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

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

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

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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF 49% OF THE EQUITY
INTEREST OF THE TARGET COMPANY INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Tuesday, 12 December 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

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DEFINITIONS

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

“Acquisition”	the acquisition of the Target Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 29 September 2023
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above is issued or a “black” rainstorm warning is hoisted during the period from 9:00 a.m. to 5:00 p.m. on such day
“Cambodia”	the Kingdom of Cambodia
“Company”	Kasen International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	the tenth (10th) Business Day after the date of fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement (or such other date as the parties to the Sale and Purchase Agreement may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of up to HK\$338,000,000 for the sale and purchase of the Target Shares pursuant to the Sale and Purchase Agreement
“Conversion Price”	HK\$0.36 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds

DEFINITIONS

“Conversion Shares”	516,666,665 Shares to be allotted and issued by the Company to settle part of the Consideration
“Convertible Bonds”	the convertible bonds to be created and issued by the Company to settle part of the Consideration, and convertible into Shares pursuant to the terms and conditions of the Convertible Bonds and the Sale and Purchase Agreement
“Directors(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approving the Acquisition and the Specific Mandate
“Enlarged Group”	the Group including the Target Company following Completion
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Batch of Land”	a batch of land located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia with a site area of approximately 304 hectares, being part of the Land for the Project
“Fourth Batch of Land”	a batch of land located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia with a site area of up to approximately 270 hectares, being part of the Land for the Project
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors, namely Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, which was established to advise the Independent Shareholders on the terms of the Acquisition and the Specific Mandate
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and are required to abstain from voting on the resolution(s) regarding the Acquisition at the EGM
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“Independent Valuer”	CHFT Advisory and Appraisal Limited, an independent professional valuer
“Kasen International” or “Purchaser”	Kasen International Company Limited, a company incorporated in the Cayman Islands with limited liability and is wholly-owned by the Company
“Land”	collectively, the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land for the Project
“Land Agreement”	the sale and purchase agreement dated 17 August 2023 entered into between Mr. Suon, Mrs. Keo and Ms. Zhu in relation to the acquisition of the Land by Ms. Zhu
“Latest Practicable Date”	20 November 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“Long Stop Date”	29 February 2024 (or such other date as may be agreed between the parties to the Sale and Purchase Agreement)
“Mr. Suon”	Mr. Suon Mean, a Cambodian individual and a spouse of Mrs. Keo, who is an Independent Third Party
“Mr. Zhu”	Mr. Zhu Zhangjin, an executive Director and the controlling Shareholder
“Mrs. Keo”	Mrs. Keo Dary, a Cambodian individual and a spouse of Mr. Suon, who is an Independent Third Party
“Ms. Zhu”	Ms. Zhu Jiayun, being the daughter of Mr. Zhu
“PRC”	the People’s Republic of China
“Project”	the plan of establishment by the Target Company of a special economic zone at Province of Koh Kong, Kingdom of Cambodia
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 September 2023 entered into between Ms. Zhu, the Purchaser and the Company in relation to the Acquisition
“Second Batch of Land”	a batch of land located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia with a site area of approximately 206 hectares, being part of the Land for the Project
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Shares”	ordinary shares of par value of US\$0.00015 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	the specific mandate proposed to be sought from the Independent Shareholders at the EGM to allot and issue the Conversion Shares at the Conversion Price

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Target Company”	Koh Kong Zhejiang Sez Co., Ltd., a company incorporated in Cambodia with limited liability and is wholly-owned by Ms. Zhu
“Target Shares”	490 ordinary shares of the Target Company, representing 49% of equity interest of the Target Company as at the Latest Practicable Date
“Third Batch of Land”	a batch of land located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia with a site area of approximately 354 hectares, being part of the Land for the Project
“US\$”	United States dollars, the lawful currency in the United States of America
“%”	per cent.

For the purpose of this circular, unless otherwise stated, the exchange rate used for conversion between US\$ and HK\$ is US\$1.00 = HK\$7.80.

In the case of inconsistency, the English text of this circular shall prevail over the Chinese text.

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 Xiaohong

Independent Non-Executive Directors:

Du Haibo
Zhang Yuchuan
Zhou Lingqiang

Registered office:

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

Head office and principal

place of business:
Building 1, 236 Haizhou Road West
Haining City
Zhejiang Province 314400
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Place of business in Hong Kong:

Unit 1107, 11/F
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183 Queen's Road Central
Sheung Wan
Hong Kong

23 November 2023

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF 49% OF THE EQUITY
INTEREST OF THE TARGET COMPANY INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition and the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) details of the Acquisition and the Specific Mandate; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Group; (v) the accountant's report of the Target Company; (vi) the unaudited pro forma financial information of the Enlarged Group; (vii) a valuation report of the Land prepared by the Independent Valuer; (viii) a notice of the EGM; and (ix) other information as required under the Listing Rules.

THE ACQUISITION

On 29 September 2023 (after trading hours), Ms. Zhu (as seller), the Purchaser (as purchaser) and the Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and Ms. Zhu has conditionally agreed to sell, the Target Shares, at the Consideration of HK\$338,000,000, which will be satisfied by cash and the issue of the Convertible Bonds.

THE SALE AND PURCHASE AGREEMENT

Date

29 September 2023 (after trading hours)

Parties

- (a) Ms. Zhu (as seller);
- (b) the Purchaser (as purchaser); and
- (c) the Company.

Assets to be acquired

The Company understands from Ms. Zhu that she has considered several factors in deciding to partner with the Group and enter into the Sale and Purchase Agreement. These factors include: (i) the Group's strategic plan to develop the Project, being a special economic zone with the Land; (ii) leveraging the Group's competitiveness to develop the Project, including but not limited to (a) the Group's experience gained from its investments in Cambodia since 2018; (b) the Group's resources and reputation as a listed company in Hong Kong; (c) the Group has established and is also continuing to expand the scale of its production base in Cambodia; and (d) the Group's ability to introduce potential manufacturers to set up their production bases in the Special Economic Zone under the Project, in particular in view of the extensive network established by the Group in the industrial industry, which it gained from its principal manufacturing and trading of upholstered furniture business over the years; and (iii) the development costs for the Project are expected to be provided by the Group and Ms. Zhu on a proportionate basis.

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Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and Ms. Zhu has conditionally agreed to sell, the Target Shares. The Target Shares represent 49% of the equity interest of the Target Company as at the Latest Practicable Date.

Pursuant to the Land Agreement, the total acquisition cost/consideration of the Land paid/to be paid by Ms. Zhu to Mr. Suon and Mrs. Keo is approximately US\$88,424,000 (equivalent to approximately HK\$689,707,000).

Pursuant to the Land Agreement, (i) the legal title of the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land shall be transferred to Ms. Zhu (or her nominee(s)) on or before 30 September 2023 (the “**First Batch of Land Completion**”), 30 November 2023 (the “**Second Batch of Land Completion**”), 31 December 2023 (the “**Third Batch of Land Completion**”) and 31 January 2024 (the “**Fourth Batch of Land Completion**”), respectively; (ii) the respective payments shall be settled in the following summarised manner:

Batch(es)	On or before	Cash consideration
First Batch of Land	Fifth (5th) Business Day following the First Batch of Land Completion (i.e. 30 September 2023)	a total of US\$23,712,000
Second Batch of Land	Fifth (5th) Business Day following the Second Batch of Land Completion (i.e. 30 November 2023)	a total of US\$16,068,000
Third Batch of Land	Fifth (5th) Business Day following the Third Batch of Land Completion (i.e. 31 December 2023)	a total of US\$27,612,000
Fourth Batch of Land	Fifth (5th) Business Day following the Fourth Batch of Land Completion (i.e. 31 January 2024)	a total of US\$21,032,000
Total		<u>US\$88,424,000</u>

Each of the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion is not inter-conditional to each other.

