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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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

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



A letter from the Board is set out on pages 4 to 10 of this circular and a letter from the Independent Board Committee is set out on page 11 of this circular. A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Shareholders, containing its advice to the Independent Board Committee and the Shareholders in relation to the Acquisition is set out on pages 12 to 25 of this circular.

A notice convening the Extraordinary General Meeting ("EGM") to be held at 259 Qianjiang Road West, Haining, Zhejiang, China on 1 April 2010 at 8:30 a.m. is set out on pages 39 to 40 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the 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.

17 March 2010

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DEFINITIONS

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

“Acquired Interest”	the 26% interest in Hainan Hejia which is held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu prior to the completion of the Acquisition;
“Acquisition”	the acquisition of the Acquired Interest as contemplated by the Agreement;
“Agreement”	the equity transfer agreement dated 24 February 2010 entered into between Zhejiang Kasen and Zhejiang Zhongyu in relation to the Acquisition;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks are generally open for banking business in Hong Kong;
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held on 1 April 2010 to consider and approve the Agreement and the transaction contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Hainan Baodao”	Hainan Baodao High Efficiency Tropical Agriculture Co., Ltd. (海南寶島高效熱帶農業開發有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“Hainan Hejia”	Hainan Hejia Property Development Co., Ltd. (海南合甲置業有限公司), a company incorporated in the PRC with limited liability;

DEFINITIONS

“Hejia Real Estate”	Hainan Hejia Real Estate Development Co., Ltd. (海南合甲房地產開發有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the committee of the Directors comprising the independent non-executive Directors which shall be formed to advise the Shareholders in relation to the Acquisition;
“Independent Financial Adviser” or “GF Capital”	GF Capital (Hong Kong) Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Acquisition;
“Latest Practicable Date”	15 March 2010, 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;
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sanya Land”	the land located at Group 15, Nanxin Farm, Sanya (三亞市南新農場15隊), Hainan Province, PRC, with a total site area of approximately 1,424,692 square meters;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of the Shares;

DEFINITIONS

“Shares”	ordinary shares with a par value of US\$0.00015 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules;
“US\$”	US dollars, the lawful currency of the United States of America;
“Zhejiang Kasen”	Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company;
“Zhejiang Zhongyu”	Zhejiang Zhongyu Trading Investment Development Co., Ltd. (浙江中宇經貿投資發展有限公司), a company incorporated in the PRC with limited liability; and
“%”	per cent.

For the purpose of this circular, the exchange rate of RMB0.8805 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

LETTER FROM THE BOARD



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

Executive Directors:

ZHU Zhangjin

ZHOU Xiaosong

ZHANG Mingfa, Michael

Independent non-executive Directors:

CHOW Joseph

GU Mingchao

LI Qingyuan

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

17 March 2010

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

The Board announced on 24 February 2010 that Zhejiang Kasen, a wholly-owned subsidiary of the Company, and Zhejiang Zhongyu entered into the Agreement pursuant to which Zhejiang Kasen has agreed to purchase from Zhejiang Zhongyu the Acquired Interest at a total consideration of RMB71,780,000 (approximately HK\$81,521,863). As at the Latest Practicable Date, Hainan Hejia was held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Upon completion of the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% interests in Hainan Hejia.

LETTER FROM THE BOARD

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Shareholders in relation to the Acquisition. GF Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Acquisition.

The purpose of this circular is to give you, among other things, (i) further details about the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders in relation to the Acquisition; (iii) the recommendation of the Independent Board Committee in relation to the Acquisition; and (iv) a notice of the EGM to consider and, if thought fit, to approve the Agreement and transaction contemplated thereunder.

THE AGREEMENT

Date: 24 February 2010

Parties: (1) Zhejiang Kasen, a wholly-owned subsidiary of the Company, as the purchaser; and
(2) Zhejiang Zhongyu, as the vendor.

Zhejiang Kasen is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC. Zhejiang Zhongyu is a company incorporated in the PRC with limited liability and is principally engaged in trading and property development in the PRC. Zhejiang Zhongyu is wholly-owned by Mr. Yin Zhongliang, a PRC resident and an independent third party. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, so far as the Directors are aware, Zhejiang Zhongyu and its ultimate beneficial owners are parties independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates.

Assets to be acquired

Pursuant to the Agreement, Zhejiang Kasen will purchase from Zhejiang Zhongyu the Acquired Interest, representing 26% interest in Hainan Hejia.

As at the Latest Practicable Date, Hainan Hejia was held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Upon completion of the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% interests in Hainan Hejia.

Consideration

The total consideration for the Acquisition is RMB71,780,000 (equivalent to approximately HK\$81,521,863). The consideration will be paid by Zhejiang Kasen to Zhejiang Zhongyu in the following manner:

- (1) a deposit payment of RMB14,356,000 (equivalent to approximately HK\$16,304,373) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days from the date of the Agreement; and

LETTER FROM THE BOARD

- (2) a payment of RMB57,424,000 (equivalent to approximately HK\$65,217,490) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days upon the completion of all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition.

The consideration of the Acquisition was arrived at after arm's length negotiations between the parties to the Agreement with reference to the unaudited net assets of Hainan Hejia as of 31 December 2009 of approximately RMB20,000,000 (equivalent to approximately HK\$22,714,367) and the market value of other land in close proximity of the Sanya Land at approximately RMB840 per square meter.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable.

The consideration for the Acquisition will be financed by the Group's internal resources.

Conditions Precedent

Completion of the Acquisition is conditional upon the fulfilment of the following conditions, among others:

- (a) if required by the Listing Rules, the passing by the Shareholders who are permitted to vote under the Listing Rules at a general meeting of the Company of resolutions to approve the Agreement and other transactions contemplated under the Agreement; and
- (b) all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition are completed.

In the event that the above conditions are not fulfilled on or before 30 June 2010 or such other date as Zhejiang Kasen and Zhejiang Zhongyu may agree in writing, Zhejiang Kasen has the right to terminate the Agreement, and Zhejiang Zhongyu shall, within 3 days from the date of termination of the Agreement, return the sum already paid by Zhejiang Kasen to Zhejiang Zhongyu (including the deposit payment), to Zhejiang Kasen.

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

Completion of the Acquisition

Completion of the Acquisition shall take place on the day on which the last condition precedent is fulfilled or such other date as Zhejiang Kasen and Zhejiang Zhongyu may agree, subject to the conditions precedent being fulfilled in accordance with the Agreement.

Upon completion of the Acquisition, Hainan Hejia will continue to be a subsidiary of the Company.

LETTER FROM THE BOARD

INFORMATION ON HAINAN HEJIA

Hainan Hejia is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC.

