Ltd. and Haining Sunbridge Real Estate Development Co., Ltd, respectively. On September 29, 2006, Yancheng Sujia increased registered capital to RMB50,000,000.

Pursuant to an equity transfer agreement dated September 23, 2007, Haining Zhongyuan Real Estate Co., Ltd. acquired entire equity interests in Yangcheng Sujia from Zhejiang Sunbridge Industrial Group Co., Ltd. and Haining Sunbridge Real Estate development Co., Ltd. After the completion of the transfer, Yancheng Sujia became a wholly owned subsidiary of Haining Zhongyuan Real Estate Co., Ltd.

Pursuant to an equity transfer agreement dated November 20, 2007, Investwise International Limited acquired 55% of equity interests in Yancheng Sujia from Haining Zhongyuan Real Estate Co., Ltd. The transaction has been approved by Department of Foreign Trade & Economic Cooperation, Jiangsu Provincial Government, on December 18, 2007.

As at December 31, 2007, Yancheng Sujia's parent company is Investwise International Limited that incorporated in the British Virgin Islands with limited liability and its ultimate holding company is Joyview Enterprise Limited that incorporated in the British Virgin Islands with limited liability. The address of its registered office and principal place of business of Yancheng Sujia is at 88 Central Daqing Road, Yancheng, the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Yancheng Sujia.

The principal activity of Yancheng Sujia is development of properties in the PRC. Its subsidiary is principally engaged in provision of property management services.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because the shareholder of the Yancheng Sujia Company has agreed to provide adequate funds to enable the Yancheng Sujia Group to meet in full its financial obligations as they fall due so long as it remains as its controlling shareholder.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Yancheng Sujia Group has consistently applied all International Accounting Standards ("IAS"), IFRSs, amendments and related Interpretations ("IFRIC(s)") (hereinafter collectively referred to as "New IFRSs") which are effective for the Yancheng Sujia Group financial year beginning on or before January 1, 2007 throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised standards and interpretations which are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[4]
IFRIC 12	Service Concession Arrangements[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 14	IFRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

[1] Effective for annual periods beginning on or after January 1, 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after July 1, 2009
[2] Effective for annual periods beginning on or after January 1, 2009
[3] Effective for annual periods beginning on or after July 1, 2009
[4] Effective for annual periods beginning on or after March 1, 2007
[5] Effective for annual periods beginning on or after January 1, 2008
[6] Effective for annual periods beginning on or after July 1, 2008

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of Yancheng Sujia anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Yancheng Sujia Group.

4. PRINCIPAL ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis, and in accordance with the accounting policies set out below, which conform to IFRSs issued by the IASB.

Basis of consolidation

The Financial Information incorporate the financial information of Yancheng Sujia and entity controlled by Yancheng Sujia (its subsidiary). Control is achieved where Yancheng Sujia has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the Relevant Periods included in the Financial Information from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of the subsidiary to bring the accounting policies used in line with those used by other members of the Yancheng Sujia Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in Yancheng Sujia's balance sheet at cost less any identified impairment loss.

Revenue recognition

Income from properties developed for sale is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from forward sales of properties are carried as pre-sale deposits.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives and after taking into account of the estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Financial Information in the period in which the item is derecognised.

Properties for development

Properties for development represent leasehold land located in the PRC for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. The costs of land use rights representing leasehold land held for future development are stated at cost less accumulated amortisation and any identified impairment loss. Other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development are stated at cost.

Upon commencement of development, the properties are transferred to properties under development.

Properties under development

Properties under development, representing leasehold land located in the PRC under development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including mandatory provident fund schemes and state-managed retirement benefit schemes, are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Yancheng Sujia Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Yancheng Sujia Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Yancheng Sujia Group intends to settle its current tax assets and liabilities on a net basis.

Impairment of tangible assets with finite useful lives

At each balance sheet date, the Yancheng Sujia Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Yancheng Sujia Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Yancheng Sujia Group's balance sheets when the Yancheng Sujia Group becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Yancheng Sujia Group's financial assets are classified into loans and receivables. All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame estimated by regulation or convention in the marketplace and is recognised and derecognised on a trade date basis. The accounting policies adopted in respect of each category of financial assets are set out below.

Trade and other receivables and bank balances and cash

These financial assets have fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for financial liabilities are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Bank borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

Trade and other payables and amounts due to related companies

The above financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Yancheng Sujia Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

Equity instruments issued by Yancheng Sujia are recorded at the proceeds received, net of direct issue costs.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is disclosed below.

Net realisable value for properties under development

Properties under development are stated at the lower of cost and net realisable value.

As at December 31, 2007, the carrying value of properties under development amounted to RMB232,724,000. Net realisable value for properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Management is required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by management, additional adjustments to the value of properties under development may be required.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

The Yancheng Sujia Group

	As at December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,805	38,202	95,588
Financial liabilities			
Amortised cost	401,889	430,879	339,584

Yancheng Sujia

	As at December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,805	38,202	94,884
Financial liabilities			
Amortised cost	401,889	430,879	339,624

(b) Financial risk management objectives and polices

The Yancheng Sujia Group's major financial instruments include other receivables, bank balances and cash, amounts due to related companies, trade and other payables and bank borrowings. Yancheng Sujia's major financial instruments include other receivables, bank balances and cash, amounts due to related companies, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The Yancheng Sujia Group's and Yancheng Sujia's activities expose them to a variety of financial risks: market risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and are summarised below.

There has been no significant change to the Yancheng Sujia Group's and Yancheng Sujia's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

Interest rate risk

The Yancheng Sujia Group and Yancheng Sujia is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 18 for details).

The Yancheng Sujia Group and Yancheng Sujia is also exposed to fair value interest rate risk in relation to amounts due to related companies and fixed-rate bank borrowings (see notes 20 and 22 for details).

The Yancheng Sujia Group has not entered into any interest rate hedging contracts. The directors monitor the Yancheng Sujia Group's exposure on continuing basis and will consider hedging interest rate risk should the need arise.

As at December 31, 2007, if interest rates had been increased/decreased 50 basis points with all other variables were held constant, the Yancheng Sujia Group's and Yancheng Sujia's loss for the year would increase/decrease by approximately RMB319,000 (2005: RMB9,000, 2006: RMB72,000) and RMB315,000 (2005: RMB9,000, 2006: RMB72,000) respectively.

Credit risk

The carrying amount of bank balances and cash and other receivables represent the Yancheng Sujia Group and Yancheng Sujia's maximum exposure to credit risk in relation to its financial assets.

In order to minimise the credit risk, the management of the Yancheng Sujia Group reviewed the credit limits on a regular base to ensure that follow-up action is taken to recover overdue debts. In addition, the Yancheng Sujia Group reviews regularly the recoverable amount of other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Yancheng Sujia Group has no significant concentration of credit risk by customers, with exposure spread over a number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Yancheng Sujia Group and Yancheng Sujia is unable to meet its current obligations when they fall due. The Yancheng Sujia Group measures and monitors its liquidity through the maintenance of adequate level of liquid assets to ensure the availability of sufficient cash flows to finance the Yancheng Sujia Group's operations.

The following tables detail the Yancheng Sujia Group's and Yancheng Sujia's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities. In the case of financial liabilities, the cash flows are categorised based on the earliest date on which the Yancheng Sujia Group and Yancheng Sujia can be required to pay. The tables include both interest and principal cash flows.

The Yancheng Sujia Group

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2005
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2005					
Non-derivative financial liabilities					
Trade and other payables		39	–	39	39
Amounts due to related companies	6.12	426,443	–	426,443	401,850
Total		426,482	–	426,482	401,889

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2006
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2006					
Non-derivative financial liabilities					
Trade and other payables		100	–	100	100
Amounts due to related companies	6.12	457,143	–	457,143	430,779
Total		457,243	–	457,243	430,879

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2007
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007					
Non-derivative financial liabilities					
Trade and other payables		20,152	–	20,152	20,152
Amounts due to related companies	6.12	179,801	–	179,801	169,432
Bank borrowings	6.91	–	160,365	160,365	150,000
Total		199,953	160,365	360,318	339,584

Yancheng Sujia

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2005
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2005					
Non-derivative financial liabilities					
Trade and other payables		39	–	39	39
Amounts due to related companies	6.12	426,443	–	426,443	401,850
Total		426,482	–	426,482	401,889

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2006
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2006					
Non-derivative financial liabilities					
Trade and other payables		100	–	100	100
Amounts due to related companies	6.12	457,143	–	457,143	430,779
Total		457,243	–	457,243	430,879

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount as at December 31, 2007
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007					
Non-derivative financial liabilities					
Trade and other payables		20,142	–	20,142	20,142
Amounts due to related companies	6.12	179,854	–	179,854	169,482
Bank borrowings	6.91	–	160,365	160,365	150,000
Total		199,996	160,365	360,361	339,624

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(d) Capital risk management

The Yancheng Sujia Group manages its capital to ensure that entities in the Yancheng Sujia Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Yancheng Sujia Group's overall strategy remains unchanged during Relevant Periods.

The capital structure of the Yancheng Sujia Group consists of debt, which includes the borrowings disclosed in note 22 and equity attributable to equity holders of Yancheng Sujia, comprising paid-in capital, and accumulated losses.

The directors of Yancheng Sujia review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Yancheng Sujia Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Substantially all of the Yancheng Sujia Group's activities are engaged in properties development and sales and substantially all of the Yancheng Sujia Group's sales are to customers located in the PRC. The directors consider that these activities constitute one business segment and one geographical segment since these activities are related and subject to common risk and returns. Accordingly, no business or geographical analysis of turnover is presented. No geographical analysis of the Yancheng Sujia Group's assets and liabilities is presented as the Yancheng Sujia Group's assets and liabilities are substantially located in the PRC.

8. FINANCE COSTS

	Year ended December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Interests on:			
– charged by related companies	22,019	16,865	6,101
– bank borrowing	–	–	5,283
	22,019	16,865	11,384
Less: amount capitalised	–	–	6,643
	22,019	16,865	4,741

9. LOSS BEFORE TAXATION

	Year ended December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation has been arrived at after charging:			
Directors' remuneration *(note 11)*	–	50	645
Staff costs	232	350	922
Retirement benefit scheme contribution	40	58	195
Total employee benefit expenses	272	458	1,762
Depreciation of property, plant and equipment	52	61	173
Auditor's remuneration	35	48	40

10. TAXATION

	Year ended December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax	–	–	–
LAT	–	–	–
	–	–	–
Deferred tax *(note 13):*			
Current year	–	–	5,916
	–	–	5,916

Yancheng Sujia and its subsidiary are subject to Enterprise Income Tax in the PRC which is calculated at the prevailing tax rate of 33% on the taxable income.

On March 16, 2007, the PRC promulgated Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the president of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulation will change the tax rate from 33% to 25% for Yancheng Sujia and its subsidiary from January 1, 2008. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation for the Relevant Periods can be reconciled to the loss before taxation per the consolidated income statements as follows:

	Year ended December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(28,167)	(23,678)	(18,393)
Tax at the applicable PRC enterprise income tax rate of 33%	(9,295)	(7,814)	(6,070)
Tax effect of expenses not deductible for tax purposes	7,423	5,382	2,565
Tax effect of tax losses not recognised as deferred tax assets	1,872	2,432	–
Recognition of deferred tax assets on tax losses previously not recognised	–	–	(3,261)
Effect of change in tax rate on deferred tax assets recognised	–	–	850
Taxation for the year	–	–	(5,916)

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from November 2006 in Yancheng, the local tax bureau requires pre-payment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加強土地增值稅管理工作的通知), the Yancheng Sujia Group is required to pre-pay LAT on pre-sale proceeds at 1% for ordinary residential properties and 2% for other properties.

The Yancheng Sujia Group accrues LAT on pre-sale proceeds based on aforesaid relevant PRC LAT regulations, and recorded as prepayments in the balance sheet. As at December 31, 2007, the LAT accumulated to RMB2,729,000 (see note 17).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

2007

	Lu Guoliang	**Pan Yougen**	**Yan Dayong**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other benefits	260	241	144	645

2006

	Lu Guoliang	**Pan Yougen**	**Yan Dayong**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other benefits	50	–	–	50

No director was appointed for the year ended December 31, 2005, so no director's emoluments was paid or on payable.