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As at the Latest Practicable Date, the First Batch of Land Completion had taken place and the legal title of the First Batch of Land had been duly transferred to the Target Company. The payment for the First Batch of Land had been duly settled by Ms. Zhu.

Undertakings by Ms. Zhu

Pursuant to the Sale and Purchase Agreement, Ms. Zhu undertakes (i) to procure the duly transfer of the legal title of the Land to the Target Company upon the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion, respectively; and (ii) that the Land shall be free from any encumbrances and there shall be no defect in the title to the Land.

Ms. Zhu further undertakes that following Completion, (i) all the voting rights in respect of the 51% equity interest of the Target Company held by Ms. Zhu will be assigned to the board of directors of the Company; and (ii) to procure the appointment of majority of the board of directors of the Target Company to be nominated by the Company.

Information on the Land

The Land is comprised of the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land, located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia. The Land has a total site area of approximately 1,134 hectares. The Land is freehold, currently vacant and will be designated for industrial usage.

The Land comprises 33 parcels of lands. As at the Latest Practicable Date, (i) 7 of these land parcels were registered under the names of Mr. Suon and/or his wife, (ii) 9 of these land parcels were registered under Koh Kong Zhejiang SEZ Co., Ltd; and (iii) the remaining 17 land parcels were registered under the names of other proprietors (the “**Other Proprietors**”).

To the best knowledge, information and belief of the Company having made all reasonable enquiries, from 3 August 2023 to 15 August 2023, Mr. Suon and Mrs. Keo had already entered into due arrangements with the Other Proprietors in relation to transfer the legal title and/or rights of the relevant land parcels to Mr. Suon and Mrs. Keo.

As at the Latest Practicable Date, the Land was agriculture in nature. The application for the change in use of approximately 500 hectares of the Land (which covers the First Batch of Land of approximately 304 hectares) from agriculture usage to industrial usage had been submitted to the relevant government authorities in Cambodia (the “**First Application**”) in early November 2023. The application for the change in use of the remaining 634 hectares of the Land (the “**Second Application**”) is targeted to be submitted in January 2024. As advised by the Company’s legal adviser, it is understood that (i) no material application fee is required; (ii) the processing time needed by the relevant government authorities is generally around 30 to 60 days; and (iii) no material obstacles are expected for the application for the change in use of the Land from

LETTER FROM THE BOARD

agriculture usage to industrial usage, as the applications are generally procedural in nature, e.g. subject to completion of application filing and registration at Ministry of Land Management Urban Planning and Construction of Cambodia. Accordingly, it is expected that the approvals for the First Application and the Second Application will be obtained in around January 2024 and March 2024, respectively.

After seeking advice from the Company's legal adviser, it is understood that (i) the difference between the "hard title" land and "soft title" land is: the "hard title" is issued by Ministry of Land Management, Urban Planning and Construction based on the land law. It is a formal real estate ownership document issued by the provincial cadastral department where the land is located. The hard title records in detail the land plot number, specific location, GPS positioning, area, ownership information, ownership basis or acquisition, mortgage rights and other information. The "soft title" is issued by the local administration. Owners can obtain the soft title through lawful acquisition with attestation and/or recognition by commune or Sangkat chief. The soft title only records the owner, approximate location, borders, area and other information. Both hard and soft titles are common and transferable forms of title ownership; (ii) boundary disputes are common in "soft title" lands as they record relatively less and approximate information only; and (iii) boundary disputes will generally be resolved upon successful conversion of "soft title" land into "hard title" land, given that the hard titles will record in detail, among others, the land plot number and specific location. In this regard, the Company further understands from its legal adviser that a few parcels of Land with a total area of approximately 550,000 sq.m. (which are soft title lands) are subject to a boundary dispute (the "**Boundary Dispute Lands**"). As advised by the Target Company, the applications for the conversion of the Boundary Dispute Lands from soft titles to hard titles have been submitted and are currently under process, and they are expected to complete in around two months' time. In the event that the boundary disputes of the Boundary Dispute Lands have not been duly resolved upon the transfer of the legal titles of the Boundary Dispute Lands, it is agreed between the Company and Ms. Zhu that they shall not proceed with the transfer of relevant legal titles of the Boundary Dispute Lands to the Target Company, and accordingly, the Consideration to be paid by the Company shall be proportionately adjusted. As the Boundary Dispute Lands only account less than 5% of the Land, there will not be any material impact on the Company's development plan of the Land and the Project.

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Consideration

The Consideration of HK\$338,000,000 shall be payable by the Purchaser to Ms. Zhu (or her nominee(s)) in the following manner:

Cash consideration:

HK\$152,000,000 (the “**Total Cash Consideration**”), being approximately 45% of the Consideration, shall be payable in four (4) batches to Ms. Zhu in the following manner:

Batch(es)		Cash consideration
First batch Cash Consideration	Within five (5) Business Days after (i) the First Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$40,800,000 (approx. 27% of the Total Cash Consideration)
Second batch Cash Consideration	Within five (5) Business Days after (i) the Second Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$27,600,000 (approx. 18% of the Total Cash Consideration)
Third batch Cash Consideration	Within five (5) Business Days after (i) the Third Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$47,500,000 (approx. 31% of the Total Cash Consideration)
Fourth batch Cash Consideration	Within five (5) Business Days after (i) the Fourth Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$36,100,000 (approx. 24% of the Total Cash Consideration)
Total		HK\$152,000,000 (100% of the Total <u>Cash Consideration</u>)

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Convertible Bonds:

HK\$186,000,000 (the “**Total Convertible Bonds**”), being approximately 55% of the Consideration, shall be satisfied by way of the creation and issue of the Convertible Bonds by the Company to Ms. Zhu (or her nominee(s)), in an equivalent principal amount entitling the holder(s) thereof to convert into a total of 516,666,665 Conversion Shares (the “**Total Conversion Shares**”) at the initial Conversion Price of HK\$0.36 per Conversion Share.