The financial information of Hainan Hejia for the period from 11 September 2009 (being the date of incorporation of Hainan Hejia) to 31 December 2009 are as follows:

	Period from 11 September 2009 (date of incorporation) to 31 December 2009 (unaudited) RMB'000
Turnover	–
Loss before taxation	(5)
Loss after taxation	(5)
Net assets	20,000

The original purchase cost of the Acquired Interest to Zhejiang Zhongyu is approximately RMB71,780,000 (equivalent to approximately HK\$81,521,863).

REASONS FOR THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in the processing of raw cowhides and wet blues into finished leather or fully assembled leather products and property development business. Zhejiang Kasen is principally engaged in property development in the PRC and Zhejiang Zhongyu is principally engaged in trading and property development in the PRC.

Pursuant to a land transfer agreement entered into between Hainan Hejia and Hainan Nanxin Farm, a state-owned entity and an independent third party, Hainan Hejia was given the right to acquire the Sanya Land which is located in Sanya, Hainan Province, the PRC and with a total site area of approximately 1,424,692 square meters. The Sanya Land has been approved for agricultural use. As Hainan Hejia only obtained the approval from the relevant PRC government authority in respect of the transfer of the Sanya Land in early March 2010, no land use right of the Sanya Land had therefore been obtained as at the Latest Practicable Date. Hainan Hejia is currently in the process of applying for the land use right certificate for the Sanya Land and the change of use of the Sanya Land from agricultural use to residential use. As advised by the Company's PRC legal counsel, based on the current PRC laws and regulations, there will be no material legal impediment for Hainan Hejia in obtaining the land

LETTER FROM THE BOARD

use right certificate for the Sanya Land and the approval for the change of use of the Sanya Land if the parties to the land transfer agreement fulfill their respective rights and obligations under the land transfer agreement. It is intended that the Sanya Land will be developed into residential buildings. Pursuant to the land transfer agreement, in the event that Hainan Hejia fails to obtain the land title certificate or approval for change of use of the Sanya Land, the land transfer agreement will be terminated and Hainan Nanxin Farm shall return the sum already paid by Hainan Hejia to Hainan Nanxin Farm, to Hainan Hejia.

Reference is made to the announcement of the Company dated 12 November 2009 in relation to the acquisition of 51% interest in Hainan Hejia by Zhejiang Kasen. Pursuant to the equity transfer agreement dated 12 November 2009 entered into between Zhejiang Kasen and Zhejiang Zhongyu as purchasers, and Hainan Baodao and Hejia Real Estate as vendors, in the event that the acquisition of the Sanya Land fails to complete, Hainan Baodao and Hejia Real Estate shall return the sum already paid by Zhejiang Kasen and Zhejiang Zhongyu, to Zhejiang Kasen and Zhejiang Zhongyu (including the payment made by Zhejiang Kasen and Zhejiang Zhongyu to Hainan Hejia for the acquisition of the Sanya Land pursuant to the land transfer agreement) and compensate Zhejiang Kasen and Zhejiang Zhongyu all the loss and damages suffered by them as a result of non-completion of the acquisition of the Sanya Land.

Although the Group may be posed with risks and uncertainties in respect of the title certificate and change of use of the Sanya Land, after balancing the risks associated with the Acquisition and the fact that the Group will not bear any loss in the event that Hainan Hejia fails to obtain the land title certificates or approval for change of use of the Sanya Land as a result of the refund arrangements under the land transfer agreement in respect of the acquisition of the Sanya Land and the equity transfer agreement in respect of the acquisition of the 51% interest in Hainan Hejia as disclosed above, and the prospects of Hainan Hejia, the Board is of the view that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

It is expected that the construction of the Sanya Land will commence in 2011 and the development of the Sanya Land will be completed at stages. The Directors consider that the Acquisition contemplated under the Agreement is in line with the Group's property development activities and believe the Acquisition will provide valuable opportunity for the Company to further strengthen the Group's position in property development in Hainan, PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and after arm's length negotiations among the parties and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. In addition, as Zhejiang Zhongyu is a substantial shareholder of Hainan Hejia, a non-wholly owned subsidiary of the Company, Zhejiang Zhongyu is therefore a connected person of the Company for the purpose of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 2.5%, the Acquisition is therefore subject to the requirements of reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders in relation to the Acquisition. Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 11 of this circular.

The Company has appointed GF Capital as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Acquisition. Your attention is drawn to the letter of advice from GF Capital set out on pages 12 to 25 of this circular.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 259 Qianjiang Road West, Haining, Zhejiang, China on 1 April 2010 at 8:30 a.m. is set out on pages 39 to 40 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein. As at the Latest Practicable Date, Mr. Zhu Zhangjin and his associates held 511,146,635 Shares, representing approximately 44.03% of the issued share capital of the Company. As no Shareholder is interested in the Acquisition (other than through its/his/her interest in the Company), none of the Shareholders are required to abstain from voting for the resolution to approve the Acquisition at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting 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 EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the amended Rule 13.39(4) of the Listing Rules which took effect on 1 January 2009, any vote of Shareholders at the EGM must be taken by poll. Accordingly, the Company will procure that the chairman of the EGM shall demand voting on the resolution set out in the notice of the EGM be taken by way of poll.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Shareholders in relation to the Acquisition. Your attention is also drawn to the letter of advice from GF Capital set out on pages 12 to 25 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Acquisition and the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Agreement have been negotiated on an arm's length basis and will be made on normal commercial terms and that the terms of the Agreement are fair and reasonable, and in the interests of the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement has been negotiated on an arm's length basis and are made on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and the entering into of the Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

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

By Order of the Board
Kasen International Holdings Limited
Zhu Zhangjin
Chairman



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

17 March 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 17 March 2010 (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 Independent Board Committee to advise the Shareholders on whether the terms of the Acquisition are fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from GF Capital (Hong Kong) Limited (“**GF Capital**”), the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Acquisition as set out on pages 12 to 25 of the Circular and the letter from the Board set out on pages 4 to 10 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, GF Capital as stated in its letter of advice, we consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and the entering into of the Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Shareholders as a whole.

Yours faithfully,
The Independent Board Committee of
Kasen International Holdings Limited
Mr. Chow Joseph
Mr. Gu Mingchao
Dr. Li Qingyuan
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Committee and the Shareholders in connection with the Agreement.