The five highest paid individuals included nil, one and three director(s) during the year ended December 31, 2005, December 31, 2006 and December 31, 2007 respectively of Yancheng Sujia, details of whose emoluments are set out above. The emoluments of the remaining individuals during the Relevant Periods are as follows:

	Year ended December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Employees			
– basic salaries and allowances	161	172	348

All their emoluments were within HK$1,000,000 during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Yancheng Sujia Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Yancheng Sujia Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

The Yancheng Sujia Group

	Leasehold improvements	Furniture, fixture, and electronic equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2005	–	26	–	26
Additions	–	2	269	271
At December 31, 2005	–	28	269	297
Additions	–	112	–	112
At December 31, 2006	–	140	269	409
Additions	337	89	711	1,137
At December 31, 2007	337	229	980	1,546
DEPRECIATION				
At January 1, 2005	–	–	–	–
Provided for the year	–	(5)	(47)	(52)
At December 31, 2005	–	(5)	(47)	(52)
Provided for the year	–	(10)	(51)	(61)
At December 31, 2006	–	(15)	(98)	(113)
Provided for the year	(30)	(34)	(109)	(173)
At December 31, 2007	(30)	(49)	(207)	(286)
CARRYING VALUES				
At December 31, 2005	–	23	222	245
At December 31, 2006	–	125	171	296
At December 31, 2007	307	180	773	1,260

The following years are used for the depreciation of property, plant and equipment after considering their respective useful lives:

Leasehold improvements	5 years or lease term, if shorter
Furniture, fixture and electronic equipment	5 years
Motor vehicles	5 years

Yancheng Sujia

	Leasehold improvements *RMB'000*	Furniture fixture, and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST				
At January 1, 2005	–	26	–	26
Additions	–	2	269	271
At December 31, 2005	–	28	269	297
Additions	–	112	–	112
At December 31, 2006	–	140	269	409
Additions	337	79	711	1,127
At December 31, 2007	337	219	980	1,536
DEPRECIATION				
At January 1, 2005	–	–	–	–
Provided for the year	–	(5)	(47)	(52)
At December 31, 2005	–	(5)	(47)	(52)
Provided for the year	–	(10)	(51)	(61)
At December 31, 2006	–	(15)	(98)	(113)
Provided for the year	(30)	(33)	(109)	(172)
At December 31, 2007	(30)	(48)	(207)	(285)
CARRYING VALUES				
At December 31, 2005	–	23	222	245
At December 31, 2006	–	125	171	296
At December 31, 2007	307	171	773	1,251

The following years are used for the depreciation of property, plant and equipment after considering their respective useful lives:

Leasehold improvements	5 years or lease term, if shorter
Furniture, fixture and electronic equipment	5 years
Motor vehicles	5 years

13. DEFERRED TAXATION

The following is the deferred tax assets recognised and movements during the current year:

	Tax losses	
	The Yancheng Sujia Group *RMB'000*	Yancheng Sujia *RMB'000*
Balance as at December 31, 2005 and 2006	–	–
Credit to the consolidated income statement	5,916	5,850
Balance as at December 31, 2007	5,916	5,850

The Yancheng Sujia Group had unused tax losses in the amount of RMB23,664,000, RMB13,043,000 and RMB5,673,000 at the balance sheet date of December 31, 2007, 2006 and 2005, respectively, available for offset against future profits.

Yancheng Sujia had unused tax losses in amount of RMB23,400,000, RMB13,043,000 and RMB5,673,000 at the balance sheet date of December 31, 2007, 2006 and 2005, respectively, available for offset against future profits.

The directors decide to recognise deferred tax assets for such tax losses in the amount of RMB23,664,000 starting from 2007 after the pre-sale of the properties of the Yancheng Sujia Group kicked off. Based on the latest budgets, management believes that there will be sufficient future profits for the realisation of the deferred tax assets recognised in respect of tax losses.

14. PROPERTIES FOR DEVELOPMENT

	The Yancheng Sujia Group and Yancheng Sujia		
	As at December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Cost	361,552	380,085	246,455
Less: Amortisation	(5,661)	(10,513)	(12,939)
	355,891	369,572	233,516

Properties for development represents land use rights but not yet been developed. As at December 31, 2007, the title deeds of land use rights with net carrying amount of RMB18,856,000 (nil for 2006 and 2005) has not been obtained. The directors believe that the title deeds will be granted in the due course and the absence of official certificate does not impair the value of the relevant properties of the Yancheng Sujia Group.

15. PROPERTIES UNDER DEVELOPMENT

The Yancheng Sujia Group and Yancheng Sujia

	As at December 31, 2007
	RMB'000
Long-term leasehold land – at cost	131,714
Development costs	94,574
Finance costs capitalised	6,643
Interest income deducted	(207)
	232,724

Properties under development amounting to RMB233 million are expected to be recovered within 12 months.

As at December 31, 2007, the Yancheng Sujia Group has pledged its properties under development with carrying amount of RMB168 million to secure general banking facilities granted to the Yancheng Sujia Group.

16. OTHER RECEIVABLES

	The Yancheng Sujia Group and Yancheng Sujia As at December 31,		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	3,607	1,146	2,030
Other tax assets	–	–	15,144
Other receivables	13	23,832	31,864
Balance at end of the year	3,620	24,978	49,038

The balance of other receivables as at December 31, 2006 and 2007 mainly represented the third party loans which were unsecured, interest free and fully settled at the date of the accountant's report.

The Yancheng Sujia Group normally provides fully for all receivables over 365 days as historical experience indicates that such amount may not be recoverable. As at December 31, 2007, none of the Yancheng Sujia Group's receivables aged over 365 days.

At each of the balance sheet date, the Yancheng Sujia Group does not have any other receivables which are past due at the reporting date for which the Yancheng Sujia Group has not provided. The Yancheng Sujia Group's other receivables which are neither past due nor impaired at December 31, 2007, December 31, 2006 and December 31, 2005 are of good credit quality. The Yancheng Sujia Group does not hold any collateral over these balances.

The balance of other tax assets as at December 31, 2007 mainly represented the prepaid business tax which was accrued based on the pre-sale deposits.

17. PREPAID TAXES

	The Yancheng Sujia Group and Yancheng Sujia As at December 31,		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
PRC Enterprise Income Tax prepayments	–	–	13,507
LAT prepayments	–	–	2,729
	–	–	16,236

18. BANK BALANCES AND CASH

The Yancheng Sujia Group's and Yancheng Sujia's bank balances and cash comprised of bank deposits with an original maturity of three months or less at market interest rate ranging from 0.72% to 1.71%, 0.72% to 0.72% and 0.72% to 0.81% per annum, respectively, as at December 31, 2005, 2006 and 2007.

19. TRADE AND OTHER PAYABLES

	The Yancheng Sujia Group			Yancheng Sujia		
	As at December 31,					
	2005	2006	2007	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	–	19,724	–	–	19,724
Other payables	39	100	428	39	100	418
Salary and welfare payables	34	72	206	34	72	188
Other taxes payables	2,703	5,021	16,802	2,703	5,021	16,802
	2,776	5,193	37,160	2,776	5,193	37,132

The aging analysis of trade payables is stated as follows:

Aged						
0 – 60 days	–	–	11,328	–	–	11,328
61 – 90 days	–	–	2,515	–	–	2,515
91 – 180 days	–	–	3,532	–	–	3,532
181 – 365 days	–	–	2,318	–	–	2,318
Over 365 days	–	–	31	–	–	31
Trade payables	–	–	19,724	–	–	19,724

Trade payables principally comprise amounts outstanding for properties construction expenditures.

The analysis of other taxes payables is stated as follows:

	The Yancheng Sujia Group and Yancheng Sujia		
	As at December 31,		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Business tax	–	–	9,143
Land use tax	2,073	5,021	6,372
Other taxes	–	–	1,287
	2,073	5,021	16,802

20. AMOUNTS DUE TO RELATED COMPANIES

Details of the amounts due to related companies are as follows:

The Yancheng Sujia Group

		As at December 31,		
Name of related companies	*Notes*	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
Non-operating in nature				
浙江森橋實業集團有限公司 Zhejiang Sunbridge Industrial Group Co., Ltd.	*(i),(v)*	–	418,765	169,432
浙江蘇嘉房地產開發有限公司 Zhejiang Sujia Real Estate Development Co., Ltd.	*(ii),(v)*	401,850	–	–
海寧市森橋房地產開發有限公司 Haining Sunbridge Real Estate Development Co., Ltd.	*(iii),(v)*	–	12,014	–
		401,850	430,779	169,432

Yancheng Sujia

Name of related companies	Notes	As at December 31, 2005 RMB'000	2006 RMB'000	2007 RMB'000
Non-operating in nature				
浙江森橋實業集團有限公司 Zhejiang Sunbridge Industrial Group Co., Ltd.	*(i),(v)*	–	418,765	169,432
浙江蘇嘉房地產開發有限公司 Zhenjiang Sujia Real Estate Development Co., Ltd.	*(ii),(v)*	401,850	–	–
海寧市森橋房地產開發有限公司 Haining Sunbridge Real Estate Development Co., Ltd.	*(iii),(v)*	–	12,014	–
鹽城市蘇嘉物業服務有限公司 Yancheng Sujia Property management	*(iv),(vi)*	–	–	50
		401,850	430,779	169,482

Notes:

(i) Shareholder of Yancheng Sujia from July 31, 2006 to September 23, 2007 and it is controlled by Zhu Zhangjin ("Mr. Zhu"), a significant shareholder of Kasen.

(ii) Subsidiary of a shareholder, Jiaxing Communication Investment Group Co., Ltd., of Yancheng Sujia from October 21, 2004 to July 30, 2006.

(iii) Shareholder of Yancheng Sujia from July 31, 2006 to September 23, 2007 and it is controlled by Mr. Zhu.

(iv) Wholly owned subsidiary of Yancheng Sujia.

(v) The amount is unsecured, carried fixed interest rate range from 1.54% to 8.22% per annum and repayable on demand.

(vi) The amount is unsecured, interest free and payable on demand.

21. TAXES PAYABLE

	The Yancheng Sujia Group and Yancheng Sujia As at December 31, 2005 RMB'000	2006 RMB'000	2007 RMB'000
PRC Enterprise Income Tax payable	–	–	10,357
LAT	–	–	1,829
	–	–	12,186

22. BANK BORROWINGS

The Yancheng Sujia Group and Yancheng Sujia

	As at December 31, 2007 RMB'000
Bank loans	150,000
Carrying amount payable:	
More than two years but less than five years	150,000

Bank borrowings are fixed-rate borrowings with interest rate at 6.91% per annum. Bank borrowings are secured by a mortgage over the Yancheng Sujia Group's properties under development (see note 15).

23. PAID-IN CAPITAL

The investors' capital contributions which have been made in accordance with Yancheng Sujia's memorandum and articles are as follows:

	As at December 31,		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
嘉興市交通投資集團有限責任公司 Jiaxing Communication Investment Group Co., Ltd.	9,000	–	–
嘉興市高等級公路投資有限公司 Jiaxing Highway Investment Group Co., Ltd	1,000	–	–
浙江森橋實業集團有限公司 Zhejiang Sunbridge Industrial Group Co., Ltd.	–	45,000	–
海寧市森橋房地產開發有限公司 Haining Sunbridge Real Estate Development Co., Ltd.	–	5,000	–
海寧市中遠房產有限公司 Haining Zhongyuan Real Estate Co., Ltd.	–	–	22,500
智威國際有限公司 Investwise International Limited	–	–	27,500
Total	10,000	50,000	50,000

24. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary represents a 100% equity interest in a property management company.

	As at December 31, 2007
	RMB'000
Unlisted cost of investment in a subsidiary	1,000

As at the date of this report, the particulars of Yancheng Sujia's subsidiary are as follows:

Name of subsidiary	**Date of establishment**	**Place of establishment**	**Effective interest attributable to equity holders of Yancheng Sujia**	**Paid-in capital** *RMB*	**Principal activities**
Yancheng Sujia Property Management	May 17, 2007	The PRC	100%	1,000,000	Provision of property management services

25. ACCUMULATED LOSSES

	Yancheng Sujia As at December 31, 2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Beginning balance	24,911	53,078	76,756
Loss for the year	28,167	23,678	12,278
Closing balance	53,078	76,756	89,034

26. OPERATING LEASES

As lessee

At the balance sheet date, the Yancheng Sujia Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due during the relevant periods as follows:

	The Yancheng Sujia Group and Yancheng Sujia As at December 31, 2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Within one year	12	43	37
In the second to third year inclusive	–	54	18
	12	97	55

The lease payments represented the rentals payable by the Yancheng Sujia Group for its staffs' accommodations. The lease terms are various from one year to three years.

27. CAPITAL COMMITMENTS

	The Yancheng Sujia Group and Yancheng Sujia As at December 31, 2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditures contracted for but not provided in the Financial Information in respect of properties for development and properties under development	1,901	5,481	225,850

28. RETIREMENT BENEFIT PLANS

The employees employed by the Yancheng Sujia Group are members of the state-managed retirement benefit schemes operated by the PRC government. Yancheng Sujia and its subsidiary are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Yancheng Sujia Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

29. RELATED COMPANY TRANSACTIONS

There was no transaction between Yancheng Sujia and its subsidiary. Details of transactions between the Yancheng Sujia Group and other related companies are disclosed below.