Batch(es)		Amount of Convertible Bonds	Number of Conversion Shares to be converted at the initial Conversion Price of HK\$0.36 per Conversion Share
First batch Convertible Bonds	Within five (5) Business Days after (i) the First Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$49,810,229 (approx. 27% of the Total Convertible Bonds)	138,361,747 (approx. 27% of the Total Conversion Shares)
Second batch Convertible Bonds	Within five (5) Business Days after (i) the Second Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$33,800,353 (approx. 18% of the Total Convertible Bonds)	93,889,869 (approx. 18% of the Total Conversion Shares)
Third batch Convertible Bonds	Within five (5) Business Days after (i) the Third Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$58,013,228 (approx. 31% of the Total Convertible Bonds)	161,147,855 (approx. 31% of the Total Conversion Shares)
Fourth batch Convertible Bonds	Within five (5) Business Days after (i) the Fourth Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$44,376,190 (approx. 24% of the Total Convertible Bonds)	123,267,194 (approx. 24% of the Total Conversion Shares)
Total		<u>HK\$186,000,000</u> (100% of the Total Convertible Bonds)	<u>516,666,665</u> (100% of the Total Conversion Shares)

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The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$186,000,000
Maturity date:	18 months from the date of issue of the Convertible Bonds (the “ Maturity Date ”)
Interest rate:	5.0% per annum
Conversion period:	The period commencing from the date of issue of the Convertible Bonds up to seven days before (and excluding) the Maturity Date (the “ Conversion Period ”)
Conversion rights:	<p>Holder of the Convertible Bonds will have the right, during the Conversion Period, to convert the Convertible Bonds in whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bonds into Conversion Shares, provided that:</p> <ul style="list-style-type: none">(i) the exercise of the conversion rights will not result in the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public; and(ii) upon exercise of the conversion rights, Ms. Zhu and her respective associates, together with any parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code, unless (a) such conversion is permissible under the Takeovers Code following the application by the holder of the Convertible Bonds and granting by the Executive of a whitewash waiver and the approval of the Shareholders in this regard; or (b) such holder of the Convertible Bonds has fulfilled sufficient financial resources to make a general offer pursuant to Rule 26 of the Takeovers Code.

LETTER FROM THE BOARD

- Conversion Price: The initial Conversion Price of the Convertible Bonds shall be HK\$0.36 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds, and represents:
- (i) a premium of approximately 20.0% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
 - (ii) a premium of approximately 20.0% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
 - (iii) a premium of approximately 32.8% to the average closing price of approximately HK\$0.271 per Share as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
 - (iv) a premium of approximately 35.8% to the average closing price of approximately HK\$0.265 per Share as quoted on the Stock Exchange in the ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The initial Conversion Price was determined after arm's length negotiation between the Company, the Purchaser and Ms. Zhu with reference to, among others, the prevailing trading prices of the Shares. The Directors consider that the Conversion Price is fair and reasonable.

- Adjustment to
Conversion Price: The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of the following events:

LETTER FROM THE BOARD

- (i) an alteration of the nominal amount of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

- (ii) an issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued in lieu of a cash dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

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- (iii) a capital distribution (as such term is defined in the conditions of the Convertible Bonds) to Shareholders being made by the Company, or the Shareholders rights to acquire for cash assets of the Group being granted by the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the average of the closing price for one Share for the five consecutive dealing days ending on and inclusive of the dealing day immediately preceding such date (the “**Current Market Price**”) of one Share on the record date of such capital distribution; and
- B is the fair market value on the record date of such capital distribution, as determined in good faith by the auditor acting as an expert, of the portion of the capital distribution or of such rights which is attributable to one Share.
- (iv) a rights issue of Shares to all or substantially all Shareholders, or issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the Current Market Price per Share on the record date of such issue or grant to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

- A is the number of Shares in issue immediately before such issue or grant;
 - B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
 - C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.
- (v) an issue of Shares being made wholly for cash at a price less than 80% of the Current Market Price on the date of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

LETTER FROM THE BOARD

- (vi) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any subsidiary issues any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be re-designated as Shares to be issued by the Company upon conversion, exchange or subscription or re-designation, at a consideration per Share receivable by the Company or the relevant subsidiary which is less than 80% of the Current Market Price per Share on the date of the issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);
- B is the number of Shares which the aggregate consideration receivable by the Company for or the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities or for the Shares to be issued or arise from any such re-designation would purchase at such Current Market Price per Share; and

LETTER FROM THE BOARD

C is the maximum number of Shares to be issued upon conversion into or subscription for or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate or the Shares to be issued or to arise from any such re-designation.

(vii) a modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the events (iv) to (vi) above so that the effective consideration per Share is less than 80% of the Current Market Price per Share on the date of such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the rights of subscription attached to the securities so modified, would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

LETTER FROM THE BOARD

In addition, any adjustment to the Conversion Price shall not involve an increase in the Conversion Price (except upon any consolidation of the Shares). The minimum Conversion Price shall not be less than the par value of each Conversion Share. If an adjustment is not made to the Conversion Price because it would reduce it below the then par value of each Conversion Share and such par value is subsequently reduced, then any adjustment not previously made shall be immediately made to the Conversion Price on such reduction in par value but only to the extent that such adjustment will not reduce the Conversion Price below the newly reduced par value. Where an adjustment would reduce the Conversion Price to below the par value of each Conversion Share, the Conversion Price shall be reduced to such par value subject to the aforesaid provisions.

Conversion Shares:

Based on the initial Conversion Price of HK\$0.36 per Conversion Share, a maximum of 516,666,665 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full.

The Conversion Shares represent (i) approximately 35.8% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 26.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The aggregate nominal value of the Conversion Shares (with a par value of US\$0.00015 each) will be US\$77,500. The issue of the Convertible Bonds and allotment and issue of the Conversion Shares are subject to the Specific Mandate to be sought at the EGM.

Redemption:

The Convertible Bonds may be redeemed in whole or part by the Company at any time from the date of issue and from time to time prior to the Maturity Date at the redemption price equal to the outstanding principal amount and interest accrued thereon of the Convertible Bonds to be redeemed.

LETTER FROM THE BOARD

The Company shall redeem any Convertible Bonds which remain outstanding on the Maturity Date by repaying the holder(s) of the Convertible Bonds all outstanding principal amount together with interest accrued thereon.

- Transferability: The Convertible Bonds are freely transferable by the holders in whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bonds, provided that no Convertible Bonds may be transferred to any connected persons of the Company without the prior written consent of the Company.
- Voting rights: Holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.
- Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.
- Ranking: The Conversion Shares will, when allotted and issued, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue.
- Events of default: If any of the events (“**Events of Default**”) specified below occurs, the Company shall on demand of the holder of the Convertible Bonds forthwith redeem the Convertible Bonds in full in cash or the holder of the Convertible Bonds may convert the Convertible Bonds into Conversion Shares.

LETTER FROM THE BOARD

The relevant Events of Default are:

- (a) the Company fails to pay the principal on the Convertible Bonds when due on the Maturity Date; or
- (b) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Sale and Purchase Agreement which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the holder(s) of the Convertible Bonds remedied within 14 days after notice of such default shall have been given to the Company by the holder(s) of the Convertible Bonds; or
- (c) an security holder takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company; or
- (d) the Company becomes insolvent or the Company shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent and such proceedings shall not have been discharged or stayed within a period of 30 days (or such longer period as the holder(s) of the Convertible Bonds may consider appropriate); or
- (e) an order of court is made or an effective resolution of shareholders is passed for the winding up of the Company or the Company ceases or threatens to cease carrying on all or substantially all or a material part of its business or operations; or
- (f) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency seizes, compulsorily purchases, expropriates or nationalizes all or a substantial part of the assets of the Company; or

LETTER FROM THE BOARD

- (g) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the property, assets or revenues of the Company and is not discharged or stayed within 45 days (or such longer period as the holder(s) of the Convertible Bonds may consider appropriate in relation to the event concerned and confirm so in writing); or
- (h) proceedings shall have been initiated (that is, issued and served) against the Company under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent and such proceedings shall not have been discharged or stayed within a period of 60 days (or such longer period as the holder(s) of the Convertible Bonds may consider appropriate and confirm so in writing); or
- (i) any warranty is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, or there is a material breach by the Company of any warranty or obligation under the Sale and Purchase Agreement; or
- (j) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Convertible Bonds admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done by the requisite time or, if in the opinion of the holder(s) of the Convertible Bonds such situation is capable of remedy, within 30 days of the time when the Company becomes (or ought reasonably to have become) aware of the same; or

LETTER FROM THE BOARD

- (k) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Convertible Bonds.