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

*To the Independent Board Committee
and the Shareholders*

17 March 2010

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Acquisition, particulars of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 17 March 2010 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

It was announced on 24 February 2010 that on the same date, the Company, through Zhejiang Kasen, its wholly-owned subsidiary, entered into the Agreement with the Zhejiang Zhongyu. Pursuant to the Agreement, Zhejiang Kasen conditionally agreed to purchase and Zhejiang Zhongyu conditionally agreed to dispose of the Acquired Interest, representing 26% equity interests in Hainan Hejia, at the consideration of RMB71.8 million (equivalent to approximately HK\$81.5 million). According to the Board Letter, the consideration for the Acquisition will be financed by the Group’s internal resources. As at the Latest Practicable Date, Hainan Hejia is held as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Upon completion of the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% of the equity interests in Hainan Hejia.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As Zhejiang Zhongyu is a substantial shareholder of Hainan Hejia, a non-wholly owned subsidiary of the Company,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhejiang Zhongyu is therefore a connected person of the Company for the purpose of the Listing Rules and accordingly the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 2.5%, the Acquisition is therefore subject to the requirements of reporting, announcement and Shareholders' approval under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Chow Joseph, Mr. Gu Mingchao and Dr. Li Qingyuan (all being the independent non-executive Directors), has been formed to advise the Shareholders on the Acquisition.

We have been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned; whether the Agreement is on normal commercial terms and whether the entering into of the Agreement 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 recommendation to the Independent Board Committee and the Shareholders on how to vote on the relevant resolution(s) in this respect.

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 representative 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 Agreement; (ii) the annual report of the Company for the year ended 31 December 2007 ("**2007 Annual Report**"); (iii) the interim report for the six months ended 30 June 2008 ("**2008 Interim Report**"); (iv) the annual report of the Company for the year ended 31 December 2008 ("**2008 Annual Report**"); (v) the interim report for the six months ended on 30 June 2009 ("**2009 Interim Report**"); (vi) the unaudited management account of Hainan Hejia for the period from 11 September 2009 (date of incorporation of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hainan Hejia) to 31 December 2009; (vii) the valuation report of the Sanya Land issued by Jones Lang LaSalle Sallmanns Limited (the “**Valuer**”) dated 17 March 2010 (the “**Valuation Report**”); (viii) the announcement of the Company dated 12 November 2009 in relation to the acquisition of 51% equity interests in Hainan Hejia (the “**Nov 2009 Announcement**”); and (ix) the land transfer agreement dated 27 October 2009 entered into between Hainan Hejia and Hainan Nanxin Farm, pursuant to which Hainan Hejia will acquire the Sanya Land at a consideration of RMB616,868,136 (the “**Land Transfer Agreement**”). 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 Hainan Hejia.

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 Committee and the 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Review of financial information on the Group

Based on the information set out in 2007 Annual Report, 2008 Interim Report, 2008 Annual Report, and 2009 Interim Report of the Company, the key financial information of the Group is summarized as follows:

	For the six months		For the year ended 31 December		
	ended 30 June		2008	2007	2006
	2009	2008	2008	2007	2006
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1,256,005	1,081,148	1,893,990	3,310,727	3,916,513
Gross profit	146,955	132,883	87,230	299,537	427,377
Gross profit margin	11.70%	12.29%	4.61%	9.05%	10.91%
Profit/(Loss) attributable to equity holders of the Company	(85,711)	5,417	(273,804)	(194,149)	64,143
Net profit margin	Not applicable	0.50%	Not applicable	Not applicable	1.64%
	As at 30 June		As at 31 December		
	2009	2008	2008	2007	2006
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances and cash	572,213	600,908	389,647	508,850	380,973
Net current assets	769,668	337,153	263,777	404,302	665,922
Total assets	4,285,531	3,786,770	4,379,745	4,139,450	4,074,528
Total borrowings	1,277,406	1,556,096	1,442,557	1,557,212	1,257,089
Total liabilities	2,449,912	1,815,330	2,444,183	2,169,604	1,891,551
Equity attributable to equity holders of the Company	1,757,490	1,923,164	1,854,058	1,917,154	2,108,865

Profit attributable to equity holders of the Company was approximately RMB64.1 million for the year ended 31 December 2006. For the year ended 31 December 2007, however, the Company recorded a loss attributable to equity holders of approximately RMB194.1 million. The loss was mainly due to the then anticipated deterioration of its business environment and further reduction in forecasted furniture sales. For the year ended 31 December 2007, the Group determined that goodwill associated with the Group's upholstered furniture operation subsidiaries were impaired by approximately RMB158.0 million (2006: RMB23.0 million). In addition, the Group increased its impairment provision for inventory from RMB11.4 million for the year ended 31 December 2006 to RMB99.6 million for the year ended 31 December 2007 as the net realizable value of certain types of leather was reduced due to the reduction in market demand.

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Loss attributable to equity holders of the Company further increased to approximately RMB273.8 million for the year ended 31 December 2008, which is primarily due to the global financial turmoil and economic crisis severely hitting the furniture business all over the world. During the year, price competition in the industry became intensified and led to decreases in prices of products sold. Gross profit margin, caused by severe price competition, is thus reduced from 9.05% to 4.61%. Sales of upholstered furniture including finished sofa and sofa cut-and-sew accounted for 64.2% of the Group's total revenue for the year ended 31 December 2008 (2007: 77.7%). Total revenue from upholstered furniture had decreased from approximately RMB2,574 million for the year ended 31 December 2007 to approximately RMB1,216 million for the year ended 31 December 2008.

Turnover increased from approximately RMB1,081.1 million for the six months ended 30 June 2008 to approximately RMB1,256.0 million for the year ended 30 June 2009, representing an increase of 16.2%. Such increase was solely contributed by the properties development business, which generated a new source of revenue of approximately RMB524 million. On the contrary, the manufacturing of upholstered furniture, furniture leather and automotive leather remained stagnant due to weak demand from the U.S. and Europe markets. Such segment revenue decreased from approximately RMB1,078 million to RMB678 million. It is expected by the Group that the export-oriented manufacturers for household products in China will continue to face challenges as U.S. economy will remain weak in the foreseeable future. For the six months ended 30 June 2009, loss attributable to equity holders of the Company was approximately RMB85.7 million.

Gearing ratio (being the total liabilities over total asset) increased from 46.4% as at 31 December 2006 to approximately 52.4% as at 31 December 2007. The increase in gearing ratio was resulted from increased bank borrowings for the purchase of lands for property developments. The Group intends to fund its property development projects with cash generated from operations and external financing. As a result of acquisition of more land and continuous expansion of the property development business, net current asset decreased from approximately RMB665.9 million as at 31 December 2006 to approximately RMB404.3 million as at 31 December 2007.

Gearing ratio further increased to approximately 55.8% as at 31 December 2008. The increase in gearing ratio was also resulted from increased bank borrowings for continuous purchase of lands for property developments projects. As a result of decreasing sales caused by global financial crisis, net current asset decreased from approximately RMB404.3 million as at 31 December 2007 to approximately RMB263.8 million as at 31 December 2008.

As at 30 June 2009, gearing ratio reached approximately 57.2%. The increase in gearing ratio was also resulted from the Group's acquisition of the entire equity interest in Sofas UK which operates more than 20 furniture retail stores in the UK.