The Yancheng Sujia Group had the following significant transactions with the related parties during the year:

		Year ended December 31,		
Name of related companies	**Nature of transaction**	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
浙江森橋實業集團有限公司 Zhejiang Sunbridge Industrial Group Co., Ltd.	Interest expense charged to the Yancheng Sujia Group	–	3,826	5,367
浙江蘇嘉房地產開發有限公司 Zhejiang Sujia Real Estate Development Co., Ltd.	Interest expense charged to the Yancheng Sujia Group	22,019	12,764	–
海寧市森橋房地產開發有限公司 Haining Sunbridge Real Estate Development Co., Ltd.	Interest expense charged to the Yancheng Sujia Group	–	275	734
		22,019	16,865	6,101

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Yancheng Sujia Group, Yancheng Sujia or any of its subsidiary have been prepared in respect of any period subsequent to December 31, 2007.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Kasen International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of the entire equity interests in Investwise International Limited ("Investwise") and 45% interests in Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia") (the "Acquisition") might have affected the financial information presented, for inclusion in the Appendix IV to the circular dated June 30, 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on the Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom these reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at December 31, 2007 or at any future date.

Opinion

In our opinion:

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

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 30, 2008

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Group as enlarged by the Acquisition (the "Enlarged Group") has been prepared to illustrate the effect of the Acquisition to the assets and liabilities of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on (i) the audited consolidated balance sheet of the Group as at December 31, 2007, which has been extracted from the Company's annual report for the year then ended; (ii) the audited consolidated balance sheet of Investwise as at December 31, 2007 as extracted from the accountants' report thereon set out in Appendix II to this Circular; and (iii) the audited consolidated balance sheet of Yancheng Sujia as at December 31, 2007 as extracted from the accountants' report thereon set out in Appendix III to this Circular, after making pro forma adjustments that are (a) directly attributable to the Acquisition; and (b) factually supportable as if the Acquisition had been completed on December 31, 2007.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the Acquisition. As it is prepared for illustrative purposes only, it does not purport to represent what the financial position of the Enlarged Group will be on completion of the Acquisition.

B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	As at December 31, 2007 The Group	As at December 31, 2007 The Investwise Group	As at December 31, 2007 Yancheng Sujia	Pro forma adjustments				Pro Forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *note (ia)*	*RMB'000* *note (ib)*	*RMB'000* *note (ii)*	*RMB'000* *note (iii)*	*RMB'000*
NON-CURRENT ASSETS								
Property, plant and equipment	952,492	1,260	1,260		(1,260)			953,752
Prepaid lease payment – non-current portion	102,265	–	–					102,265
Properties for development	314,781	300,979	233,516	101,702	(233,516)	146,372	2,602	866,436
Intangible assets	1,321	–	–					1,321
Investments in associates	15,833	–	–					15,833
Investment in a jointly controlled entity	2,614	–	–					2,614
Deferred tax assets	–	5,916	5,916		(5,916)			5,916
Available-for-sale investments	43,278	–	–					43,278
Other long term assets	143,360	–	–					143,360
	1,575,944	308,155	240,692					2,134,775
CURRENT ASSETS								
Inventories	1,142,720	–	–					1,142,720
Properties under development	–	261,636	232,724	43,586	(232,724)	62,731	1,115	369,068
Trade and other receivables	549,588	49,038	49,038		(49,038)			598,626
Prepaid lease payment – current portion	2,311	–	–					2,311
Amounts due from related companies	24,372	–	–					24,372
Taxes recoverable	6,682	16,236	16,236		(16,236)			22,918
Derivative financial instruments	16,151	–	–					16,151
Pledged bank deposits	85,743	–	–					85,743
Bank balances and cash	504,549	66,799	63,724	(171,002)	(63,724)		(3,717)	396,629
	2,332,116	393,709	361,722					2,658,538
Assets classified as held for sale	231,390	–	–					231,390
TOTAL ASSETS	4,139,450	701,864	602,414					5,024,703

	As at December 31, 2007 The Group	As at December 31, 2007 The Investwise Group	As at December 31, 2007 Yancheng Sujia	Pro forma adjustments				Pro Forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				note (ia)	*note (ib)*	*note (ii)*	*note (iii)*	
CURRENT LIABILITIES								
Trade, bills and other payables	429,576	37,160	37,160		(37,160)			466,736
Pre-sale deposits	–	272,869	272,869		(272,869)			272,869
Amounts due to related companies	81	204,036	169,432		(169,432)			204,117
Bank and other borrowings – due within one year	1,546,812	–	–					1,546,812
Taxes payable	7,722	12,186	12,186		(12,186)			19,908
	1,984,191	526,251	491,647					2,510,442
Liabilities classified as held for sale	175,013	–	–					175,013
NET CURRENT ASSETS (LIABILITIES)	404,302	(132,542)	(129,925)					204,473
TOTAL ASSETS LESS CURRENT LIABILITIES	1,980,246	175,613	110,767					2,339,248
NON-CURRENT LIABILITIES								
Bank and other borrowings – due after one year	10,400	150,000	150,000		(150,000)			160,400
NET ASSETS (LIABILITIES)	1,969,846	25,613	(39,233)					2,178,848

Notes:

The principal activity of the group headed by Yancheng Sujia is property development in Jiangsu Province, the People's Republic of China (the "PRC") and the major tangible assets of Yancheng Sujia are the property development sites in the PRC without an integrated set of activities and assets and did not by itself consist of a comprehensive set of "inputs, processes and outputs". In the opinion of the directors of the Company, the acquisition of Yancheng Sujia was in substance an acquisition of net assets, being a property project under development, instead of an acquisition of business and therefore was excluded from the scope of under the International Financial Reporting Standard 3 "Business Combination" issued by the International Accounting Standards Board. Accordingly, the transactions have been accounted for as the acquisition of net assets.

As a result, the consideration paid will be allocated to the individual identified assets acquired and liabilities assumed based on their relative fair values at the date of acquisition as if had been completed on December 31, 2007. The excess of the fair values of net assets acquired and liabilities assumed and the consideration paid will not be recognised immediately in profit or loss.

(ia) The adjustment represents the acquisition by the Group of 45% equity interests in Yancheng Sujia and its subsidiary for a consideration of approximately RMB171,002,000 (which is equivalent to approximately HK$193,232,000) to be satisfied by cash.

(ib) The Acquisition will also result in a decrease in Investwise's minority interests of RMB25,714,000, which represents 45% equity interests in Yancheng. The adjustment represents the elimination of the relevant assets and liabilities of Yancheng Sujia as at December 31, 2007.

(ii) The adjustment represents the acquisition by the Group of the entire interests in Investwise which will be satisfied by issue of 174,425,616 new shares of the Company. In the consideration, which in the opinion of the directors of the Company, approximate the fair value of the consideration is of values the net assets acquired, is approximately RMB209,002,000 (which is equivalent to approximately HK$236,172,000).

(iii) In addition, the estimated transaction costs of approximately RMB3,717,000 (which is equivalent to approximately HK$4,200,000) are to be satisfied by cash.

Immediately after the completion of the Acquisition, Investwise, Yancheng Sujia and Yancheng Sujia's subsidiary are indirect wholly owned subsidiary of the Company.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at April 30, 2008 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

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June 30, 2008

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

Dear Sirs,

In accordance with your instructions to value the properties in which Kasen International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at April 30, 2008 (the "date of valuation").

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests in Group II by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interests in Group I have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group III and IV, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

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

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

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

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

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

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

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

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

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

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
1.	9 parcels of land, various buildings and structures of Kasen old factory located at the southern side of Xin Xia Xie Road and the northern side of Huafeng Road Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	66,176,000	100%	66,176,000
2.	3 parcels of land, various buildings and structures located at the northern side of Qingdong Bridge Gufen Second District Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	75,912,000	100%	75,912,000
3.	2 parcels of land, various buildings and structures Nos. 2 to 6 Dangli Kasen Industrial Park Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	274,948,000	100%	274,948,000
4.	A parcel of land, various buildings and structures No. 259 Qianjiang Road West Haining City Zhejiang Province The PRC	181,059,000	100%	181,059,000

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
5.	A parcel of land and various buildings Nos. 67 and 72 Xieqiao West Street Xieqiao Town Haining City Zhejiang Province The PRC	2,578,000	100%	2,578,000
6.	A parcel of land, various buildings and structures No.5 Jianshe Road Xieqiao Town Haining City Zhejiang Province The PRC	36,577,000	100%	36,577,000
7.	A parcel of land, various buildings and structures No. 26 Wenchang Road Jianshan New District Haining City Zhejiang Province The PRC	103,962,000	100%	103,962,000
8.	A parcel of land, various buildings and structures No. 6 Jisheng Road Jianshan New District Haining City Zhejiang Province The PRC	102,738,000	95.05%	97,652,000

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
9.	2 parcels of land, various buildings and structures Nos. 1 to 3 Sang Zi Central Road Zhouwangmiao Town Haining City Zhejiang Province The PRC	36,086,000	50.5%	18,223,000
10.	A parcel of land, various buildings and structures No. 25 Yongchang Road Jianshan New District Haining City Zhejiang Province The PRC	104,353,000	50.5%	52,698,000
11.	A parcel of land, various buildings and structures No. 426 Rutong Road Liantang Town Qingpu District Shanghai The PRC	83,600,000	100%	83,600,000
12.	A parcel of land, various buildings and structures No. 28 Wenchang Road Jianshan New District Haining City Zhejiang Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	1,067,989,000		993,385,000

Note: According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests in Group I are PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount), PRC Enterprises Income Tax of 25% of net profit upon disposal. But the likelihood of any tax liability being crystalised is remote as the Group has no intention to dispose of the properties at present.

Group II – Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
13.	A parcel of land (Lot No. 0104050002) located at the southern side of Laodong Road East and the eastern side of Jingzhu Highway Yuhua District Changsha City Hunan Province The PRC	331,000,000	69.23%	229,151,000
14.	A parcel of land located at the eastern side of Longbo Road and the southern side of Baolian Town Seashore Tourism Area River Outlet of Wanquan Bo'ao Town Qionghai City Hainan Province The PRC	50,421,000	99%	49,917,000
15.	A parcel of land located at the eastern side of Longbo Road and the southern side of Baolian Town Seashore Tourism Area River Outlet of Wanquan Bo'ao Town Qionghai City Hainan Province The PRC	196,417,000	99%	194,453,000
16.	A parcel of land (Lot No. 8) located at the eastern side of Mianchang Port and the northern side of Xin Xia Xie Road Xieqiao Town Haining City Zhejiang Province The PRC	17,037,000	100%	17,037,000
	Sub-total:	594,875,000		490,558,000

Note: According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests in Group II are PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount), PRC Enterprises Income Tax of 25% of net profit upon disposal. It is expected that the relevant tax will be crystalised in the future as the properties are being held for development in the future for sale.

Group III – Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
17.	Levels 1 to 3 of a building No. 3021 Kaixuan Road Xuhui District Shanghai The PRC	No commercial value	100%	No commercial value
18.	Building No. 2 No. 473 Qiutao Road Shangcheng District Hangzhou City Zhejiang Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	Nil		Nil

Group IV – Property interests rented and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at April 30, 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at April 30, 2008 *RMB*
19.	Room No. 1605 on the 16th Floor Tai Tung Building No. 8 Fleming Road Wanchai, Hong Kong	No commercial value	100%	No commercial value
20.	Flat D on 4th Floor Lee Cheong Building No. 220 Wan Chai Road Hong Kong	No commercial value	100%	No commercial value
	Sub-total:	Nil		Nil
	Grand total:	**1,662,864,000**		**1,483,943,000**

VALUATION CERTIFICATE

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

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
1.	9 parcels of land, various buildings and structures of Kasen old factory located at the southern side of Xin Xia Xie Road and the northern side of Huafeng Road Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises 9 parcels of land with a total site area of approximately 90,015 sq.m. and 79 buildings and various ancillary structures erected thereon which were completed in various stages between 1992 and 2000. The buildings have a total gross floor area of approximately 59,984.85 sq.m. The buildings mainly include industrial buildings, office buildings and warehouses. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years with the expiry date between December 30, 2048 and November 7, 2052 for industrial use.	The property is currently occupied by the Group for production purpose.	66,176,000 100% interest attributable to the Group: RMB66,176,000

Notes:

1. Pursuant to 9 State-owned Land Use Rights Certificates – Hai Guo Yong (2005) Nos. 6003130048 to 6003130053 and Hai Guo Yong (2006) Nos. 6003130012 and 6003130013, issued by the People's Government of Haining City, the land use rights of 9 parcels of land with a total site area of approximately 90,015 sq.m. have been granted to Zhejiang Kasen Industrial Co., Ltd. ("Zhejiang Kasen" 浙江卡森實業有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years with the expiry date between December 30, 2048 and November 7, 2052 for industrial use.