Basis for determination of the Consideration

The Consideration was determined after arm's length negotiation between the Purchaser and Ms. Zhu with reference to, among others, the valuation of the Land of approximately US\$98,900,000 (equivalent to approximately HK\$771,420,000) as at 31 August 2023 conducted by the Independent Valuer based on the market approach. The Directors consider that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Total Cash Consideration will be funded by internal resources of the Group.

Moreover, after having considered that (i) pursuant to the Land Agreement, the respective payments by Ms. Zhu for the Land shall be settled on or before the fifth (5th) Business Day following each of the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion (for instance, Ms. Zhu had duly settled the payment for the First Batch of Land and the legal title of the First Batch of Land had been duly transferred to the Target Company as at the Latest Practicable Date); and (ii) in any event, the Group will only have to settle the corresponding portion of the Consideration after each of the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion, whereby Ms. Zhu shall have settled the payments for the relevant batch of Land pursuant to the Land Agreement, and the relevant legal title of the Land shall have been duly transferred to the Target Company at the relevant time, the Company considers that there is no material potential risk on the transfer of the legal title of each batch of the Land and the interests of the Company are safeguarded under such arrangement.

Valuation of the Land

According to the valuation report of the Land (the "**Valuation Report**") as set out in Appendix V to this circular, the market value of the Land as at 31 August 2023 was US\$98,900,000.

The Board has reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodologies adopted for and the bases and assumptions used in arriving at the market value of the Land as at 31 August 2023.

LETTER FROM THE BOARD

The valuation was prepared by the Independent Valuer using the direct comparison method, which consists of comparisons based on current asking prices of the land comparables. Given that land transaction market in Cambodia is not transparent and no public transaction records are available, it is understood that the Independent Valuer has made enquiries to relevant real estate agents and/or owners as well as carried out inspections to the comparables, and relied on asking prices of land comparables as listed in the local market. The Independent Valuer further confirmed that such practice is commonly adopted for valuation of land in Cambodia and in-line with the valuation practices in Cambodia as well as most other developing countries.

The Board further understood from the Independent Valuer how the land comparables of similar location, size, and character are weighted against their respective advantages and drawbacks in order to arrive at a fair comparison of market value. The selection criteria of the land comparables are (i) usage (currently agricultural in nature); (ii) location (along or close to NR4 in the District of Srae Ambel or District of Kampong Seila); (iii) site area (not smaller than 150,000 sq.m.); and (iv) the date of listing (within three months from the date of valuation). The unit rates per square meter of the said land comparables, before adjustments, ranged from US\$9.00 per square meter to US\$28.00 per square meter. Due adjustments to these unit rates are made to reflect factors including location, frontage, accessibility, shape, topography, tenure, size, type of title, existing use, as well as proximity to high-voltage cables and electric station/substation. After due adjustments were made, the indicative average fair value of approximately US\$8.72 per square meter was adopted in respect of the valuation of the Land.

In addition, the Directors understood from the Independent Valuer that (i) the valuation of the Land under the Valuation Report is based on the status of the Land as at the date of valuation (i.e. 31 August 2023), whereby the Land was agricultural in nature; and (ii) in the circumstances that the usage of the Land was changed from agricultural usage to industrial usage, there will not be any negative impact on the valuation of the Land.

Based on the above, the Board considers that (i) the use of the above-mentioned valuation methodology; (ii) the land comparables collected and selected for analysis under the selection criteria; and (iii) the unit rates and related adjustments made to determine the value of the Land are fair and reasonable.

Conditions precedent

The Completion shall be conditional upon the followings:

- (a) the passing of ordinary resolutions by the Independent Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or otherwise) at an extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to, the creation and issue of the Convertible Bonds, the allotment and issue of the Conversion Shares;

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (c) the obtaining of a valuation report on the Land prepared by the Independent Valuer appointed by the Company of which the valuation of the Land shall be not less than US\$88,424,000 (equivalent to approximately HK\$689,707,000) and in the form and substance satisfactory to the Company;
- (d) the Group, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of the Target Company; and
- (e) Ms. Zhu having obtained such approval and completed such filings and registrations with the relevant governmental authorities as required in accordance with the relevant applicable laws in the relevant jurisdictions in which Ms. Zhu has operations for the execution, delivery and completion of the Sale and Purchase Agreement and the performance of her obligations thereunder.

The Company may, at its options, waive conditions (c) and (d) set out above at any time by notice in writing to Ms. Zhu. Conditions (a), (b) and (e) set out above cannot be waived in any event.

If the conditions are not fulfilled (or being waived) on or before Long Stop Date (or such other date as the parties agree in writing), the Sale and Purchase Agreement shall terminate and neither of the parties will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Sale and Purchase Agreement.

In respect of condition (e) above, after seeking advice from the legal adviser, the Company understands that Ms. Zhu is required to obtain the approval from the Council for the Development of Cambodia then register at the Ministry of Commerce of the Kingdom of Cambodia in order for her to complete the Sale and Purchase Agreement for the Target Shares of the Target Company.

As at the Latest Practicable Date, condition (c) above had been fulfilled.

Completion

Completion of the Acquisition shall take place on the Completion Date.

Upon Completion, the Target Company will be owned by Ms. Zhu and Kasen International as to 51% and 49%, respectively. Since the Company will be in control of the board of directors of the Target Company, the Target Company will become a subsidiary of the Company. The financial results of the Target Company will be consolidated into the accounts of the Group.

LETTER FROM THE BOARD

INFORMATION ABOUT THE COMPANY AND THE PURCHASER

The Company is an investment holding company. The Group is principally engaged in (i) properties development; (ii) travel and tourism-related operations; and (iii) manufacturing and trading of upholstered furniture.

Kasen International, a wholly-owned subsidiary of the Company, is a limited liability company incorporated in the Cayman Islands and principally engaged in investment holding.

INFORMATION ABOUT MS. ZHU

Ms. Zhu is the daughter of Mr. Zhu, the controlling Shareholder of the Company.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company registered under the laws of Cambodia and principally engaged in industrial development project.

The Target Company was established in Cambodia on 11 July 2023. As at the Latest Practicable Date, the Target Company had not commenced any material operations.

The following financial information is extracted from the audited accountants' report of the Target Company for the period from 11 July 2023 (i.e. date of incorporation) to 31 July 2023 as set out in Appendix II to this circular:

	For the period from 11 July 2023 (i.e. date of incorporation) to 31 July 2023 US\$'000
Revenue	–
Loss before taxation	(2)
Loss after taxation	(2)

LETTER FROM THE BOARD

As at 31 July

2023

US\$'000

Total assets	20
Total liabilities	(22)
Net liabilities	(2)

The principal asset of the Target Company will be the Land following the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion. As at the Latest Practicable Date, the First Batch of Land Completion had taken place and the legal title of the First Batch of Land had been duly transferred to the Target Company. Further details of the Land is set out under the paragraph headed “Information on the Land” above.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has continued to review the existing principal businesses strategies and look for potential business opportunities. Cambodia is a member of the Association of Southeast Asian Nations (“**ASEAN**”) and is one of the most promising developing countries in the ASEAN region. Cambodia is a member of the World Trade Organization (“**WTO**”) as a developing country, and investments in the country can enjoy the WTO preferential tariff for imports and exports from and to its membership countries, while other countries like the United States and Japan, also offer Cambodia preferential tariff and quota-free incentives. The stable political environment, dynamic labour force in Cambodia, together with the preferential tax policies and freedom of capital flows, have successfully attracted foreign investors.