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Sofas UK trades under the name of “Easyliving Furniture”, a furniture brand with gaining popularity in the UK. The Directors considered that acquisition will offer a good opportunity for the Group to expand its home furniture retail business in the UK. Net current asset increased from approximately RMB337.2 million as at 30 June 2008 to approximately RMB769.7 million as at 30 June 2009 as a result of the increase in cash from sale of properties which were classified as non-current assets.

Based on the above analysis, it is noted that the Group’s business in manufacturing of the upholstered furniture, and furniture leather has been deteriorated over the periods under review and may continue to face difficulties in the near future. Therefore, the Group believes that the entering into of the property market will provide the Group with a good opportunity to improve the Group’s profitability and bolster its prospects in the long run. In addition, in view of the amount of bank balances and cash of approximately RMB572.2 million and net current assets of approximately RMB769.7 million as at 30 June 2009, it is expected that the Group will have sufficient internal resources to complete the Acquisition.

2. Information on the Hainan Hejia

Hainan Hejia is a company incorporated in the PRC with limited liability and is principally engaged in property development in the PRC. On 12 November 2009, Zhejiang Kasen and Zhejiang Zhongyu entered into a sale and purchase agreement to acquire the entire equity interest in Hainan Hejia at the consideration of RMB276.1 million (approximately HK\$313.3 million). As at the Latest Practicable Date, Hainan Hejia is owned as to 51% by Zhejiang Kasen and as to 49% by Zhejiang Zhongyu. Immediately after the Acquisition, Zhejiang Kasen and Zhejiang Zhongyu will respectively hold 77% and 23% equity interests in Hainan Hejia.

As stated in the Nov 2009 Announcement, Hainan Hejia has entered into the Land Transfer Agreement pursuant to which Hainan Hejia was given the right to acquire the Sanya Land, which is located in Sanya, Hainan Province, the PRC and has a total site area of approximately 1,424,692 square meters, at a consideration of RMB616.9 million (the “**Land Consideration**”). The Sanya Land has been approved for agricultural use. According to the management of the Company, as at the Latest Practicable Date, Hainan Hejia has paid 60% of the Land Consideration. The Directors expected that the remaining balance of the Land Consideration, which is payable in accordance with the respective equity interests of Zhejiang Kasen and Zhejiang Zhongyu in Hainan Hejia, will be settled by end of 2010 when the transfer of title of the Sanya Land is expected to be completed. As at the Latest Practicable Date, the acquisition of the Sanya Land was not completed and no land use right of the Sanya Land had been obtained. Completion of acquisition of the Sanya Land will take place on the date of completion of the filing and registration of the transfer of the Sanya Land with the relevant PRC land administration authority which is expected by the management of the Company to be within 2010, after completion of the master planning of “Hainan International Tourists Island” by the State Council of the PRC. According to the management of the Company, the Sanya Land will be developed into residential buildings and the development project is expected to commence in 2011.

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Based on the management account of the Hainan Hejia, the unaudited financial information on the Hainan Hejia is summarized as the following:

	Period from 11 September 2009 (date of incorporation) to 31 December 2009 (unaudited) RMB'000
Turnover	–
Loss before taxation	(5)
Loss for the period	(5)
	As at 31 December 2009 RMB'000
Net assets	20,000

Since the acquisition of the Sanya Land has not been completed, the net assets value of Hainan Hejia as at 31 December 2009 did not take into account the value of the Sanya Land and accounted for primarily the paid-up capital of approximately RMB20.0 million.

3. 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 the PRC from 2003 to 2008, the economy of the PRC has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the WTO in 2001 has further accelerated the reform of the PRC economy. Nominal gross domestic products of the PRC has increased from approximately RMB13,582.3 billion in 2003 to approximately RMB30,067.0 billion in 2008 at a compounded average growth rate of approximately 17.2%.

According to the National Bureau of Statistics of the PRC, per capita disposable income of urban households increased from RMB8,472 to RMB15,781 from 2003 to 2008. The property market is expected to be benefited from the soaring purchasing power attributable to increasing disposable income in the PRC.

The residential price of Sanya has also benefited from the economic growth and higher disposable income as mentioned above and increased continuously in the past few years. In addition, according to 《關於推進海南國際旅遊島建設發展的若干意見》 (“Certain opinions in relation to proceeding the development of Hainan International Tourists Island”) promulgated by the State Council of the PRC on 4 January 2010, it is the PRC's national strategy to develop Hainan Province, the PRC into an international tourist island.

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Having considered the robust economic growth in the PRC, increasing disposable income of PRC residents and the aforementioned favorable policy, we concur with the Directors that it is justifiable for the Group to enter into of the property markets of the PRC and Hainan Province, aiming at diversifying its business and enhancing its profitability in the long run.

4. Terms of the Agreement

Consideration

As set out in the Board Letter, the consideration for the Acquisition is approximately RMB71.8 million (equivalent to approximately HK\$81.5 million) which was determined after arm's length negotiation between Zhejiang Kasen and Zhejiang Zhongyu with reference to, among other things, the unaudited net assets value of Hainan Hejia as at 31 December 2009 of RMB20 million (equivalent to approximately HK\$22.7 million) and the market value of other land in close proximity of the Sanya Land at approximately RMB840 per square meter.

The original purchase cost of the Acquired Interest to Zhejiang Zhongyu is approximately RMB71.8 million (equivalent to approximately HK\$81.5 million).

Through the Acquisition, the Group will increase its equity interests in Hainan Hejia by 26%. As discussed above, Hainan Hejia has the rights to acquire the Sanya Land. However, the acquisition of the Sanya Land has not been completed and its value has not been accounted for in the accounts of Hainan Hejia. Therefore, to assess the reasonableness and fairness of the consideration for the Acquisition, we need to take into account of the value of the Sanya Land which will be entitled by the Group as a result of completion of the Acquisition and the acquisition of the Sanya Land i.e. 26% of the value of the Sanya Land.

The Company has commissioned Jones Lang LaSalle Sallmanns Limited to prepare a valuation report on the Sanya Land. We have reviewed the Valuation Report and noted that the Valuer attributed no commercial value to the Sanya Land as proper title certificate has not been obtained.

Subject to certain assumptions which are to be discussed below, the Valuer are of the opinion that the value of the Sanya Land is approximately RMB1,080.0 million as at the valuation date, and accordingly 26% of which amounts to RMB280.8 million. According to the Agreement and the Land Transfer Agreement, the consideration for the Acquisition and 26% of the Sanya Land is approximately RMB71.8 million and approximately RMB160.4 million, and accordingly the aggregate consideration is RMB232.2 million which represents a discount of approximately 17.3% to the proportional reference value of the Sanya Land entitled by Zhejiang Kasen as a result of completion of the Acquisition and the acquisition of the Sanya Land i.e. RMB280.8 million.