2. Pursuant to 20 Building Ownership Certificates – Haining Fang Quan Zheng Xie Zi Nos. 00028772 to 00028780 and Haining Fang Quan Zheng Xie Zi Nos. Xie 00028747 to 00028757 issued by the People's Government of Haining City, 79 buildings with a total gross floor area of approximately 59,984.85 sq.m. are owned by Zhejiang Kasen.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
2.	3 parcels of land, various buildings and structures located at the northern side of Qingdong Bridge Gufen Second District Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 99,353 sq.m. and 28 buildings and various ancillary structures erected thereon which were completed in various stages between 2000 and 2003. The buildings have a total gross floor area of approximately 60,601.61 sq.m. The buildings mainly include industrial buildings, office buildings and warehouses. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years with the expiry date between June 29, 2049 and April 24, 2050 for industrial use.	The property is currently occupied by the Group for production purpose.	75,912,000 100% interest attributable to the Group: RMB75,912,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Hai Guo Yong (2005) Nos. 6000000108, 6000000109 and 6000000055, issued by the People's Government of Haining City, the land use rights of 3 parcels of land with a total site area of approximately 99,353 sq.m. have been granted to Zhejiang Kasen Industrial Co., Ltd. ("Zhejiang Kasen" 浙江卡森實業有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years with the expiry date between June 29, 2049 and April 24, 2050 for industrial use.

2. Pursuant to 7 Building Ownership Certificates – Haining Fang Quan Zheng Xie Zi Nos. 00028758, 00028759 and 00028764 to 00028768 issued by People's Government of Haining City, 28 buildings with a total gross floor area of approximately 60,601.61 sq.m. are owned by Zhejiang Kasen.

3. According to 2 Mortgage Contracts, the property is subject to mortgages in favour of Bank of China, Haining Sub-branch for bank loans with a total amount of RMB50,100,000 with the latest expiry date on December 11, 2008.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
3.	2 parcels of land, various buildings and structures Nos. 2 to 6 Dangli-Kasen Industrial Park Huafeng Village Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 334,771 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2004. The buildings have a total gross floor area of approximately 219,658.09 sq.m. The buildings mainly include industrial buildings and a testing center. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years with the expiry date between May 10, 2052 and November 7, 2052 for industrial use.	The property is currently occupied by the Group for production purpose.	274,948,000 100% interest attributable to the Group: RMB274,948,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Guo Yong (2005) Nos. 6006100040 and 6006100041, issued by the People's Government of Haining City, the land use rights of 2 parcels of land with a total site area of approximately 334,771 sq.m. have been granted to Zhejiang Kasen Industrial Co., Ltd. ("Zhejiang Kasen" 浙江卡森實業有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years with the expiry date between May 10, 2052 and November 7, 2052 for industrial use.

2. Pursuant to 7 Building Ownership Certificates – Haining Fang Quan Zheng Xie Zi Nos. Xie 00028737 to 00028742 and 00028746 issued by People's Government of Haining City, 19 buildings with a total gross floor area of approximately 219,658.09 sq.m. are owned by Zhejiang Kasen.

3. According to 4 Mortgage Contracts, portion of the property is subject to mortgages in favour of Bank of China, Haining Sub-branch and China CITIC Bank, Jiaxing Branch for bank loans with a total amount of RMB174,743,000 with the latest expiry date on January 14, 2010.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
4.	A parcel of land, various buildings and structures No. 259 Qianjiang West Road Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 205,978 sq.m. and 28 buildings and various ancillary structures erected thereon which were completed in various stages between 2002 and 2006. The buildings have a total gross floor area of approximately 109,506.75 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on September 5, 2050 for industrial use.	The property is currently occupied by the Group for production purpose.	181,059,000 100% interest attributable to the Group: RMB181,059,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2006) No. 6503104021 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 205,978 sq.m. have been granted to Haining Kareno Furniture Co., Ltd ("Haining Kareno" 海寧卡雷諾家私有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on September 5, 2050 for industrial use.

2. Pursuant to 8 Building Ownership Certificates – Haining Fang Quan Zheng Hai Fang Zi Nos. 00141210 to 00141215 and Haining Fang Quan Zheng Hai Fang Zi Nos. 00135250 and 00135251 issued by the People's Government of Haining City, 28 buildings with a total gross floor area of approximately 109,506.75 sq.m. are owned by Haining Kareno.

3. According to a Mortgage Contract, the property is subject to mortgages in favour of Industrial and Commercial Bank of China, Zhejiang Branch for bank loans with a total amount of RMB230,270,000 with the expiry date on February 25, 2013.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
5.	A parcel of land and various buildings Nos. 67 and 72 Xieqiao West Street Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 4,729.4 sq.m. and 14 buildings and various ancillary structures erected thereon which were completed in various stages between 1969 and 1998. The buildings have a total gross floor area of approximately 5,774.59 sq.m. The buildings mainly include industrial buildings and dormitories. The land use rights of the property have been granted for a term of 50 years expiring on July 19, 2050 for industrial use.	The property is currently occupied by the Group for production purpose.	2,578,000 100% interest attributable to the Group: RMB2,578,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2004) Zi No. 5802010035 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 4,729.4 sq.m. have been granted to Haining Hengsen Furniture Co., Ltd ("Haining Hengsen" 海寧恒森傢俱有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on July 19, 2050 for industrial use.

2. Pursuant to 3 Building Ownership Certificates – Haining Fang Quan Zheng Xie Zi Nos. 000682, 000683 and 000684 issued by the People's Government of Haining City, 14 buildings with a total gross floor area of approximately 5,774.59 sq.m. are owned by Haining Hengsen.

3. According to a Mortgage Contract, portion of the property together with property no. 6 are subject to mortgages in favour of Bank of Communication, Haining Sub-branch for bank loans with a total amount of RMB37,000,000 with the expiry date on January 8, 2009.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
6.	A parcel of land, various buildings and structures No.5 Jianshe Road Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 58,725.7 sq.m. and 21 buildings and various ancillary structures erected thereon which were completed in various stages between 1982 and 2004. The buildings have a total gross floor area of approximately 34,986.43 sq.m. The buildings mainly include industrial buildings, office buildings and warehouses. The land use rights of the property have been granted for a term of 50 years expiring on July 19, 2050 for industrial use.	The property is currently occupied by the Group for production purpose.	36,577,000 100% interest attributable to the Group: RMB36,577,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2004) Zi No. 58002010036 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 58,725.7 sq.m. have been granted to Haining Hengsen Furniture Co., Ltd ("Haining Hengsen" 海寧恒森傢俱有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on July 19, 2050 for industrial use.

2. Pursuant to 5 Building Ownership Certificates – Haining Fang Quan Zheng Hai Fang Zi Nos. 00135198 and 00135204 to 0013507 issued by the People's Government of Haining City, 21 buildings with a total gross floor area of approximately 34,986.43 sq.m. are owned by Haining Hengsen.

3. According to a Mortgage Contract, the property together with portion of property no.5 are subject to mortgages in favour of Bank of Communication, Haining Sub-branch for bank loans with a total amount of RMB37,000,000 with the expiry date on January 8, 2009.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
7.	A parcel of land, various buildings and structures No. 26 Wenchang Road Jianshan New District Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 152,023 sq.m. and 14 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 108,867.59 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on December 15, 2053 for industrial use.	The property is currently occupied by the Group for production purpose.	103,962,000 100% interest attributable to the Group: RMB103,962,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hai Di He Zi (2003) No. 343 dated December 3, 2003 entered into between the People's Government of Haining City and Haining Hidea Furniture Co., Ltd, ("Hidea Furniture" 海寧慧達傢俱有限公司), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 152,023 sq.m. were granted to Hidea Furniture for a term of 50 years for industrial use. The land premium was RMB9,881,495.

2. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2005) No. 7400JS0017 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 152,023 sq.m. have been granted to Haining Hidea for a term of 50 years expiring on December 15, 2053 for industrial use.

3. Pursuant to 3 Building Ownership Certificates – Haining Fang Quan Zheng Yuan Zi Nos. Yuan 00031642 to 00031644 issued by the People's Government of Haining City, 14 buildings with a total gross floor area of approximately 108,867.59 sq.m. are owned by Hidea Furniture.

4. According to a Mortgage Contract, the property is subject to mortgages in favour of China Construction Bank, Haining Sub-branch for bank loans with a total amount of RMB95,000,000 with the expiry date on December 12, 2008.

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

    a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificate of the property;

    b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

    c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
8.	A parcel of land, various buildings and structures No. 6 Jisheng Road Jianshan New District Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 144,786 sq.m. and 10 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 108,727.33 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on December 19, 2053 for industrial use.	The property is currently occupied by the Group for production purpose.	102,738,000 95.05% interest attributable to the Group: RMB97,652,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hai Di He (2003) No. 355 dated December 17, 2003 entered into between the People's Government of Haining City and Haining Hainix Sofa Co., Ltd, ("Haining Hainix" 海寧漢林沙發有限公司), a 95.05% interest-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 144,786 sq.m. were granted to Haining Hainix for a term of 50 years for industrial use. The land premium was RMB9,411,090.

2. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2005) No. 7400JS0017 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 144,786 sq.m. have been granted to Haining Hainix for a term of 50 years expiring on December 19, 2053 for industrial use.

3. Pursuant to 2 Building Ownership Certificates – Haining Fang Quan Zheng Hai Fang Zi Nos. 00137201 and 00137202 issued by the People's Government of Haining City, 10 buildings with a total gross floor area of approximately 108,727.33 sq.m. are owned by Haining Hainix.

4. According to 2 Mortgage Contracts, the property is subject to mortgages in favour of Bank of China, Haining Sub-branch for bank loans with a total amount of RMB60,530,000 with the latest expiry date on October 20, 2010.

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

    a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the property;

    b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

    c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
9.	2 parcels of land, various buildings and structures Nos. 1 to 3 Sang Zi Central Road Zhouwangmiao Town Haining City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 47,290 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in 2004. The buildings have a total gross floor area of approximately 32,140.34 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years with the expiry date between December 19, 2053 and February 6, 2057 for industrial use.	The property is currently occupied by the Group for production purpose.	36,086,000 50.5% interest attributable to the Group: RMB18,223,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Guo Yong (2005) No. 7406010011 and Hai Guo Yong (2007) No. 5608020019 issued by the People's Government of Haining City, the land use rights of 2 parcels of land with a total site area of approximately 47,290 sq.m. have been granted to Zhejiang Liema Furniture Co., Ltd, ("Liema Furniture" 浙江獵馬傢俬有限公司), a 50.5% interest-owned subsidiary of the Company, for a term of 50 years with the expiry date between December 19, 2053 and February 6, 2057 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – Haining Fang Quan Zheng Hai Chang Zi Nos. 00025294 and 00025295 issued by the People's Government of Haining City, 6 buildings with a total gross floor area of approximately 32,140.34 sq.m. are owned by Liema Furniture.

3. According to 2 Mortgage Contracts, portion of the property is subject to mortgages in favour of Agriculture Bank of China, Haining Sub-branch for bank loans with a total amount of RMB42,470,000 with the expiry date on October 28, 2010.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
10.	A parcel of land, various buildings and structures No. 25 Yongchang Road Jianshan New District Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 151,985 sq.m. and 16 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 109,207.71 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on December 15, 2053 for industrial use.	The property is currently occupied by the Group for production purpose.	104,353,000 50.5% interest attributable to the Group: RMB52,698,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hai Di He (2003) No. 344 dated December 3, 2003 entered into between the People's Government of Haining City and Zhejiang Liema Furniture Co., Ltd, ("Liema Furniture" 浙江獵馬傢俬有限公司, formerly known as Zhejiang Liema Clothing Co., Ltd.), a 50.5% interest-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 151,985 sq.m. were granted to Liema Furniture for a term of 50 years for industrial use. The land premium was RMB9,879,025.

2. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2005) No. 7400JS0015 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 151,985 sq.m. have been granted to Zhejiang Liema for a term of 50 years expiring on December 15, 2053 for industrial use.

3. Pursuant to 3 Building Ownership Certificates – Haining Fang Quan Zheng Yuan Zi Nos. 0031630 to 0031632 issued by the People's Government of Haining City, 16 buildings with a total gross floor area of approximately 109,207.71 sq.m. are owned by Liema Furniture.

4. According to 2 Mortgage Contracts, the property is subject to mortgages in favour of Agriculture Bank of China, Haining Sub-branch for bank loans with a total amount of RMB128,030,000 with the expiry date on October 28, 2010.