In view of the promising long-term economic development of Cambodia, it is the Group’s strategic plan to develop the Project, being a special economic zone with the Land (the “**Special Economic Zone**”), whereby the Target Company will be able to enjoy the rights to establish and develop such Special Economic Zone with all the necessary land use rights, in particular focusing on industrial development purpose.

LETTER FROM THE BOARD

Reference is made to the annual report of the Company for the year ended 31 December 2022. Taking internationalization as the development strategy, the Group will consolidate existing furniture manufacturing business and expand production bases in Cambodia to meet the needs of major customers. It is the strategic development of the Group to further expand the scale of the production base of its upholstered furniture business in Cambodia and increase the volume of exports from Cambodia in response to requests from customers in Europe and the United States. Upstream supporting partners have been introduced to the production base in Cambodia to create a whole industry chain, thereby reducing costs, improving the competitiveness of the Group's products and striving for progress in orders while ensuring stability. It is the Group's strategic development to relocate its current production bases in Haining, the PRC to Cambodia over time, and the Special Economic Zone will be an ideal location for such purpose.

The Target Company shall have the sole and exclusive rights to develop the Land into the Special Economic Zone with all the necessary land use rights, which will be designated for industrial development purpose, such as a comprehensive industrial park. The Target Company has commenced the planning stage of the industrial park in the 3rd quarter of 2023, and it is expected to complete the tendering of the industrial park (such as sales and/or leases of industrial park area) in around three years and fully developed in five years. During early development stage, the Target Company will primarily undertake raw land development process in the Special Economic Zone to transform it into improved land. The Target Company will, engage external professionals to (if necessary), perform engineering and development work, including but not limited to site levelling, road construction, water supply, power supply, drainage system installation, communication network establishment, gas supply etc. (collectively, the "**Infrastructure Works**").

Based on the current development plan, it is expected that the Infrastructure Works for the Land will commence in 1st quarter of 2024, and fully complete in around three years. The total estimated costs for the Infrastructure Works which are expected to incur over the next three years are approximately US\$226 million (the "**Estimated Development Costs**"). It is targeted to progressively offer sales and/or leases of the industrial park area once the Infrastructure Works for the relevant area are completed, which will help to start generating sales and rental income for the Target Company. The Estimated Development Costs are expected to be financed by (i) the sales and rental income arising from the sales and/or leases of the industrial park area; (ii) external financing by the Target Company, such as bank loans; and/or (iii) the provision of shareholder loans by the Group and Ms. Zhu, on a proportionate basis, on normal commercial terms or better and not secured by the Group's assets, to the Target Company.

In the event that Ms. Zhu is unable or fails to complete the transfer of certain portion of the Land to the Target Company as stipulated in the Land Agreement, the Infrastructure Works to be carried out on the that specific part of the Land as well as the corresponding Estimated Development Costs are expected to be proportionately adjusted.

LETTER FROM THE BOARD

The Company is of the view that the Acquisition is in line with the business development strategy and planning of the Group and also will provide a good opportunity for the Company to further expand its upholstered furniture business in Cambodia which the Company considers to have continuous growth potential in the future in light of the continuous and rapid growth in the economy of Cambodia.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

The unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular has been prepared to illustrate the financial effect of the Acquisition as if the Acquisition had completed on 30 June 2023.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, it is expected that the total assets of the Group would increase from approximately RMB5,744.6 million to approximately RMB6,243.5 million, the total liabilities of the Group would increase from approximately RMB2,004.4 million to approximately RMB2,192.6 million and the net assets of the Group would increase from approximately RMB3,740.1 million to approximately RMB4,050.9 million.

The Target Company currently has not commenced any material operation and hence does not have any material income or expenses. Therefore, it is expected that there will be no material impact on the earnings of the Group as a result of Completion.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Enlarged Group would actually be after Completion.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the allotment and issue of the Conversion Shares (assuming there is no other change to the total number of issued Shares of the Company):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Ms. Zhu	–	–	516,666,665	26.36
Joyview Enterprises Limited ^(Note 1)	555,645,113	38.50	555,645,113	28.35
Mr. Zhu ^(Note 1)	12,360,000	0.86	12,360,000	0.63
Team Ease Limited ^(Note 2)	235,043,057	16.29	235,043,057	11.99
Zhou Xiaohong	9,514,561	0.66	9,514,561	0.49
Public Shareholders	<u>630,579,150</u>	<u>43.69</u>	<u>630,579,150</u>	<u>32.18</u>
Total	<u>1,443,141,881</u>	<u>100.00</u>	<u>1,959,808,546</u>	<u>100.00</u>

Notes:

1. Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the controlling Shareholders, are collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the total number of issued Shares held by Joyview Enterprises Limited, which in turn is wholly owned by Prosperity and Wealth Limited, being the trustee of the aforesaid family trust).
2. Team Ease Limited is a company beneficially owned by Xu Helin (許合林).

The Acquisition will not result in change of control of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Ms. Zhu is the daughter of Mr. Zhu, the controlling Shareholder. Ms. Zhu is therefore a connected person of the Company. The Acquisition (including the issue of the Conversion Shares) therefore constitutes a connected transaction of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for the Independent Shareholders to consider and approve, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Tuesday, 12 December 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. Mr. Zhu and his associates (namely Joyview Enterprises Limited), who collectively control or are entitled to exercise control over the voting rights in respect of an aggregate of 568,005,113 Shares (representing approximately 39.36% of the total issued share capital of the Company as at the Latest Practicable Date) will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

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

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the letter of advice from the Independent Financial Adviser which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the Specific Mandate.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, they recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Warning

The Acquisition is subject to the fulfilment or waiver (as applicable) of the conditions and may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders' in relation to the Acquisition and the Specific Mandate for the purpose of inclusion in this circular.



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

23 November 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 49% OF THE EQUITY INTEREST OF THE TARGET COMPANY INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 23 November 2023 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to advise you on (i) whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) whether to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 33 of the Circular, and the letter from the Independent Financial Adviser, as set out on pages 36 to 70 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the advice given by the Independent Financial Adviser, and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that, although the transactions contemplated under the Sale and Purchase Agreement are not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Du Haibo

Independent non-executive

Director

Mr. Zhang Yuchuan

Independent non-executive

Director

Mr. Zhou Lingqiang

Independent non-executive

Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds), which has been prepared for the purpose of inclusion in this circular.



23 November 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF 49% OF THE EQUITY INTEREST
OF THE TARGET COMPANY
INVOLVING ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Conversion Shares, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 November 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 September 2023 (after trading hours), Ms. Zhu (as seller), the Purchaser (as purchaser) and the Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and Ms. Zhu has conditionally agreed to sell, the Target Shares, at the Consideration of HK\$338,000,000, which will be satisfied by cash and the issue of the Convertible Bonds.