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Having reviewed the Valuation Report, we note that the valuation of the Sanya Land is based on direct comparison approach and is by making reference to comparable sales transactions as available in the relevant market. The value of the Sanya Land of approximately RMB1,080.0 million as at the valuation date is arrived at under the following assumptions:

- The usage of the Sanya Land has been successfully and lawfully altered to residential use;
- The land use rights of the Sanya Land have been granted for a term of 70 years commencing from the date of valuation;
- The regulated plot ratio of the Sanya Land is 1.0;
- The site coverage of the Sanya Land is less than 25%;
- The relevant land premiums relating to the abovementioned alterations have been fully paid;
- The Sanya Land is a vacant and clear site and relevant demolition, indemnity and compensation costs have been fully settled; and
- The Sanya Land could be freely transferred.

To assess the reasonableness of the valuation approach and assumptions adopted by the Valuer in the Valuation Report, we have discussed with the Valuer and the management of the Company. We are confirmed that the adoption of direct comparison approach is consistent with the market practice in valuation of properties and that the assumptions adopted are reasonable.

In addition, we have considered the reasonableness of the material assumptions used in such valuation, in particular, whether Hainan Hejia can obtain the title certificate for the Sanya Land and whether alteration of land usage of the Sanya Land will be approved. In this regard, we have performed the following works:

1. we have reviewed the legal opinion of the legal adviser of the Company namely Zhejiang Chaoxiang Law Office (the “PRC Legal Opinion”), which states that there is no material legal impediment for Hainan Hejia in obtaining the title certificate and altering the land usage of the Sanya Land and that the assumptions used in the Valuation Report do not violate the PRC laws and regulations;
2. we have discussed with the management of the Company and obtained written confirmation from the Directors that there are no impediments in obtaining the title and altering the land usage of the Sanya Land based on their discussion with relevant government authority. In addition, we were given to understand by the Company that the transfer of title of the Sanya Land has been approved by 海南省農墾總局 (Bureau of Agriculture and Farming of Hainan Province). The Company expected that the land use right certificate of the Sanya Land will be obtained after completion of

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the master planning of “Hainan International Tourists Island” in 2010 when the administration of land title transfer in Hainan resumes;

3. we have reviewed the Land Transfer Agreement, we are aware that Hainan Nanxin Farm, a state owned enterprise under Bureau of Agriculture and Farming of Hainan Province, will assist Hainan Hejia in processing the procedures of setting, master development plans, town planning rezoning, land use application and approvals and transferring the title of the land;
4. we have discussed with the Valuer on the assumptions used in the Valuation Report and we were confirmed by the Valuer that those assumptions are commonly used and reasonable for valuing the Sanya land; and
5. we have reviewed certain announcements of the auction results of land use rights, which were published by 三亞市國土環境資源局 (Sanya Municipal Administration of Land, Environment and Resources) in 2009 and noted that other assumptions such as term of land use right, plot ratio and site coverage are reasonable. According to the management of the Company, those announcements are related to land parcels which are comparable to the Sanya Land.

Based on the above works done, we consider that the assumptions used in the Valuation Report, in particular those related to the obtaining of title of the Sanya Land and alternation of its land usage, are reasonable. Accordingly, we consider that the reference valuation of the Sanya Land of approximately RMB1,080.0 million is an appropriate reference.

In determination of the consideration for the Acquisition, the Company also make reference to the market value of another land in close proximity of the Sanya Land, which is valued at approximately RMB840 per square meter. After discussion with the management of the Company, we considered that the reference market value of that particular land is also an appropriate reference as that represents the value of land which, according to the management, is the closest to the Sanya Land among all similar transactions in the past two years and is of similar terms of usage.

By virtue of the fact that the aggregate consideration for the Acquisition and the acquisition of 26% of the Sanya Land i.e. RMB232.2 million represents a discount to the proportional reference value of the Sanya Land entitled by Zhejiang Kasen as a result of completion of the Acquisition and the acquisition of the Sanya Land i.e. RMB280.8 million and that those assumptions adopted in the Valuation Report are considered acceptable by the management of the Company, we are of the view that the consideration under the Agreement is fair and reasonable.

In addition, although there exists certain risks of failure to obtain the title and approval of alteration of the land usage of the Sanya Land by Hainan Hejia, pursuant to the Land Transfer Agreement, in the event that due to national policy revision or reasons of local government authority or Bureau of Agriculture and Farming of Hainan Province which cause the project to be constructed on the Sanya Land unable to be approved or cannot going forward, the Land Transfer Agreement will be terminated, whilst Land Consideration paid will be refunded to Hainan Hejia within 3 days after the date when the Land Transfer Agreement terminates.

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As set out in the Board Letter, pursuant to the equity transfer agreement dated 12 November 2009 entered into between Zhejiang Kasen and Zhejiang Zhongyu as purchasers, and Hainan Baodao and Hejia Real Estate as vendors, in the event that the acquisition of the Sanya Land fails to complete, Hainan Baodao and Hejia Real Estate shall return the sum already paid by Zhejiang Kasen and Zhejiang Zhongyu, to Zhejiang Kasen and Zhejiang Zhongyu (including the payment made by Zhejiang Kasen and Zhejiang Zhongyu to Hainan Hejia for the acquisition of the Sanya Land pursuant to the land transfer agreement) and compensate Zhejiang Kasen and Zhejiang Zhongyu all the loss and damages suffered by them as a result of non-completion of the acquisition of the Sanya Land. According to the PRC Legal Opinion, provided that Hainan Hejia fails to obtain the land use right certificate of the Sanya Land of which the alteration of land usage has been approved, the consideration for the 77% equity interests in Hainan Hejia (including that for the Acquired Interest) will be refunded to Zhejiang Kasen.

Since the Group will not bear any loss in the event that Hainan Hejia fails to obtain the land title certificates or approval for change of use of the Sanya Land as a result of the refund arrangements under the land transfer agreement in respect of the acquisition of the Sanya Land and the equity transfer agreement in respect of the acquisition of the 51% interest in Hainan Hejia as disclosed above, and the prospects of Hainan Hejia, the Board is of the view that the terms of the Agreement are fair and reasonable.

Settlement of considerations

The consideration payable for the Acquired Interest will be satisfied in the following manners:

- (a) a deposit payment of RMB14,356,000 (equivalent to approximately HK\$16,304,373) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days from the date of the Agreement; and
- (b) a payment of RMB57,424,000 (equivalent to approximately HK\$65,217,490) will be made by Zhejiang Kasen to Zhejiang Zhongyu within 10 Business Days upon the completion of all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition.

We note that the consideration for the Agreement is to be settled by cash and the Directors intend to finance the Acquisition by internal resources of the Group.