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

   a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the property in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. Saved as the disclosed mortgages, the property is not subject to other mortgage or any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
11.	A parcel of land, various buildings and structures No. 426 Rutong Road Liantang Town Qingpu District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 100,000 sq.m. and 3 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 53,002.79 sq.m. The buildings mainly include industrial buildings and office buildings. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on June 15, 2055 for industrial use.	The property is currently vacant.	83,600,000 100% interest attributable to the Group: RMB83,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Qing Fang Di (2005) Chu Rang He Tong No. 112 dated June 16, 2005 entered into between the Housing and Land Administration Bureau of Qingpu District Shanghai and Shanghai La Kassa Furniture Co., Ltd, ("Shanghai La Kassa", 上海禾美傢俱有限公司), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 100,000 sq.m. were contracted to be transferred to Shanghai La Kassa for a term of 50 years for industrial use. The land premium was RMB4,000,000.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Qing Zi No. (2006) No. 000710 issued by the Shanghai Housing and Land Resources Administration Bureau, the land use rights of a parcel of land with a site area of approximately 100,000 sq.m. have been granted to Shanghai La Kassa for a term of 50 years expiring on June 15, 2055 for industrial use and the building ownership rights of 2 buildings with a total gross floor area of approximately 49,701.79 sq.m. are owned by Shanghai La Kassa.

3. In the valuation of this property, we have attributed no commercial value to the remaining building with a gross floor area of approximately 3,301 sq.m. which has not obtained any proper title certificate. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the date of valuation would be RMB2,702,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

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

    a. The Group has obtained the relevant building ownership certificates and state-owned land use rights certificates of the 2 buildings mentioned in note;

    b. The Group has the rights to occupy, use or other legally dispose of the land use rights and the building ownership rights of the 2 buildings mentioned in note.1 in accordance with the valid term and usage stipulated by the relevant title certificate; and

    c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
12.	A parcel of land, various buildings and structures No. 28 Wenchang Road Jianshan New District located at Jianshan 01 Weiken District Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 152,023 sq.m. and 5 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 62,038 sq.m. The buildings mainly include industrial buildings, office building and dormitories. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for a term of 50 years expiring on December 29, 2053 for industrial use.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hai Di He (2003) No. 353 dated December 17, 2003 entered into between the People's Government of Haining City and Haining Libero Sofa Co., Ltd, ("Haining Libero" 海寧利貝奧沙發有限公司), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 152,023 sq.m. were granted to Haining Libero for a term of 50 years for industrial use. The land premium was RMB9,881,495.

2. Pursuant to an Interim Certificate for State-owned Land Use Rights – Hai Guo Tu Deng Zi (2004) No. 042 dated February 4, 2004 issued by the People's Government of Haining City, a parcel of land with a site area of approximately 152,023 sq.m. has been granted to Haining Libero for a term of 50 years expiring on December 29, 2053 for industrial use.

3. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any proper title certificate. However, for reference purposes, we are of the opinion that the capital value of the property as at the date of valuation would be RMB70,765,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

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

   a. The Interim Certificate for State-owned Land Use Rights is not legitimate certificate of land use rights therefore Haining Libero has not obtained the enforceable land use rights certificate;

   b. Haining Libero has obtained the relevant construction approvals and was approved to construct the buildings with a total gross floor area of approximately 62,038 sq.m.;

   c. There is no material obstacle for Haining Libero to apply for the State-owned Land Use Rights Certificate upon completion of the construction provided that Haining Libero fully complies with the PRC laws, Land Use Rights Grant Contracts and relevant approvals for the construction; and

   d. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

Group II – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
13.	A parcel of land (Lot No. 0104050002) located at the southern side of Laodong Road East and the eastern side of Jingzhu Highway Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 145,078.24 sq.m. The land use rights of the property have been granted for various terms of 40 and 70 years expiring on January 29, 2047 for commercial use and January 29, 2077 for residential use respectively.	The property is currently occupied by some old buildings which are to be demolished.	331,000,000 69.23% interest attributable to the Group: RMB229,151,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – GF-2000-2601 No. 20070130 dated January 29, 2007, a parcel of land with a site area of approximately 145,078.24 sq.m. were contracted to be granted to Hunan Gaodian-Haining Hide Investment Company Limited (湖南高點－海寧中國皮革城投資有限公司) for residential and commercial uses at a consideration of RMB37,716,527. The relevant land use conditions are as follows:

   a. Plot ratio: commercial < 4.5, residential < 3.0

   b. Construction density: < 24%

   c. Greenery ratio: > 40%

2. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2007) Di No. 004434 issued by the State-owned Land Resources Bureau of Changsha City, the land use rights of a parcel of land with a site area of approximately 145,078.24 sq.m. were granted to Hunan Gaodian-Haining Hide Investment Company Limited (湖南高點－海寧中國皮革城投資有限公司) for various terms of 40 and 70 years expiring on January 29, 2047 for commercial use and January 29, 2077 for residential use respectively.

3. As advised by the Company, Gaodian-Haining Hide Investment Company Limited has changed its company name into Hunan Kasen Real Estate Co., Ltd. ("Hunan Kasen" 湖南卡森置業有限公司).

4. Hunan Kasen Real Estate Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

5. As advised by the Company, the relevant development planning of the property has not been determined as at the date of valuation.

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

   a. The Group has obtained the relevant state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
14.	A parcel of land located at the eastern side of Longbo Road and the southern side of Baolian Town Seashore Tourism Area River Outlet of Wanquan Bo'ao Town Qionghai City Hainan Province The PRC	The property comprises a parcel of land with a site area of approximately 139,669.3 sq.m. The site is contiguous to the northern side of property no. 15. The land use rights of the property have been granted for a term with the expiry date on November 15, 2067 for residential use.	The property is currently vacant.	50,421,000 99% interest attributable to the Group: RMB49,917,000

Notes:

1. Pursuant to a State-owned Land Use Rights Transfer Contract dated June 6, 2006 entered into between Hainan Bo'ao Bi Hai Industry Co., Ltd. (海南博鰲碧海實業有限公司, now known as Hainan Bo'ao Kasen Real Estate Co., Ltd. ("Hainan Kasen" 海南博鰲卡森置業有限公司), a 99% interest owned subsidiary of the Company) and Hainan Zhen Zhi Industry Co., Ltd. (海南真智實業有限公司), a parcel of land with a site area of approximately 139,669.3 sq.m. were contracted to be transferred to Hainan Bo'ao Bi Hai Industry Co., Ltd. at a consideration of RMB23,045,000.

2. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2007) Di No. 1593 dated December 2, 2007 issued by the State-owned Land Resources Bureau of Qionghai City, the land use rights of a parcel of land with a site area of approximately 139,669.3 sq.m. have been granted to Hainan Kasen for a term with the expiry date on November 15, 2067 for residential use.

3. As advised by the Company, the relevant development planning of the property has not been determined as at the date of valuation.

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

   a. The Group has obtained the relevant state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
15.	A parcel of land located at the estern side of Longbo Road and the southern side of Baolian Town Seashore Tourism District River Outlet of Wanquan Bo'ao Town Qionghai City Hainan Province The PRC	The property comprises a parcel of land with a site area of approximately 450,496.6 sq.m. The site is contiguous to the southern side of property no. 14. The land use rights of the property have been granted for a term of 60 years expiring on November 15, 2067 for residential, commercial and tourism services uses.	The property is currently vacant.	196,417,000 99% interest attributable to the Group: RMB194,453,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2007) No.1032 dated September 30, 2007 issued by the People's Government of Qionghai City, the land use rights of a parcel of land with a site area of approximately 450,496.6 sq.m. have been granted to Qionghai Bodi Real Estate Co., Ltd. ("Qionghai Bodi" 琼海博地置業有限公司), a 99% interest owned subsidiary of the Company, for a term of 60 years expiring on November 15, 2067 for residential, commercial and tourism services uses.

2. As advised by the Company, the relevant development planning of the property has not been determined as at the date of valuation.

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

   a. The Group has obtained the relevant state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
16.	A parcel of land (Lot No. 8) located at the eastern side of Mianchang Port and the northern side of Xin Xia Xie Road Xieqiao Town Haining City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 26,662 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on January 24, 2078 for residential use.	The property is currently vacant.	17,037,000 100% interest attributable to the Group: RMB17,037,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hai Di He (2007) No. 147 dated August 17, 2007, a parcel of land with a site area of approximately 26,662 sq.m. were contracted to be granted to Gaodian-Haining Hide Investment Company Limited (海寧高點投資發展有限公司, now known as Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司), an indirect wholly-owned subsidiary of the Company) for a term of 70 years for residential use at the land premium of RMB14,900,000. The relevant land use conditions are as follows:

   a. Plot ratio: < 1.3

   b. Construction density: < 30%

   c. Construction Height Limit: lower than 5 storey, lower than 14 meter along the Mianchang Port

   d. Greenery ratio: > 28%

2. Pursuant to a State-owned Land Use Rights Certificate – Hai Guo Yong (2008) No. 5609170045 issued by the People's Government of Haining City, the land use rights of a parcel of land with a site area of approximately 26,662 sq.m. have been granted to Zhejiang Kasen Property Development Co., Ltd. for a term of 70 years expiring on January 24, 2078 for residential use.

3. As advised by the Company, the relevant development planning of the property has not been determined as at the date of valuation.

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

   a. The Group has obtained the relevant state-owned land use rights certificate of the property;

   b. The Group has the rights to occupy, use or other legally dispose of the land use rights in accordance with the valid term and usage stipulated by the relevant title certificate; and

   c. The property is not subject to mortgage or other third party encumbrance.

VALUATION CERTIFICATE

Group III – Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
17.	Levels 1 to 3 of a building No. 3021 Kaixuan Road Xuhui District Shanghai The PRC	The property comprises Levels 1 to 3 of a 4-storey commercial building completed in about 1984. The property has a total lease area of approximately 6,480 sq.m. The property is leased to Shanghai Kasen Home Furnishings Co., Ltd. from an independent third party for a term of 9 years commencing from April 1, 2007 and expiring on March 31, 2016 at an annual rent of RMB8,760,000 exclusive of water and electricity charges.	The property is currently occupied by the Group for commercial purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and a Supplementary Agreement, the property is leased to Shanghai Kasen Home Furnishings Co., Ltd. (上海卡森之家家居有限公司, the "Lessee"), an indirect wholly-owned subsidiary of the Company, from Shanghai Zhong Xin Industry Co., Ltd. (上海眾新實業有限公司, the "Lessor") for a term of 9 years commencing from April 1, 2007 and expiring on March 31, 2016 at an annual rent of RMB8,760,000, exclusive of water and electricity charges. The annual rent will be increased by 5% every year starting from the second year.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The tenancy agreement is valid, binding and enforceable under the PRC Laws.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
18.	Building No. 2 No. 473 Qiutao Road Shangcheng District Hangzhou City Zhejiang Province The PRC	The property comprises a 2-storey commercial building completed in about 1997. The property has a lease area of approximately 2,703 sq.m. The property is leased to Shanghai Kasen Home Furnishings Co., Ltd. from an independent third party for a term of 5 years commencing from September 1, 2007 and expiring on August 31, 2012 at the rent of RMB108 per sq.m. per month exclusive of water and electricity charges.	The property is currently occupied by the Group for commercial purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and a Supplementary Agreement, the property is leased to Shanghai Kasen Home Furnishings Co., Ltd. (上海卡森之家家居有限公司, the "Lessee"), an indirect wholly-owned subsidiary of the Company, from Hangzhou Hua Dong Furniture Market Co., Ltd. (杭州華東傢俱市場有限公司, the "Lessor") for a term of 5 years commencing from September 1, 2007 and expiring on August 31, 2012 at a monthly rent of RMB108 per sq.m. exclusive of water and electricity charges. The monthly rent will be increased by RMB5 per sq.m. every year starting from the second year.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The tenancy agreement is valid, binding and enforceable under the PRC Laws.

VALUATION CERTIFICATE

Group IV – Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
19.	Room No. 1605 on the 16th Floor Tai Tung Building No. 8 Fleming Road Wanchai Hong Kong	The property comprises a unit on Level 16 of a 31-storey office building completed in about 2005. The property has a gross floor area of approximately 62.24 sq.m. Pursuant to a Tenancy Agreement, the property is leased to Kasen International Holdings Limited from Tak Shing Investment Company Limited for a term of 2 years commencing from April 1, 2007 and expiring on March 31, 2009 at a monthly rent of HKD14,740, exclusive of management fees.	The property is currently occupied by the Group for office purpose.	No commercial value
20.	Flat D on 4th Floor Lee Cheong Building No. 220 Wan Chai Road Hong Kong	The property comprises a unit on Level 4 of a 24-storey office building completed in about 1974. The property has a lease area of approximately 45.43 sq.m. Pursuant to a Tenancy Agreement, the property is leased to Richmond International Trading Limited, an indirect wholly-owned subsidiary of the Company from Ng Siu Lun for a term of 2 years commencing from September 1, 2007 and expiring on August 31, 2009 at a monthly rent of HKD8,200, exclusive of water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at April 30, 2008 of the property interests contracted to be acquired by the Company.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
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June 30, 2008

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

Dear Sirs,

In accordance with your instructions to value the properties in which Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia") has interests in the People's Republic of China (the "PRC"), we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at April 30, 2008 (the "date of valuation").