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As one or more of the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Ms. Zhu is the daughter of Mr. Zhu, the controlling Shareholder. Ms. Zhu is therefore a connected person of the Company. The Acquisition (including the issue of the Conversion Shares) therefore constitutes a connected transaction of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Zhu and his associates (namely Joyview Enterprises Limited), who collectively control or are entitled to exercise control over the voting rights in respect of an aggregate of 568,005,113 Shares (representing approximately 39.36% of the total issued share capital of the Company as at the Latest Practicable Date) will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Du Haibo, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has been established to consider, and to advise the Independent Shareholders regarding the Sale and Purchase Agreement and the transaction contemplated thereunder as to whether the Acquisition and the issue of the Convertible Bonds are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we are independent from the Company in accordance with Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser and are eligible to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Conversion Shares.

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BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular and should there be any material change after the despatch of this Circular and up to the date of the EGM, the Shareholders would be notified as soon as possible.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the Target Company, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Acquisition, we have taken into consideration the following principal factors and reasons.

1. Background information of the parties involved

1.1. Information of the Company

The Company is an investment holding company. The Group is principally engaged in (i) properties development; (ii) travel and tourism-related operations; and (iii) manufacturing and trading of upholstered furniture.

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Set out below is a summary of the financial results of the Group for the years ended 31 December 2021 and 2022 (the “**FY2021**” and “**FY2022**”, respectively) as extracted from the Company’s annual report for FY2022 (the “**2022 Annual Report**”) and for the six months ended 30 June 2022 and 2023 (“**6M2022**” and “**6M2023**”, respectively) as extracted from the Company’s interim report for 6M2023 (the “**2023 Interim Report**”):

	FY2021	FY2022	6M2022	6M2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,513,538	863,429	491,387	381,786
Manufacturing and Trading of Upholstered Furniture	784,171	599,778	335,002	245,067
Property Development	602,815	173,421	112,935	75,261
Others	126,552	90,230	43,450	61,458
Gross profit	559,565	250,546	174,478	131,246
Profit before income tax	339,795	77,245	16,605	24,952
Profit for the year/ period	213,167	59,750	13,143	23,538
			As at	30 June
			As at 31 December	2023
			2021	2022
			<i>RMB'000</i>	<i>RMB'000</i>
			(audited)	(audited)
				(unaudited)
Non-current assets		1,791,341	1,406,402	1,378,784
Current assets		4,183,051	4,415,304	4,365,782
Total assets		5,974,392	5,821,706	5,744,566
Current liabilities		1,670,370	1,508,702	1,424,698
Non-current liabilities		650,032	600,997	579,722
Total liabilities		2,320,402	2,109,699	2,004,420
Net assets		3,653,990	3,712,007	3,740,146

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For the FY2022

The Group's revenue decreased by approximately 43.0% from approximately RMB1,513.5 million for FY2021 to approximately RMB863.4 million for FY2022. As stated in the 2022 Annual Report, such decrease was mainly attributable to (i) the decrease in revenue generated from the property development segment of the Group of approximately RMB429.4 million, which was mainly due to the decrease in the delivery of properties for the property development projects of the Group; and (ii) the decrease in revenue generated from the manufacturing segment of approximately RMB184.4 million, which was mainly due to the decrease in furniture sales order received by the Group during FY2022 as compared to FY2021. The net profit of the Group decreased by approximately 72.0% from approximately RMB213.2 million for FY2021 to approximately RMB59.8 million for FY2022, which was mainly attributable to (i) the decrease in gross profit as a result of the decrease in revenue due to the abovementioned reasons; and (ii) the decrease in gain on disposal of land use rights and related property, plant and equipment during FY2022 as compared to FY2021.

As at 31 December 2022, total assets of the Group amounted to approximately RMB5,821.7 million, which mainly comprised (i) the properties under development for sale of the Group of approximately RMB1,786.5 million, which represented approximately 30.7% of the Group's total assets; (ii) the trade and other receivables of the Group of approximately RMB1,193.0 million, which represented approximately 20.5% of the Group's total assets; and (iii) the property, plant and equipment of the Group of approximately RMB989.1 million, which represented approximately 17.0% of the Group's total assets. As at 31 December 2022, total liabilities of the Group amounted to approximately RMB2,109.7 million, which mainly comprised the Group's (i) bank borrowings of approximately RMB769.2 million, representing approximately 36.5% of the total liabilities; (ii) contract liabilities amounted to approximately RMB489.2 million, representing approximately 23.2% of the total liabilities; and (iii) trade, bills and other payables of approximately RMB464.5 million, representing approximately 22.0% of the total liabilities.

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The total assets of the Group decreased by approximately 2.6% from approximately RMB5,974.4 million as at 31 December 2021 to approximately RMB5,821.7 million as at 31 December 2022. Such decrease was mainly attributable to the combined effect of (i) the decrease in the Group's property, plant and equipment of approximately RMB335.0 million; (ii) the decrease in the Group's properties under development for sale of approximately RMB72.0 million; (iii) the decrease in the Group's amounts due from non-controlling interests of subsidiaries of approximately RMB36.0 million; (iv) the increase in the Group's cash and cash equivalents of approximately RMB180.7 million; and (v) the increase in the Group's trade and other receivables of approximately RMB131.1 million.

The total liabilities of the Group decreased by approximately 9.1% from approximately RMB2,320.4 million as at 31 December 2021 to approximately RMB2,109.7 million as at 31 December 2022. Such decrease was mainly attributable to the decrease in the Group's trade, bills and other payable of approximately RMB211.6 million.

For the 6M2023

The Group's revenue decreased by approximately 22.3% from approximately RMB491.4 million for 6M2022 to approximately RMB381.8 million for 6M2023. As stated in the 2023 Interim Report, such decrease was mainly attributable to (i) the decrease in revenue generated from the property development segment of the Group of approximately RMB37.7 million, which was mainly due to the decrease in the delivery of properties for the property development projects of the Group; and (ii) the decrease in revenue generated from the manufacturing segment of approximately RMB89.9 million, which was mainly due to the decrease in sales order from overseas customers during 6M2023 as compared to 6M2022. The net profit of the Group increased by approximately 79.1% from approximately RMB13.1 million for 6M2022 to approximately RMB23.5 million for 6M2023, which was mainly attributable to certain other payables were being written back during the period.

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As at June 30, 2023, total assets of the Group amounted to approximately RMB5,744.6 million, which mainly comprised (i) the properties under development for sale of the Group of approximately RMB1,874.8 million, which represented approximately 32.6% of the Group's total assets; (ii) the trade, bills and other receivables of the Group of approximately RMB1,098.5 million, which represented approximately 19.1% of the Group's total assets; and (iii) the property, plant and equipment of the Group of approximately RMB966.4 million, which represented approximately 16.8% of the Group's total assets. As at June 30, 2023, total liabilities of the Group amounted to approximately RMB2,004.4 million, which mainly comprised the Group's (i) bank and other borrowings which due after one year of approximately RMB538.8 million, representing approximately 26.9% of the total liabilities; (ii) contract liabilities amounted to approximately RMB512.7 million, representing approximately 25.6% of the total liabilities; and (iii) trade, bills and other payables of approximately RMB385.5 million, representing approximately 19.2% of the total liabilities.