Based on our discussion with the management of the Company, in order to complete the acquisition of the 77% of equity interests in Hainan Hejia and the Sanya Land (including the Acquisition and the acquisition as announced in Nov 2009 Announcement), the Group will need to settle (i) consideration for the Acquired interest of RMB71.8 million; (ii) 77% of the outstanding balance payable (equivalent to 40% of the Land Consideration pursuant to the Land Transfer Agreement) for acquisition of the Sanya Land i.e. RMB199.2 million. Accordingly, total amount payable by the Company is approximately RMB271.0 million in respect of the acquisition of 77% of equity interests in Hainan Hejia and the Sanya Land. In view of the fact that the Company had bank balances and cash and net current assets of approximately RMB572.2 million and RMB769.7 million as at 30 June 2009 respectively, the Directors believe that the Group will have sufficient financial resources to complete the Acquisition and outstanding balance of the Land Consideration.

5. Reasons for the Acquisition

The Directors consider that investment in the Hainan Hejia 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 Hainan Hejia will allow the Company to strengthen its existing business in property development and reduce the Group's reliance on the upholstered leather business which has been adversely impacted by the stagnant US economic and housing market.

As stated in the 2009 Interim Report of the Company, one of the principal business activities of the Group is property development. The Group is developing a commercial and residential property project in Yancheng, Jiangsu Province, PRC with a total construction area of 680,000 square meters. During the period under review, sales generated from the first phase of Yancheng Project were recognized. It is estimated that steady income will be realized in the following years upon the sales in the next two phases. The Group also owns two parcels of land with a total site area of 590,165 square meters in Boao, Hainan Province for the use of residential and tourism property development projects. The Group believes these projects will provide the Group with good opportunity to intensify and complement its existing residential housing development segment and will contribute to the Group's profitability in the long run.

As set out in the section headed "Information on the Hainan Hejia" in this letter, the scope of business of Hainan Hejia includes the property development in the PRC. In addition, Hainan Hejia owns the rights to purchase the Sanya Land located in Sanya, Hainan Province, the PRC and with a total site area of approximately 1,424,692 square meters. We are of the view that the Acquisition aligns with the overall business strategy of the Group. Besides, as discussed in the section headed "Overview of the property market in the PRC" above, we concur with the view of the Directors that the Acquisition enables the Group to further participate in the promising property market in the PRC. Therefore, we concur with the Directors that the entering into of the Agreement 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.

6. Financial effects of the Acquisition

The financial effects of the Acquisition on the Group are summarized as the following:

Earnings

After the Acquisition, the Hainan Hejia will continue to be accounted for as a subsidiary of the Company and its results will be consolidated with the results of the Company. As Hainan Hejia had no turnover and a slight loss of RMB5,000 for the period from 11 September 2009 (date of incorporation) to 31 December 2009, it is expected that there will not be any immediate material effect on the earnings of the Group.

Net asset value

According to the 2009 Interim Report, the Group has net assets of approximately RMB1,835.6 million.

Since the Company intends to finance the entire amount of the Consideration in cash by internal resources, upon completion of the Acquisition and before the completion of acquisition of the Sanya Land, the decrease in cash balance by approximately RMB71.8 million which will be totally offset by the decrease in minority interests and increase in property under development. Accordingly, the net asset value of the Group will remain unchanged.

Liquidity and financial resources

According to the Agreement, the consideration amounts to RMB71.8 million and will be payable in cash. Based on the 2009 Interim Report, the Group had bank balances and cash of approximately RMB572.2 million as at 30 June 2009 and thus the cash consideration payable by the Group would not cause immediate material adverse impact on the Group's liquidity.

According to the 2009 Interim Report, the Company has a gearing ratio (total liabilities divided by total assets) of 57.2% as at 30 June 2009. Upon completion of the Acquisition and before the completion of acquisition of the Sanya Land, it is expected that the Group's gearing ratio will remain unchanged.

Based on the above analysis, we are of the view that the Acquisition would not cause immediate material adverse impact on the earnings, net asset value, liquidity and financial resources of the Group.

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CONCLUSIONS

Having considered the above factors and reasons, in particular (i) the aggregate consideration for the Acquisition and the acquisition of 26% of the Sanya Land i.e. RMB232.2 million which is of a discount to the proportional reference value of the Sanya Land entitled Zhejiang Kasen upon completion of the Acquisition and the acquisition of the Sanya Land i.e. RMB280.8 million; (ii) the Acquisition aligns with the Group's strategy to develop its business in the PRC property market; (iii) the Group has sufficient financial resources to complete the Acquisition and the acquisition of the Sanya Land; (iv) the consideration paid for acquisition of the Sanya Land and Hainan Hejia will be refunded if Hainan Hejia fails to obtain the land use right certificate of the Sanya Land of which the alteration of land has been approved; and (v) the strong PRC property markets and favorable policy of the PRC government in respect of Hainan Province, we are of the view that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned; the Agreement is on normal commercial terms and the entering into of the Agreement 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 Independent Board Committee to advise the Shareholders to vote in favour of the resolution(s) approving the Acquisition; and (ii) the Shareholders to vote in favour of the resolution(s) approving the Acquisition.

For and on behalf of

GF Capital (Hong Kong) Limited

Dino Ng

Managing Director and Co-head of Corporate Finance

The following is the text of a letter and valuation certificate, 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 31 December 2009 of the property interest contracted to be acquired by Hainan Hejia Property Development Co., Ltd.



Jones Lang LaSalle Sallmanns Limited
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tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

17 March 2010

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

Dear Sirs,

On 24 February 2010, Zhejiang Kasen Property Development Co., Ltd. ("Zhejiang Kasen"), a wholly-owned subsidiary of Kasen International Holdings Limited, (the "Company"), entered into an Interest Transfer Agreement with Zhejiang Zhongyu Trading Investment Development Co., Ltd. ("Zhejiang Zhongyu"), pursuant to which Zhejiang Kasen has agreed to purchase 26% interest of Hainan Hejia Property Development Co., Ltd. ("Hainan Hejia") from Zhejiang Zhongyu at a total consideration of RMB71,780,000.

On 27 October 2009, Hainan Hejia entered into a Land Transfer Agreement with Hainan Nanxin Farm (an independent third party), pursuant to which Hainan Hejia has agreed to acquire the land use rights of a parcel of land with a site area of approximately 1,424,692 sq.m. (the "Property") located at Group 15, Nanxin Farm, Sanya City, Hainan Province, the People's Republic of China (the "PRC") at a consideration of RMB616,868,136.

In accordance with your instructions to value the Property, 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 value of the property interest as at 31 December 2009 ("the date of valuation").

Pursuant to the information provided, the Property is currently for agricultural use. No title certificate has been obtained by Hainan Hejia, therefore we have attributed no commercial value to the Property.