Pursuant to an Agreement dated May 26, 2008 entered into among Kasen International Holding Limited (the "Company"), Joyview Enterprises Limited and Mr. Zhu Zhangjin (the controlling shareholder of the Company), the Company agreed to purchase 100% interest of Investwise International Limited which holds 55% interest of Yancheng Sujia. On the same day, Zhejiang Kasen Property Development Co., Ltd. ("Zhejiang Kasen Property", an indirectly wholly-owned subsidiary of the Company) and Haining Zhongyuan Real Estate Co., Ltd. ("Haining Zhongyuan") entered into an Agreement pursuant to which Haining Zhongyuan has agreed to transfer 45% interest in Yancheng Sujia to Zhejiang Kasen Property.

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest of in Group I which is held by Yancheng Sujia for future development by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, real estate developments for future development is those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

In valuing the property interest in Group II which was under development as at the date of valuation, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by Yancheng Sujia. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

For the purpose of our valuation, real estate developments under development are those the Construction Work Commencement Permits have been issued while the Construction Work Certified Reports or Certificates of Completion of the buildings thereof are not issued.

For the property interests in Group III, which are property interests to be acquired by Yancheng Sujia, Yancheng Sujia have entered into agreements with relevant owner of the property or the relevant government authority. Since Yancheng Sujia has not yet obtained the State-owned Land Use Rights Certificates, we have attributed no commercial value to the property interest.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

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

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

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

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

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

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

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

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held for future development by Yancheng Sujia in the PRC

No.	Property	Capital value in existing state as at April 30, 2008
		RMB
1.	2 parcels of land (Phase II and III of Project Qianjiang Fangzhou) No. 9 Dongjin Road East, the western side of Yingbin Road, the eastern side of Jiefang South Road and the northern side of phase I of Project Qianjiang Fangzhou Yancheng City Jiangsu Province The PRC	459,000,000
	Sub-total:	459,000,000

Note: According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests in Group I is PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount), PRC Enterprises Income Tax of 25% of net profit upon disposal as the properties are being held for development in the future for sale.

Group II – Property interest held under development by Yancheng Sujia in the PRC

No.	Property	Capital value in existing state as at April 30, 2008
		RMB
2.	Phase I of Project Qianjiang Fangzhou No. 9 Dongjin Road East, the western side of Yingbin Road, the eastern side of Jiefang South Road and the northern side of Dongjin Road Yancheng City Jiangsu Province The PRC	613,000,000
	Sub-total:	613,000,000

Note: According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests in Group II is PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount), PRC Enterprises Income Tax of 25% of net profit upon disposal in the future as the properties are being development for sale.

Group III – Property interests contracted to be acquired by Yancheng Sujia in the PRC

No.	Property	Capital value in existing state as at April 30, 2008
		RMB
3.	A parcel of land located at the southern side of Qingnian Road the eastern side of Yingbin South Road and the northern side of Beigang River Yancheng City Jiangsu Province The PRC	No commercial value
	Sub-total:	Nil
	Grand total:	**1,072,000,000**

VALUATION CERTIFICATE

Group I – Property interest held for future development by Yancheng Sujia in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
1.	2 parcels of land (Phase II and III of Qiangjiang Fangzhou) No. 9 Dongjin Road East, the western side of Yingbin Road, the eastern side of Jiefang South Road and the northern side of phase I of Project Qianjiang Fangzhou Yancheng City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 167,464 sq.m. The site is contiguous to the northern side of property no. 2. As advised by Yancheng Sujia, the property will be developed into a commercial, residential and office development with a total planned gross floor area of approximately 431,034.82 sq.m. (including underground and above ground) and the development is scheduled to be commenced in 2008. The land use rights of a parcel of land have been granted for various terms of 40 years expiring on November 12, 2044 for commercial use, 50 years expiring on November 12, 2054 for office use and 70 years expiring on November 12, 2074 for residential use. The land use rights of the other land parcel also have been granted for various terms of 40 years expiring on March 3, 2048 for commercial use, 50 years expiring on March 3, 2058 for office use and 70 years expiring on March 3, 2078 for residential use.	The property was vacant as at the date of valuation.	459,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated October 18, 2003 and a Supplementary Contract dated April 3, 2007 entered into between the State-owned Land Resources Bureau of Yancheng City and Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia"), the land use rights of land parcels with a total site area of approximately 346,846.67 sq.m. (forming the land area of property nos. 1, 2 and 3) were contracted to be granted to Yancheng Sujia for various terms of 40 years for commercial use, 50 years for office use and 70 years for residential use. The land premium was RMB355,875,786.

2. Pursuant to a Document – Yan Shi Gui She Shen (2007) No. 029 dated April 18, 2007 issued by the Planning Bureau of Yancheng City and an approved Site Planning Map in respect of the Preliminary Design of Qianjiang Fangzhou, the following major parameters of the development (comprising property nos. 1 and 2) have been approved:

   (a) Total Gross Floor Area: 684,700 sq.m. (above ground 609,700 sq.m., underground 75,000 sq.m.)

   (b) Above Ground Development: residential, office, and commercial

   (c) Plot Ratio: 1.82

3. Pursuant to a State-owned Land Use Rights Certificate – Yan Guo Yong (2008) Di No. 025000301 dated June 18, 2008 issued by the State-owned Land Resources Bureau of Yancheng City, the land use rights of a parcel of land with a site area of approximately 135,893 sq.m. were granted to Yancheng Sujia for various terms of 40 years expiring on November 12, 2044 for commercial use, 50 years expiring on November 12, 2054 for office use and 70 years expiring on November 12, 2074 for residential use.

4. Pursuant to a State-owned Land Use Rights Certificate – Yan Guo Yong (2008) Di No. 025000145 dated March 27, 2008 issued by the State-owned Land Resources Bureau of Yancheng City, the land use rights of a parcel of land with a site area of approximately 31,571 sq.m. were granted to Yancheng Sujia for various terms of 40 years expiring on March 3, 2048 for commercial use, 50 years expiring on March 3, 2058 for office use and 70 years expiring on March 3, 2078 for residential use.

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

   The property is legally vested in Yancheng Sujia and can be mortgaged, transferred or other legally disposed of in the term of land use rights by Yancheng Sujia.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group II – Property interest held under development by Yancheng Sujia in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
2.	Phase I of Project Qianjiang Fangzhou No. 9 Dongjin Road East, the western side of Yingbin Road, the eastern side of Jiefang South Road and the northern side of Dongjin Road Yancheng City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 163,576 sq.m. on which were being constructed 46 blocks of buildings together with ancillary facilities as at the date of valuation. The site of the property is contiguous to the southern side of property no. 1. As advised by the Yancheng Sujia, portions of the development buildings have been topped out as at the date of valuation and the development is scheduled to be completed in June 2009. The total planned gross floor area of the property upon completion is approximately 253,665.18 sq.m., the breakdown of which is shown as following: **Usage** / **Planned Gross Floor Area** *(sq.m.)* Residential: 194,471.58 Commercial: 16,820.39 Underground Parking: 37,719.32 others: 4,653.89 **Total: 253,665.18** The total construction cost is estimated to be approximately RMB367,000,000, of which RMB114,000,000 has been paid upon the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on November 12, 2044 for commercial use, 50 years expiring on November 12, 2054 for office use and 70 years expiring on November 12, 2074 for residential use.	The property was under construction as at the date of valuation.	613,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated October 18, 2003 and a Supplementary Contract dated April 3, 2007 entered into between the State-owned Land Resources Bureau of Yancheng City and Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia"), the land use rights of land parcels with a total site area of approximately 346,846.67 sq.m. (forming the land area of property nos. 1, 2 and 3) were contracted to be granted to Yancheng Sujia for various terms of 40 years for commercial use, 50 years for office use and 70 years for residential use. The land premium was RMB355,875,786.

2. Pursuant to a Document – Yan Shi Gui She Shen (2007) No. 029 dated April 18, 2007 issued by the Planning Bureau of Yancheng City and an approved Site Planning Map in respect of the Preliminary Design of Qianjiang Fangzhou, the following major development parameters of the development (comprising property nos. 1 and 2) have been approved:

   a. Total Gross Floor Area: 684,700 sq.m. (above ground 609,700 sq.m., underground 75,000 sq.m.)

   b. Above Ground Development: residential, office and commercial

   c. Plot Ratio: 1.82

3. Pursuant to a State-owned Land Use Rights Certificate – Yan Guo Yong (2007) Di No. 025000003 dated April 27, 2007 issued by the State-owned Land Resources Bureau of Yancheng City, the land use rights of a parcel of land with a site area of approximately 163,576 sq.m. were granted to Yancheng Sujia for various terms of 40 years expiring on November 12, 2044 for commercial use, 50 years expiring on November 12, 2054 for office use and 70 years expiring on November 12, 2074 for residential use.

4. Pursuant to 44 Construction Work Planning Permits – Nos. 2007071 to 2007076, 2007079 to 2007092, 2007138, 2007139, 2007246 to 2007252, 2007300 to 2007303, 2008014 to 2008021, 2008025 to 2008027, Nos. 320901200850008 to 3209012008500014 dated between June 12, 2007 and March 13, 2008 issued by the Planning Bureau of Yancheng City in favour of Yancheng Sujia, 37 residential buildings, a nursery school building, 2 commercial buildings and underground car parking spaces with a total gross floor area of approximately 211,471.7 sq.m. have been approved for construction. According to various Measurement Reports, the actual area of above portions have been corrected to 205,115.18 sq.m.

5. Pursuant to 9 Construction Work Planning Permits – Nos. 2008022, 2008023 and 320901200850008 to 3209012008500014 dated between June 12, 2007 and March 13, 2008 issued by Yancheng City Planning Bureau, 4 residential buildings, 2 commercial buildings and underground car parking spaces with a total gross floor area of 48,550 sq.m. have been approved for construction.

6. Pursuant to 9 Construction Work Commencement Permits – 3209002007053000001A, 209002007053000001B, 209002007053000001C, 3209002007053000001D, 3209002007062000001A, 3209002007062000001B, 3209002007122400001A, 209002007122400001B and 320902200803080101 dated between June 22, 2007 and March 26, 2008 issued by the Construction Bureau of Yancheng City, permission by the relevant local authority was given to commence the construction for the buildings and car parking spaces as referred to in notes 4 and 5 above.

7. Pursuant to 20 Pre-sales Permits – Nos. 2007189 to 2007193, 2007201 to 2007206, 2007234 to 2007235, 2007257 to 2007261 and 2007299 to 2007300 dated between September 21, 2007 and December 28, 2007, Yancheng Sujia is freely entitled to sell portions of the development with a total gross floor area of approximately 116,235.17 sq.m. to purchasers.

8. As advised by Yancheng Sujia, portions of the property comprising 768 units with a total gross floor area of 110,385.14 sq.m. and 220 underground car parking spaces have been contracted to be sold to various third parties at a total consideration of RMB408,206,184 but have not been handed over to the purchasers. Therefore we have included such portions of the property in our valuation.

9. The capital value when completed of the property as at the date of valuation was approximately RMB955,000,000.

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

    a. The property is legally vested in Yancheng Sujia and can be mortgaged, transferred or other legally disposed of in the term of land use rights by Yancheng Sujia;

    b. The land use rights of the property were subject to a mortgage in favour of Agriculture Bank of China at a consideration of RMB163,000,000 with the mortgage period commencing from April 29, 2007 and expiring on October 28, 2010; and

    c. All the certificates/permits obtained by Yancheng Sujia in notes 2 to 7 are legal and valid and Yancheng Sujia has the legal rights to the construction of the property.

    d. Pursuant to the relevant law in the PRC, Yancheng Sujia can sell the buildings when obtaining the Pre-sales Permits. For the pre-sold portion of the buildings, if the buyer can not apply for the building ownership registration due to the un-removed mortgage registration of relevant land, Yancheng Sujia will undertake the responsibility for breaking the relevant real estate pre-sales contract.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sales Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group III – Property interests contracted to be acquired by Yancheng Sujia in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at April 30, 2008 *RMB*
3.	A parcel of land locate at the southern side of Qingnian Road, the eastern side of Yingbin South Road and the northern side of Beigang River Yancheng City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 15,806.67 sq.m.	The property was vacant as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated October 18, 2003 and a Supplementary Contract dated April 3, 2007 entered into between the State-owned Land Resources Bureau of Yancheng City and Yancheng Sujia Real Estate Development Co., Ltd. ("Yancheng Sujia"), the land use rights of land parcels with a total site area of approximately 346,846.67 sq.m. (forming the land area of property nos. 1, 2 and 3) were contracted to be granted to Yancheng Sujia for various terms of 40 years for commercial use, 50 years for office use and 70 years for residential use. The land premium was RMB355,875,786.