The total assets of the Group decreased by approximately 1.3% from approximately RMB5,821.7 million as at 31 December 2022 to approximately RMB5,744.6 million as at June 30, 2023. Such decrease was mainly attributable to the decrease in the Group's trade, bills and other receivables of approximately RMB94.5 million.

The total liabilities of the Group decreased by approximately 5.0% from approximately RMB2,109.7 million as at 31 December 2022 to approximately RMB2,004.4 million as at June 30, 2023. Such decrease was mainly attributable to the decrease in the Group's trade, bills and other payable of approximately RMB79.0 million.

1.2. Information of the Purchaser

Kasen International, a wholly-owned subsidiary of the Company, is a limited liability company incorporated in the Cayman Islands and principally engaged in investment holding.

1.3. Information of Ms. Zhu

Ms. Zhu is the daughter of Mr. Zhu, the controlling Shareholder of the Company.

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1.4. Information of the Target Company

As at the Latest Practicable Date, the Target Company is a limited liability company registered under the laws of Cambodia and principally engaged in industrial development project. The Target Company was established in Cambodia on 11 July 2023 and is wholly-owned by Ms. Zhu. As at the Latest Practicable Date, the Target Company has not commenced any operations.

Financial information of the Target Group

Set out below are the audited financial information of the Target Company for the period from 11 July 2023 (i.e. date of incorporation) to 31 July 2023 as extracted from Appendix II to the Circular:

	For the period from 11 July 2023 (i.e. date of incorporation) to 31 July 2023 US\$'000
Revenue	–
Loss before taxation	(2)
Loss after taxation	(2)
	As at 31 July 2023 US\$'000
Total assets	20
Total liabilities	(22)
Net liabilities	(2)

According to the Letter from the Board, the principal assets of the Target Company will be the Land following the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion. As at the Latest Practicable Date, the First Batch of Land Completion has taken place.

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2. Information on the Land

The Land is comprised of the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land, located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia. The Land has a total site area of approximately 1,134 hectares. The Land is freehold and currently vacant and will be designated for industrial usage. According to the Management, the Target Company plans to develop the Land into a comprehensive industrial park which targets various industries, including but not limited to, furniture and homeware production, garment processing, chemical processing, agricultural products, food processing, metal production, etc. To the best knowledge of the Directors, the Target Company shall have the sole and exclusive right to develop the Land into the Special Economic Zone with all the necessary land use rights, which will be designated for industrial development purpose, such as a comprehensive industrial park. The Target Company has commenced the planning stage of the industrial park in the third quarter of 2023, and it is expected to complete the tendering of the industry park (such as sales and/or leases of industrial park area) in around three years and fully developed in five years. During early development stage, the Target Company will primarily undertake raw land development process in the Special Economic Zone to transform it into improved land. The Target Company will, engage external professionals to (if necessary), perform engineering and development work, including but not limited to site levelling, road construction, water supply, power supply, drainage system installation, communication network establishment, gas supply etc. (collectively, the “**Infrastructure Works**”).

According to the Letter from the Board, based on the current development plan of the Target Company, it is expected that the Infrastructure Works for the Land will commence in 1st quarter of 2024, and fully complete in around three years. It is targeted to progressively offer sales and/or leases of the industrial park area once the Infrastructure Works for the relevant area is completed, which will help to start generating sales and/or rental income for the Target Company. To the best knowledge, information and belief of the Company, the estimated development costs are expected to be financed by (i) the sales and/or rental income arising from the sales and/or leases of the industrial park area; (ii) external financing by the Target Company, such as bank loans; (iii) the provision of shareholder loans by the Group and Ms. Zhu, on a proportionate basis, on normal commercial terms or better and not secured by the Group’s assets, to the Target Company.

As at the Latest Practicable Date, the Land was agriculture in nature. The application for the change in use of approximately 500 hectares of the Land (which covers the First Batch of Land of approximately 304 hectares) from agriculture usage to industrial usage had been submitted to the relevant government authorities in Cambodia (the “**First Application**”) in early November 2023. The application for the change in use of the remaining 634 hectares of the Land (the “**Second Application**”) is targeted to be submitted in January 2024. As advised by the Company’s legal adviser, it is understood that (i) no material application fee is required; (ii) the processing time needed by the relevant government authorities is generally around 30 to 60 days; and (iii) no material obstacles are expected for the application for the change in use of the Land from

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agriculture usage to industrial usage, as the applications are generally procedural in nature, e.g. subject to completion of application filing and registration at Ministry of Land Management Urban Planning and Construction of Cambodia. Accordingly, it is expected that the approvals for the First Application and the Second Application will be obtained in around January 2024 and March 2024, respectively.

In the event that Ms. Zhu is unable or fails to complete the transfer of certain portion of the Land to the Target Company as stipulated in the Land Agreement, the Infrastructure Works to be carried out on the that specific part of the Land as well as the corresponding Estimated Development Costs are expected to be proportionately adjusted.

3. Reasons for and benefits of the Acquisition

The Group is principally engaged in, among others, property development business. According to the 2023 Interim Report, in the context of the fundamental changes of the supply and demand relationship of properties in China, the Group will, instead of continuing to develop new domestic projects, focus on the sale and delivery of the projects already developed and accelerate the disposal of certain assets, to recover its funds. As a result of the market diversification, the Group has been developing the property market in Cambodia. In 2021, the Group has commenced a property project located in Phnom Penh, the capital of Cambodia, and such project is under development and construction as scheduled. We understand from the Management that, leveraging on the growing property market in Cambodia and the expertise of the Group in property development, it is the aim of the Group to diversify its property development segment in Cambodia so as to establish a new sales growth driver and enable the Group to explore new development opportunities for the property development business of the Group.

According to the World Bank, over the two decades before the outbreak of COVID-19 in 2020, Cambodia blossomed economically. Cambodia's economy grew at an average annual rate of 7.7% between 1998 and 2019, making it one of the fastest-growing economies in the world. Cambodia's economy continued to recover in 2022, partially led by recovery of export-oriented manufacturing. China's reopening presents an opportunity for Cambodia to boost foreign direct investment inflows. Over the medium term, the economy of Cambodia is expected to grow at 6 percent. Goods and services exports and strong foreign direct investment inflows are expected to be bolstered by the newly ratified free trade agreements, a substantial increase in private and public investment. Furthermore, according to the Cambodia's Macroeconomic in 2022 and Forecast for 2023 (2022年柬埔寨宏觀經濟情勢及2023年預測) published by the Economic and Commercial Office of the Embassy of the PRC in the Kingdom of Cambodia in May 2023, there are 1,982 large-scale factories in operation in Cambodia in 2022, representing a year-on-year increase of 103 factories as compared to that of 2021. The annual investment in the industrial sector amounted to approximately US\$16.7 billion, representing a year-on-year increase of approximately 20.8%, involving industries such as textile, clothing, food and beverage, wood processing, paper products and printing, chemicals, rubber, plastics, and metal production and

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processing, etc. The Directors are of the view and we concur that the Acquisition could provide an opportunity for the Group to further enhance its establishment in Cambodia so as to capture the market growth in the local industrial and property market and is in line with the development strategy of the Group.