As at the date of valuation, the planning and development restrictions of the Property had not been determined or approved by the relevant authorities. However, for reference purpose,

we are instructed by the Company to provide a market value of the Property on the following special assumptions (the “Special Assumptions”):

- The usage of the Property has been successfully and lawfully altered to residential use;
- The land use rights of the Property have been granted for a term of 70 years commencing from the date of valuation;
- The regulated plot ratio of the Property is 1.0;
- The site coverage of the Property is less than 25%;
- The relevant land premiums relating to the abovementioned alterations have been fully paid; and
- The Property is a vacant and clear site and relevant demolition, indemnity and compensation costs have been fully settled.

We stress that as at the date of valuation none of the above Special Assumptions had been actually effected or put in force and that the status of the land was agricultural.

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 by the direct comparison approach by making reference to comparable sales transactions as available in the relevant market in our assessment of the market value of 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 interest, 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 Hainan Hejia and have accepted advice given to us on such matters as tenure, planning, statutory notices, easements, particulars of occupancy, and all other relevant matters.

We have been shown a copy of the Land Transfer Agreement relating to the Property and have made relevant enquiries. Where possible, we have examined the original document to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest. We have relied considerably on the advice given by the 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 area in respect of the Property but have assumed that the area shown on the abovementioned Agreement handed to us is 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 Property unless we have been otherwise instructed. 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.

We have had no reason to doubt the truth and accuracy of the information provided to us by Hainan Hejia. We have also sought confirmation from Hainan Hejia 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 certificate is attached below.

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 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest contracted to be acquired by Hainan Hejia in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2009 RMB
A parcel of land located at Group 15 Nanxin Farm Sanya City Hainan Province The PRC	The property comprises a parcel of land with a site area of approximately 1,424,692 sq.m.	The property is currently occupied for agricultural use.	No commercial value (refer to note 2)

Notes:

1. Pursuant to a Land Transfer Agreement dated 27 October 2009 entered into between Hainan Nanxin Farm, an independent third party, and Hainan Hejia, the land use rights of the Property with a site area of approximately 2,135.97 Mu (equal to approximately 1,424,692 sq.m.), were contracted to be transferred to Hainan Hejia at a total consideration of RMB616,868,136. The salient terms stipulated in the Land Transfer Agreement are set out as follows:
 - a. The total consideration of the transaction includes land indemnity cost, compensation fees for resettlement and the additional land premium which should be paid during going through the land grant procedure;
 - b. Hainan Nanxin Farm will assist Hainan Hejia in processing the procedures of master planning, town planning rezoning, land use application and approvals and transferring the title of the land; and
 - c. If due to National Policy revision or reasons of local government authority or Bureau of Agriculture and Farming (農墾局) which cause the project to be constructed on the Property unable to be approved or cannot going forward, the Land Transfer Agreement will be terminated, whilst the land consideration paid should be returned to Hainan Hejia within 3 days after the date when the Land Transfer Agreement terminates.
2. 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 purpose, we are of the opinion that the capital value of the Property as at the date of valuation would be RMB1,080,000,000 on the following Special Assumptions instructed by the Company:
 - a. The usage of the Property has been successfully and lawfully altered to residential use;
 - b. The land use rights of the Property have been granted for a term of 70 years commencing from the date of valuation;
 - c. The regulated plot ratio of the Property is 1.0;
 - d. The site coverage of the Property is less than 25%;
 - e. The relevant land premiums relating to the abovementioned alterations have been fully paid;
 - f. The Property is a vacant and clear site and relevant demolition, indemnity and compensation costs have been fully settled; and
 - g. The Property could be freely transferred.

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 Land Transfer Agreement stated in note 1 is legal and valid;
 - b. If the two parties can fulfill the rights and obligations under the Land Transfer Agreement, there will be no material legal impediment for Hainan Hejia in obtaining the Land Use Right Certificate for the Property;
 - c. The Land Use Right Certificate of the property is in the process of application. The relevant planning and development restrictions have not been determined. The special assumptions in relation to the development of the property stated in note 2 do not violate the PRC laws and regulations; and
 - d. The property is not subject to any mortgages or situation of seizure.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually 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 and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

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

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

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total number of shares interested	
Zhu Zhangjin (“Mr Zhu”)	7,854,000	503,292,635 <i>(Note)</i>	511,146,635	44.03%
Zhou Xiaosong	8,173,912	–	8,173,912	0.70%
Zhang Mingfa, Michael	1,980,000	–	1,980,000	0.17%

Note: 503,292,635 shares are beneficially owned by Joyview Enterprises Limited (“**Joyview**”), 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 the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at 1 January 2009	Granted from 1 January 2009 to the Latest Practicable Date	Lapsed from 1 January 2009 to the Latest Practicable Date	Exercised from 1 January 2009 to the Latest Practicable Date				
Zhu Zhangjin	2.38	1,000,000	-	-	-	1,000,000	0.09%	1/1/2007 to 8/3/2016	1, 9, 10
	2.38	1,000,000	-	-	-	1,000,000	0.09%	1/1/2008 to 8/3/2016	2, 9, 10
Zhou Xiaosong	2.38	1,000,000	-	-	-	1,000,000	0.09%	1/1/2007 to 8/3/2016	1, 9, 10
	2.38	1,000,000	-	-	-	1,000,000	0.09%	1/1/2008 to 8/3/2016	2, 9, 10
	1.18	500,000	-	-	-	500,000	0.04%	1/1/2009 to 4/5/2018	3, 9, 10
	1.18	500,000	-	-	-	500,000	0.04%	1/1/2010 to 4/5/2018	4, 9, 10
Zhang Mingfa, Michael	2.38	500,000	-	-	-	500,000	0.04%	1/1/2007 to 8/3/2016	1, 9, 10
	2.38	500,000	-	-	-	500,000	0.04%	1/1/2008 to 8/3/2016	2, 9, 10
	1.18	250,000	-	-	-	250,000	0.02%	1/1/2009 to 4/5/2018	3, 9, 10
	1.18	250,000	-	-	-	250,000	0.02%	1/1/2010 to 4/5/2018	4, 9, 10
Chow Joseph	2.38	200,000	-	-	-	200,000	0.02%	1/1/2007 to 8/3/2016	1, 9, 10
	2.38	200,000	-	-	-	200,000	0.02%	1/1/2008 to 8/3/2016	2, 9, 10
	1.18	300,000	-	-	-	300,000	0.03%	1/1/2009 to 4/5/2018	3, 9, 10
	1.18	300,000	-	-	-	300,000	0.03%	1/1/2010 to 4/5/2018	4, 9, 10
Gu Mingchao	1.60	-	500,000	-	-	500,000	0.04%	1/10/2010 to 12/10/2019	7, 9, 10
	1.60	-	500,000	-	-	500,000	0.04%	1/10/2011 to 12/10/2019	8, 9, 10
Li Qingyuan (Note 11)	1.60	-	500,000	-	-	500,000	0.04%	1/10/2010 to 12/10/2019	7, 9, 10
	1.60	-	500,000	-	-	500,000	0.04%	1/10/2011 to 12/10/2019	8, 9, 10
Lu Yungang (Note 11)	2.38	200,000	-	(200,000)	-	-	-	1/1/2007 to 8/3/2016	1, 9, 10
	2.38	200,000	-	(200,000)	-	-	-	1/1/2008 to 8/3/2016	2, 9, 10
	1.18	300,000	-	-	(300,000)	-	-	1/1/2009 to 4/5/2018	3, 9, 10
	1.18	300,000	-	(300,000)	-	-	-	1/1/2010 to 4/5/2018	4, 9, 10
		<u>8,500,000</u>	<u>2,000,000</u>	<u>(700,000)</u>	<u>(300,000)</u>	<u>9,500,000</u>	<u>0.82%</u>		