2. Pursuant to a Supplementary Contract, the specific location of the property is subject to final confirmation.

3. As at the date of valuation, the property has not been assigned to Yancheng Sujia and thus the title of the property is not vested in Yancheng Sujia. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB43,000,000 assuming the relevant title certificates of the property have been obtained by Yancheng Sujia and Yancheng Sujia is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

4. As confirmed by Yancheng Sujia, a sum of RMB16,218,149.39 of land premium has been fully paid. Apart from the land premium, there was no other land related cost incurred by Yancheng Sujia in respect of the property.

5. According to a Supplementary Agreement issued by the Stated-owned Land Resources Bureau of Yancheng City, owing to the City Planning has adjusted and the road paths have reversed, the subject site which granted to Yanchang Sujia will be rearranged in accordance with the City Planning. The detail location will be under negotiation between Yancheng Sujia and the Stated-owned Land Resources Bureau of Yancheng City and therefore the timetable for the obtaining the site has not decided yet.

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

    a. Yancheng Sujia has fully settled the land premium of the property; and

    b. Yangcheng Sujia has the legal rights to obtain the land use rights of the property once the specific location of the property is confirmed.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	No
b.	Construction Land Planning Permit	N/A
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of Joyview accepts full responsibility for the accuracy of the information (other than that relating to the Group) contained in this circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

		US$
Authorised:		
266,666,666,666	Shares	40,000,000
Issued:		
990,048,369	Shares	148,507
Issued and fully paid:		
990,048,369	Shares	148,507
174,425,616	Consideration Shares to be allotted and issued for settlement of the consideration for the acquisition of the Sale Share	26,164
1,164,473,985	Shares	174,671

No Share has been issued since December 31, 2007 (the date to which the latest audited consolidated financial statements of the Company) up to the Latest Practicable Date.

All the issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital. The holders of the Consideration Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Consideration Shares. The Consideration Shares to be issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

Save as disclosed in this circular, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
December 31, 2007	0.90
January 31, 2008	0.82
February 29, 2008	1.03
March 31, 2008	1.06
April 30, 2008	1.19
Last Trading Day	1.41
Latest Practicable Date	1.53

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$1.82 on June 2, 2008 and HK$0.81 on January 22, 23, 24, 28 and 30, 2008, respectively.

4. 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") and to be disclosed pursuant to the requirements of the Takeovers Code were as follows:

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

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total number of shares interested**	**Percentage of the Company's issued share capital**
Zhu Zhangjin	–	328,867,019 *(Note)*	328,867,019	33.22%
Zhou Xiaosong	8,173,912	–	8,173,912	0.83%
Zhu Jianqi	7,478,260	–	7,478,260	0.76%

Note: 328,867,019 Shares are beneficially owned by Joyview Enterprises Limited, a company wholly and beneficially owned by Mr. Zhu.

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

Name of Director	Exercise price *(HK$)*	Number of share options: Outstanding as at January 1, 2008	Granted from January 1, 2008 to the Latest Practicable Date	Cancelled from January 1, 2008 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	*Notes*
Zhu Zhangjin	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	*1, 5, 6*
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	*2, 5, 6*
Zhou Xiaosong	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	*1, 5, 6*
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	*2, 5, 6*
	1.18	–	500,000	–	500,000	0.05%	1/1/2009 to 4/5/2018	*3, 5, 6*
	1.18	–	500,000	–	500,000	0.05%	1/1/2010 to 4/5/2018	*4, 5, 6*
Zhu Jianqi	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2007 to 8/3/2016	*1, 5, 6*
	2.38	1,000,000	–	–	1,000,000	0.10%	1/1/2008 to 8/3/2016	*2, 5, 6*
	1.18	–	500,000	–	500,000	0.05%	1/1/2009 to 4/5/2018	*3, 5, 6*
	1.18	–	500,000	–	500,000	0.05%	1/1/2010 to 4/5/2018	*4, 5, 6*
Lu Yungang	2.38	200,000	–	–	200,000	0.02%	1/1/2007 to 8/3/2016	*1, 5, 6*
	2.38	200,000	–	–	200,000	0.02%	1/1/2008 to 8/3/2016	*2, 5, 6*
	1.18	–	300,000	–	300,000	0.03%	1/1/2009 to 4/5/2018	*3, 5, 6*
	1.18	–	300,000	–	300,000	0.03%	1/1/2010 to 4/5/2018	*4, 5, 6*
Chow Joseph	2.38	200,000	–	–	200,000	0.02%	1/1/2007 to 8/3/2016	*1, 5, 6*
	2.38	200,000	–	–	200,000	0.02%	1/1/2008 to 8/3/2016	*2, 5, 6*
	1.18	–	300,000	–	300,000	0.03%	1/1/2009 to 4/5/2018	*3, 5, 6*
	1.18	–	300,000	–	300,000	0.03%	1/1/2010 to 4/5/2018	*4, 5, 6*
Zhang Huaqiao	1.18	–	500,000	–	500,000	0.02%	1/1/2009 to 4/5/2018	*3, 5, 6*
	1.18	–	500,000	–	500,000	0.02%	1/1/2010 to 4/5/2018	*4, 5, 6*

Notes:

1. Pursuant to the share option scheme (the "Scheme") adopted by a resolution of the Shareholders on September 24, 2005 and adopted by a resolution of the Board on September 26, 2005, these share options were granted on March 9, 2006 and are exercisable at HK$2.38 per Share from January 1, 2007 to March 8, 2016.

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

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

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

5. These share options represent personal interest held by the relevant participants as beneficial owner.

6. Except the cancelled share option stated above, up to the Latest Practicable Date, none of these share options were exercised nor lapsed.

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 or to be disclosed pursuant to the requirements of the Takeovers Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Mr. Zhu Zhangjin stated in "Directors' and Chief Executive's Interests and Short Positions in Shares, underlying Shares and Debentures") who had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, 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 Enlarged Group or had any option in respect of such capital were as follows:

(1) 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 Enterprises Limited[2]	Beneficial owner	–	328,867,019	328,867,019	33.22%
Warburg Pincus & Co.[1]	Interest of controlled corporation	–	186,989,966	186,989,966	18.88%
Warburg Pincus Partners LLC[1]	Beneficial owner	–	186,989,966	186,989,966	18.88%
Warburg Pincus Private Equity VIII L.P.[1]	Beneficial owner	–	90,605,988	90,605,988	9.15%
Warburg Pincus International Partners L.P.[1]	Beneficial owner	–	89,616,811	89,616,811	9.05%

Notes:

1. Warburg Pincus International Partners, L.P., and Warburg Pincus Private Equity VIII L.P. are part of the Warburg Pincus Funds. The general partner of the Warburg Pincus Funds is Warburg Pincus Partners LLC, which is a subsidiary of Warburg Pincus & Co. Each of Warburg Pincus Partners LLC and Warburg Pincus & Co. is therefore deemed to be interested in the shares held by the Warburg Pincus Funds, which includes Warburg Pincus International Partners, L.P. and Warburg Pincus Private Equity VIII L.P. as well as four other funds consisted in the Warburg Pincus Funds.

2. Joyview Enterprises Limited is a company beneficially owned as to 100% by Mr. Zhu Zhangjin. Mr. Zhu Zhangjin is the director of Joyview Enterprises Limited.

(2) 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
海寧中國皮革城股份有限公司 (Haining China Leather Market Company Limited*)	海寧皮革產業投資開發有限公司[1] (Haining Leather Industry Investment and Development Co., Ltd.*)	Beneficial	25%

Notes:

1. The Company has 60% indirect interest in 海寧皮革產業投資開發有限公司 (Haining Leather Industry Investment and Development Co., Ltd.*).

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

5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

(a) The shareholding of Joyview in the Company as at the Latest Practicable Date is set out in paragraph headed "Substantial Shareholders" above. The Company has no shareholding interest in Joyview as at the Latest Practicable Date.

(b) As at the Latest Practicable Date, save for Mr. Zhu, none of the Directors, ICEA Capital Limited, GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu and Jones Lang LaSalle Sallmanns Limited had any interest in securities in Joyview.

(c) As at the Latest Practicable Date, Mr. Zhu, the sole director of Joyview, was beneficially interested in approximately 33.22% of the total issued share capital of the Company as at the Latest Practicable Date.

(d) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

(e) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Joyview or with any of its concert parties or with any person who is an associate of Joyview by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

(f) As at the Latest Practicable Date, none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company, nor any fund managed on a discretionary basis by any fund manager connected with the Company had any interest in the shares, options, warrants, derivatives or securities convertible into shares of the Company and Joyview, and dealt in any shares, options, warrants, derivatives or securities convertible into shares of the Company and Joyview during the Relevant Period.

(g) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between Joyview or any parties acting in concert with him and other persons that the Consideration Shares to be acquired by Joyview under the Investwise Agreement would be transferred, charged or pledged to that person.

(h) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) Joyview, Mr. Zhu or any parties acting in concert with any of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver and/or the Acquisitions.

(i) As at the Latest Practicable Date, none of ICEA Capital Limited, GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited and Zhejiang Zeda Law Firm and any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had any interest in the shares, options, warrants, derivatives or securities convertible into shares of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares, options, warrants, derivatives or securities convertible into shares in any member of the Enlarged Group nor did it have any direct or indirect interest in any assets which have been, since December 31, 2007, the date to which the latest audited financial statements of the Enlarged Group were made up, acquired or disposed of or leased to or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

(j) As at the Latest Practicable Date, none of the Independent Shareholders had irrevocably committed to vote for or against the Whitewash Waiver and/or the Acquisitions. As at the Latest Practicable Date, save for Mr. Zhu who was beneficially interested in approximately 33.22% of the total issued share capital of the Company, none of the Directors had interest in Shares, options, warrants, derivatives or securities convertible into Shares of the Company and accordingly, no Director was entitled to vote in respect of the proposed resolutions approving the Whitewash Waiver and/or the Acquisitions.

(k) Save for the entering of the Investwise Agreement and the Yancheng Sujia Agreement, none of the Directors and their concert parties had dealt in any shares, options, warrants, derivatives or securities convertible into shares of the Company and Joyview for value during the Relevant Period.

(l) Save for entering into the Investwise Agreement, none of Joyview and the sole director of Joyview, Mr. Zhu, his associates and parties acting in concert with any of them had acquired any voting rights in the Company or had dealt in any Shares, options, warrants, derivatives or securities convertible into Shares of the Company for value during the Relevant Period. Joyview has also undertaken that it and its associate and parties acting in concert with any of them shall not deal in the Shares, options, warrants, derivatives or securities convertible into Shares of the Company for value until Completion.

(m) The Company did not have dealings in the shares, options, warrants, derivatives or securities convertible into shares of Joyview during the Relevant Period.