Notes:

- Pursuant to the share option scheme (the "Scheme") adopted by a resolution of the Shareholders on 24 September 2005 and adopted by a resolution of the Board on 26 September 2005, these share options were granted on 9 March 2006 and are exercisable at HK\$2.38 per Share from 1 January 2007 to 8 March 2016.
- These share options were granted pursuant to the Scheme on 9 March 2006 and are exercisable at HK\$2.38 per Share from 1 January 2008 to 8 March 2016.

3. These share options were granted pursuant to the Scheme on 5 May 2008 and are exercisable at HK\$1.18 per Share from 1 January 2009 to 4 May 2018.
4. These share options were granted pursuant to the Scheme on 5 May 2008 and are exercisable at HK\$1.18 per Share from 1 January 2010 to 4 May 2018.
5. These share options were granted pursuant to the Scheme on 13 May 2009 and are exercisable at HK\$0.53 per Share from 1 January 2010 to 12 May 2019.
6. These share options were granted pursuant to the Scheme on 13 May 2009 and are exercisable at HK\$0.53 per Share from 1 January 2011 to 12 May 2019.
7. These share options were granted pursuant to the Scheme on 12 October 2009 and are exercisable at HK\$1.60 per Share from 1 October 2010 to 12 October 2019.
8. These share options were granted pursuant to the Scheme on 12 October 2009 and are exercisable at HK\$1.60 per Share from 1 October 2011 to 12 October 2019.
9. These share options represent personal interest held by the relevant participants as beneficial owner.
10. Except the lapsed and exercised share option stated above, up to the Latest Practicable Date, none of these share options were cancelled.
11. On 1 October 2009, Mr. Lu Yungang resigned as an independent non-executive Director. On 1 October 2009, Dr. Li Qingyuan was appointed as independent non-executive Director.

Interests in the associated corporation of the Company

Name of Director	Associated Corporation	Number of shares	Approximate percentage of shareholding in associated corporation
Zhu Zhangjin	Joyview Enterprises Limited	1	100%

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

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Mr. Zhu Zhangjin stated in “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and

Debentures”) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(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 ²	Beneficial owner	–	503,292,635	503,292,635	43.35%
Warburg Pincus & Co. ¹	Interest of controlled corporation	–	135,989,966	135,989,966	11.71%
Warburg Pincus Partners LLC ¹	Interest of controlled corporation	–	135,989,966	135,989,966	11.71%
Warburg Pincus Private Equity VIII L.P. ¹	Beneficial owner	–	65,893,488	65,893,488	5.67%
Warburg Pincus International Partners L.P. ¹	Beneficial owner	–	65,174,811	65,174,811	5.61%

Notes:

- 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.
- Joyview is a company wholly and beneficially owned by Mr. Zhu Zhangjin. Mr. Zhu Zhangjin is the director of Joyview.

(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
浙江中宇經貿投資發展有限公司 (Zhejiang Zhongyu Trading Investment Development Co., Ltd.*)	海南合甲置業有限公司 ¹ (Hainan Hejia Property Development Co., Ltd*)	Beneficial	49%
同盛(香港)控股有限公司 (Tongsheng (HK) Holdings Limited)	杭州卡森農業科技有限公司 ² (Hangzhou Kasen Agriculture Technology Co., Ltd)	Beneficial	20%

Notes:

1. The Company has 51% indirect interest in Hainan Hejia Property Development Co., Ltd.
2. The Company has 80% indirect interest in Hangzhou Kasen Agriculture Technology Co., Ltd.

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING BUSINESS INTEREST OF DIRECTORS

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

5. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENT

GF Capital and Jones Lang LaSalle Sallmanns Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and references to their respective names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have given their respective opinion or advice which are contained in this circular:

Name	Qualification
GF Capital	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Sallmanns Limited	An independent professional property valuer

As at the Latest Practicable Date, GF Capital and Jones Lang LaSalle Sallmanns Limited did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2008, the date to which the latest audited financial statements of the Group was made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

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

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

- (c) The company secretary of the Company is Ms. Yiu Hoi Yan. Ms. Yiu is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at 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 Fulcrum Group (Cayman) Limited.
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008;
- (c) the valuation report issued by Jones Lang LaSalle Sallmanns Limited on the Sanya Land as set out in Appendix I to this circular;
- (d) the written consents referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix;
- (e) the Agreement;
- (f) the circular of the Company dated 21 January 2009 in relation to (1) the surrendering of a land to Haining City Xieqiao Town Construction and Development Company Limited by certain wholly-owned subsidiaries of the Company; and (2) renewal of existing continuing connected transaction with Starcorp Corporation Pty. Ltd.;

- (g) the circular of the Company dated 26 March 2009 in relation to certain continuing connected transactions;
- (h) the circular of the Company dated 29 April 2009 in relation to the disposal of land situated in Hunan, Changsha, the PRC; and
- (i) this circular.

* *For identification purposes only*

NOTICE OF THE EGM



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

NOTICE 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 1 April 2010 at 8:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the equity transfer agreement (the “**Agreement**”) dated 24 February 2010 entered into between Zhejiang Kasen Property Development Co., Ltd. (浙江卡森置業有限公司) (“**Zhejiang Kasen**”), a wholly-owned subsidiary of the Company, and Zhejiang Zhongyu Trading Investment Development Co., Ltd. (浙江中宇經貿投資發展有限公司) (“**Zhejiang Zhongyu**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Zhejiang Kasen has agreed to purchase from Zhejiang Zhongyu a 26% interest in Hainan Hejia Property Development Co., Ltd. (海南合甲置業有限公司) at a total consideration of RMB71,780,000 (equivalent to approximately HK\$81,521,863) be and is hereby approved, ratified and confirmed; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute the Agreement and all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement.”

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

Hong Kong, 17 March 2010

NOTICE OF THE EGM

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

Notes:

1. 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 17M 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.