(n) None of the Directors, ICEA Capital Limited, GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited and Zhejiang Zeda Law Firm or any of their respective holding companies, or any of their respective subsidiaries had dealt in any shares, options, warrants, derivatives or securities convertible into shares of the Company for value during the Relevant Period.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date which are or may be material:

(i) the agreement dated June 1, 2006 entered into among 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧市志遠皮革輔料經營部 (Haining Zhiyuan Leather Supplementary Material Operation*), 海寧市天可沙發配件經營部 (Haining Tianke Sofa Accessories Operation*) and 海寧浙吉物資經營部 (Haining Zheji Material Operation*), who are the three existing shareholders of 海寧漢林沙發有限公司 (Haining Hainix Sofa Co., Ltd.*), a non-wholly owned subsidiary of the Company, in relation to acquisition of 44.55% interest in 海寧漢林沙發有限公司 (Haining Hainix Sofa Co., Ltd.*) for a cash consideration of RMB34,200,000;

(ii) the agreement dated June 1, 2006 entered into among 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧市慧騰服裝面料經營部 (Haining Huiteng Garments Material Operation*) and 海寧市良達沙發配件經營部 (Haining Liangda Sofa Accessories Operation*), who are the two existing shareholders of 海寧慧達傢俱有限公司 (Haining Hidea Furniture Co. Ltd.*), a non-wholly owned subsidiary of the Company, in relation to acquisition of 49.5% interest in 海寧慧達傢俱有限公司 (Haining Hidea Furniture Co. Ltd.*) for a cash consideration of RMB15,700,000;

(iii) the agreement dated January 29, 2007 entered into among 海寧高點投資發展有限公司 (Haining Higher Point Investment and Development Co., Ltd.*), a wholly-owned subsidiary of the Company, Cardina International Co., Ltd., a wholly-owned subsidiary of the Company, 海寧市中誠貿易有限公司 (Haining Zhongchen Trading Co., Ltd.*) and Global Furniture Pty. Ltd., both of which are Independent Third Parties, in relation to the sale of entire equity interest in 海寧家藝傢俱有限公司 (Haining Home Craft Furniture Co., Ltd.*), a wholly owned subsidiary of the Company, for a cash consideration of RMB44,700,000;

(iv) the land use right contract dated January 29, 2007 entered into between Changsha Municipal Bureau of State Land and Resources (長沙市國土資源局), an Independent Third Party, and 湖南高點－海寧中國皮革城投資 有限公司 (Hunan Higher Point Haining China Leather City Investment Co., Ltd.*), a non-wholly owned subsidiary of the Company, in relation to acquisition of land in Changsha for a cash consideration of RMB250,000,000;

(v) the agreement dated March 15, 2007 and the revised oral agreement dated June 29, 2007 entered into among 海寧卡森皮革有限公司 (Haining Kasen Leather Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧高點投資發展有限公司 Haining Higher Point Investment and Development Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Co., Ltd.*), and 海寧正揚貿易有限公司 (Haining Zhengyang Trading Co., Ltd.*), both of which are Independent Third Parties, in relation to the formation of 海寧皮革產業投資開發有限公司 (Haining Leather Industry Investment & Development Co., Ltd.*), a non-wholly owned subsidiary of the Company;

(vi) the letter of intent dated July 5, 2007 entered into among 上海禾美傢俱有限公司 (Shanghai La Kassa Furniture Co., Ltd.*) ("La Kassa"), a wholly-owned subsidiary of the Company, the Company and 上海捷恩傢俱有限公司 (Shanghai JCH Home Furnishings Co., Ltd.*), an Independent Third Party, for the lease of the property assets of La Kassa, and the sale of the entire equity interest in La Kassa;

(vii) the agreement dated August 3, 2007 entered into among 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company, Cardina International Co., Ltd., a wholly-owned subsidiary of the Company, 海寧市華達紡織有限公司 (Haining Huada Textile Co., Ltd.*) and Global Furniture Pty. Ltd., both of which are Independent Third Parties, in relation to the sale of entire equity interest in 海寧家典傢俱有限公司 (Haining Home Point Furniture Co., Ltd.*), a wholly-owned subsidiary of the Company, for a cash consideration of RMB41,500,000;

(viii) the agreement dated August 7, 2007 entered into between 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company, and Future Foam Asia Inc., the 50% joint venture partner of 海寧美景海綿有限公司 (Haining Future Foam Co., Ltd.*) and an Independent Third Party, in relation to the sale of entire equity interest in 海寧美景海綿有限公司 (Haining Future Foam Co., Ltd.*), a joint venture enterprise owned as to 50% by the Company, for a cash consideration of RMB12,000,000;

(ix) the capital increase agreement dated September 30, 2007 entered into amongst 海寧市資產經營公司 (Haining City Assets Operation Co., Ltd.*), 海寧市市場開發服務中心 (Haining City Market Development Services Centre*), 浙江宏達經編股份有限公司 (Zhejiang Hongda Warp Knitting Co., Ltd.*), 海寧浙江皮革服裝城投資開發有限公司管理層入股聯合體 (Haining Zhejiang

Leather and Garment Market Investment and Development Company Limited Management Share Association*), all of which are Independent Third Parties, 浙江卡森實業有限公司 (Zhejiang Kasen Industrial Co., Ltd*), a wholly-owned subsidiary of the Company, in relation to the acquisition of 4.92% equity interest in 海寧浙江皮革服裝城投資開發有限公司 (Haining Zhejiang Leather and Garment Market Investment and Development Co., Ltd.*) for a cash consideration of RMB42,333,400;

(x) the agreement dated October 8, 2007 entered into amongst 浙江卡森置業有限公司 (Zhejiang Kasen Property Development Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧芝村皮業有限公司 (Haining Zhicun Leather Co., Ltd.*) and Top Fortune Asia Pacific Limited, the two existing shareholders of 海寧歐意美沙發有限公司 (Haining Oyimay Sofa Co., Ltd.*), a non-wholly owned subsidiary of the Company, in relation to the sale of entire equity interest in 海寧歐意美沙發有限公司 (Haining Oyimay Sofa Co., Ltd*) for a cash consideration of RMB24,507,500;

(xi) the agreement dated November 20, 2007 entered into between Investwise and Haining Zhongyuan, an Independent Third Party, in relation to the acquisition of 55% equity interest in Yancheng Sujia for a cash consideration of RMB31,532,550;

(xii) the agreement dated December 20, 2007 entered into between 海寧卡森皮革有限公司 (Haining Kasen Leather Co., Ltd.*), a wholly owned subsidiary of the Company, and 上海复泰房地產開發有限公司 (Shanghai Futai Real Estate Development Co., Ltd.*), an Independent Third Party, in relation to the acquisition of 99% equity interest in 琼海博地置業有限公司 (Qionghai Bodi Real Estate Co., Ltd.*) for a cash consideration of RMB100,062,372;

(xiii) the agreement dated February 19, 2008 entered into between 浙江卡森置業有限公司 (Zhejiang Kasen Property Development Co., Ltd.*), a wholly-owned subsidiary of the Company, and 成都立申實業有限公司 (Chengdu Lishen Industrial Co., Ltd.*), an Independent Third Party, in relation to the acquisition of 49.5% equity interest in 成都隆騰鞋城投資開發有限公司 (Chengdu Longteng Shoes Market Investment and Development Co., Ltd.*) for a cash consideration of RMB18,361,500 and capital commitment of RMB11,338,500;

(xiv) the agreement dated May 8, 2008 entered into amongst 浙江卡森置業有限公司 (Zhejiang Kasen Property Development Co., Ltd.*), a wholly-owned subsidiary of the Company, 海寧市經緯皮革有限責任公司 (Haining Jinwei Leather Co., Ltd.*), an Independent Third Party, and 海寧強業針紡織經營部 (Haining Qiangye Textile Trading Operation*), 岳娜有限責任公司 (Yuena Co., Ltd.*), 海寧獵馬皮革服裝有限公司 (Haining Liema Leather Garment Co., Ltd.*), who are the three existing shareholders of 浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*) in relation to the sale of 5% equity interest in 浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*) for a cash consideration of RMB2,896,923;

(xv) the Investwise Agreement; and

(xvi) the Yancheng Sujia Agreement.

* *for identification purposes only*

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. In addition, none of the Directors had any existing nor proposed service contract with the Company or its subsidiaries or associated companies:

(i) which (including both continuous and fixed term contract) have been entered into or amended within six months before the date of the Announcement;

(ii) which are continuous contracts with a notice period of 12 months or more; or

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. INTEREST IN ASSETS AND CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, save for the Investwise Agreement and the Yancheng Sujia Agreement in which Mr. Zhu was interested, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group. In addition, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Whitewash Waiver and/or the Acquisitions or otherwise connected with the Whitewash Waiver and/or the Acquisitions.

As at the Latest Practicable Date, save for the Investwise Agreement and the Yancheng Sujia Agreement in which Mr. Zhu was interested, none of the Directors had any interest, direct or indirect, in any assets which have been, since December 31, 2007 (being the date to which the latest published audited financial statements of the Enlarged Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Whitewash Waiver and/or the Acquisitions.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any of the Directors and any other persons which is conditional or dependent on the outcome of the Acquisitions and/or the Whitewash Waiver or otherwise connected with the Acquisitions and/or the Whitewash Waiver.

9. COMPETING BUSINESS INTEREST OF DIRECTORS

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

10. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities as from January 1, 2008 to the Latest Practicable Date.

11. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since December 31, 2007, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

12. EXPERT QUALIFICATION AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion, letters or advice contained in this circular:

Name	Qualification
GF Capital (Hong Kong) Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle Sallmanns Limited	An independent professional property valuer
Zhejiang Zeda Law Firm	Practising lawyers in the PRC

Each of GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited and Zhejiang Zeda Law Firm have given and have not withdrawn their respective written consents to the issue of this circular with the inclusions therein of their respective letters and reports and/or references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited and Zhejiang Zeda Law Firm was not beneficially interested in the share capital of any member of the Group nor did they have any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

13. LITIGATION

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

14. GENERAL

(a) Save for Mr. Zhu's 55% indirect interests in Yancheng Sujia held through Investwise, none of the Directors, ICEA Capital Limited, GF Capital (Hong Kong) Limited, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited and Zhejiang Zeda Law Firm had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Company or proposed to be so acquired, disposed of or leased since December 31, 2007, 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 for the Investwise Agreement and the Yancheng Sujia Agreement, 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 qualified accountant and company secretary of the Company is Ms. Yiu Hoi Yan. Ms. Yiu is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

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

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

(g) The principal share registrar of the Company is Butterfield Fund Services (Cayman) Limited.

(h) Principal member of Joyview and the parties acting in concert with it is Mr. Zhu. Mr. Zhu is the sole director and shareholder of Joyview.

(i) The registered address of Joyview is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(j) The address of Mr. Zhu is No.202-6, Fangbian Road, Xiashi Town, Haining City, Zhejiang Province, the PRC.

(k) The registered address of ICEA Capital Limited is 26th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong.

(l) The registered address of GF Capital (Hong Kong) Limited is Room 2301-2305, 2313, COSCO Tower, 183 Queen's Road Central, Hong Kong.

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the Company's office at Room 1605, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong; (ii) on the websites of the Company (http://www.irasia.com/listco/hk/kasen/index.htm); and (iii) the website of the SFC (www.sfc.hk) during business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

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

(ii) the annual reports of the Company for the two years ended December 31, 2007;

(iii) the accountants' report on the Target Group as set out in Appendix II to this circular;

(iv) the accountants' report on Yancheng Sujia as set out in Appendix III to this circular;

(v) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(vi) the letters of recommendation from the Independent Board Committees to the Independent Shareholders as set out in this circular;

(vii) the letter of advice from GF Capital (Hong Kong) Limited to the Independent Board Committees and the Independent Shareholders as set out in this circular;

(viii) the valuation report issued by Jones Lang LaSalle Sallmanns Limited on property interests of the Group as set out in Appendix V to this circular;

(ix) the valuation report issued by Jones Lang LaSalle Sallmanns Limited on property interests of Yancheng Sujia as set out in Appendix VI to this circular;

(x) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(xi) the written consents referred to in paragraph headed "Expert qualification and consent" in this Appendix;

(xii) the circular of the Company dated January 7, 2008 in relation to the continuing connected transactions;

(xiii) the circular of the Company dated January 10, 2008 in relation to the discloseable transaction for the acquisition of equity interest in 琼海博地置業有限公司 (Qionghai Bodi Real Estate Co., Ltd*); and

(xiv) the circular of the Company dated May 28, 2008 in relation to the discloseable transaction for the disposal of 5% interest in 浙江獵馬傢俬有限公司 (Zhejiang Liema Furniture Co., Ltd.*).

* *for identification purposes only*

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

(An exempted company incorporated in the Cayman Islands with limited liability)
(Stock Code: 496)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Kasen International Holdings Limited (the "**Company**") will be held at 259 Qianjiang Road West, Haining, Zhejiang, China on July 16, 2008 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) the agreement (the "**Investwise Agreement**") dated May 26, 2008 among Joyview Enterprises Limited, Mr. Zhu Zhangjin and the Company (a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder (including but not limited to the acquisition of the Sale Share (as defined in the circular of the Company dated June 30, 2008 (the "**Circular**") and the issue and allotment of the Consideration Shares (as defined in the Circular)) be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such acts and things and execute further documents which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Investwise Agreement and the transactions contemplated thereunder."

(2) "**THAT**

(a) the agreement (the "**Yancheng Sujia Agreement**") dated May 26, 2008 between Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司) and 海寧市中遠房產有限公司 (Haining Zhongyuan Real Estate Co., Ltd.*) (a copy of which is tabled at the meeting and marked "B" and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such acts and things and execute further documents which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Yancheng Sujia Agreement and the transactions contemplated thereunder."

(3) "**THAT** the waiver of the obligation of Mr. Zhu Zhangjin and the parties acting in concert with him to make a mandatory general offer for all the issued securities in the Company (the "**Shares**") (other than the Shares already owned by Mr. Zhu Zhangjin and parties acting in concert with him), arising from the issue of the Consideration Shares (as defined in resolution no.1 set out in the notice of which this resolution forms part) under the

Investwise Agreement (as defined in resolution no.1 set out in the notice of which this resolution forms part) pursuant to Note 1 to the "Notes on Dispensations from Rule 26" of the Hong Kong Code on Takeovers and Mergers be and is hereby approved."

By order of the Board
Kasen International Holdings Limited
Yiu Hoi Yan
Company Secretary

Hong Kong, June 30, 2008

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

Head office:
259 Qianjiang Road West
Haining City
Zhejiang Province 314400
China

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

* *for identification purposes only*

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.