As stated in the 2023 Interim Report, the Group is further optimising the layout of production factories and integrating production resources domestically to reduce costs. Meanwhile, it continues to expand the scale of its production base in Cambodia and increase the volume of exports from Cambodia to customers in Europe and the United States. We were given to understand by the Management that the Acquisition provides an additional option for the Group to relocation its production factories from the PRC to Cambodia in order to integrating production resources so as to (i) reduce the production cost such as lower labour and transportation costs; and (ii) improve the operation efficiency in communication and dealing with its customers in Europe and United States amid continuous inharmony between China and certain major western economies.

Having considered the above, the Directors are of the view and we concur that, leveraging on the economy growth and rapid industrial development in Cambodia, the Acquisition could benefit to the Group through potential asset appreciation, and to expand the scale of businesses of the Group which is in line with the objective of the Company. Hence, we are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

4. The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement, are summarised as below:

Date	:	29 September, 2023 (after trading hours)
Parties	:	(a) Ms. Zhu (as seller); (b) the Purchaser (as purchaser); and (c) the Company.
Assets to be acquired	:	Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and Ms. Zhu has conditionally agreed to sell, the Target Shares. The Target Shares represent 49% of the equity interest of the Target Company as at the Latest Practicable Date.

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Pursuant to the Land Agreement, the total acquisition cost/consideration of the Land paid/to be paid by Ms. Zhu to Mr. Suon and Mrs. Keo is approximately US\$88,424,000 (equivalent to approximately HK\$689,707,000).

Pursuant to the Land Agreement, (i) the legal title of the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land shall be transferred to Ms. Zhu (or her nominee(s)) on or before 30 September 2023 (the “**First Batch of Land Completion**”), 30 November 2023 (the “**Second Batch of Land Completion**”), 31 December 2023 (the “**Third Batch of Land Completion**”) and 31 January 2024 (the “**Fourth Batch of Land Completion**”), respectively; and (ii) the respective payments shall be settled in the following summarised manner:

Batch(es)	On or before	Cash consideration
First Batch of Land	Fifth (5th) Business Day following the First Batch of Land Completion (i.e. 30 September 2023)	a total of US\$23,712,000
Second Batch of Land	Fifth (5th) Business Day following the Second Batch of Land Completion (i.e. 30 November 2023)	a total of US\$16,068,000
Third Batch of Land	Fifth (5th) Business Day following the Third Batch of Land Completion (i.e. 31 December 2023)	a total of US\$27,612,000
Fourth Batch of Land	Fifth (5th) Business Day following the Fourth Batch of Land Completion (i.e. 31 January 2024)	a total of US\$21,032,000
Total		<u>US\$88,424,000</u>

Each of the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion is not inter-conditional to each other.

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As at the Latest Practicable Date, the First Batch of Land Completion had taken place and the legal title of the First Batch of Land had been duly transferred to the Target Company. The payment for the First Batch of Land had been duly settled by Ms. Zhu.

The Company understands from Ms. Zhu that she has considered several factors in deciding to partner with the Group and enter into the Sale and Purchase Agreement. These factors include: (i) the Group's strategic plan to develop the Project, being a special economic zone with the Land; (ii) leveraging the Group's competitiveness to develop the Project, including but not limited to (a) the Group's experience gained from its investments in Cambodia since 2018; (b) the Group's resources and reputation as a listed company in Hong Kong; (c) the Group has established and is also continuing to expand the scale of its production base in Cambodia; and (d) the Group's ability to introduce potential manufacturers to set up their production bases in the Special Economic Zone under the Project, in particular in view of the extensive network established by the Group in the industrial industry, which it gained from its principal manufacturing and trading of upholstered furniture business over the years; and (iii) the development costs for the Project are expected to be provided by the Group and Ms. Zhu on a proportionate basis.

- Conditions precedent : The Completion shall be conditional upon the followings:
- (a) the passing of ordinary resolutions by the Independent Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or otherwise) at an extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to, the creation and issue of the Convertible Bonds, the allotment and issue of the Conversion Shares;

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- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (c) the obtaining of a valuation report on the Land prepared by the Independent Valuer appointed by the Company of which the valuation of the Land shall be not less than US\$88,424,000 (equivalent to approximately HK\$689,707,000) and in the form and substance satisfactory to the Company;
- (d) the Group, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of the Target Company; and
- (e) Ms. Zhu having obtained such approval and completed such filings and registrations with the relevant governmental authorities as required in accordance with the relevant applicable laws in the relevant jurisdictions in which Ms. Zhu has operations for the execution, delivery and completion of the Sale and Purchase Agreement and the performance of her obligations thereunder.

The Company may, at its options, waive conditions (c) and (d) set out above at any time by notice in writing to Ms. Zhu. Conditions (a), (b) and (e) set out above cannot be waived in any event.

If the conditions are not fulfilled (or being waived) on or before Long Stop Date (or such other date as the parties agree in writing), the Sale and Purchase Agreement shall terminate and neither of the parties will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Sale and Purchase Agreement.

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In respect of condition (e) above, after seeking advice from the legal adviser, the Company understands that Ms. Zhu is required to obtain the approval from the Council for the Development of Cambodia then register at the Ministry of Commerce of the Kingdom of Cambodia in order for her to complete the Sale and Purchase Agreement for the Sales Shares of the Target Company.

As at the Latest Practicable Date, condition (c) above had been fulfilled.

Undertakings by Ms. Zhu : Pursuant to the Sale and Purchase Agreement, Ms. Zhu undertakes (i) to procure the duly transfer of the legal title of the Land by the Mr. Suon to the Target Company upon the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion, respectively; and (ii) that the Land shall be free from any encumbrances and there shall be no defect in the title to the Land.

Ms. Zhu further undertakes that following Completion, (i) all the voting rights in respect of the 51% equity interest of the Target Company held by Ms. Zhu will be assigned to the board of directors of the Company; and (ii) to procure the appointment of majority of the board of directors of the Target Company to be nominated by the Company.

4.1. Consideration

The Consideration of HK\$338,000,000 shall be payable by the Purchaser to Ms. Zhu (or her nominee(s)) through the Total Cash Consideration of HK\$152,000,000 and the Total Convertible Bonds of HK\$186,000,000, being 45.0% and 55.0% of the Consideration, respectively. According to the Letter from the Board, the Total Cash Consideration will be funded by internal resources of the Group. In addition, we have obtained and reviewed the Land Agreement. Pursuant to the Land Agreement, the total consideration as agreed and paid/payable by Ms. Zhu to Mr. Suon and Mrs. Keo amounted to approximately US\$88,424,000 (equivalent to approximately HK\$689,707,000), whereas the Consideration representing 49% of the total consideration of the Land Agreement.

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Total Cash consideration:

Total Cash Consideration shall be payable in four (4) batches to Ms. Zhu in the following manner:

Batch(es)		Cash consideration
First batch Cash Consideration	Within five (5) Business Days after (i) the First Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$40,800,000 (approx. 27% of the Total Cash Consideration)
Second batch Cash Consideration	Within five (5) Business Days after (i) the Second Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$27,600,000 (approx. 18% of the Total Cash Consideration)
Third batch Cash Consideration	Within five (5) Business Days after (i) the Third Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$47,500,000 (approx. 31% of the Total Cash Consideration)
Fourth batch Cash Consideration	Within five (5) Business Days after (i) the Fourth Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$36,100,000 (approx. 24% of the Total Cash Consideration)
Total		HK\$152,000,000 (100% of the Total <u>Cash Consideration</u>)

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Total Convertible Bonds:

Total Convertible Bonds shall be satisfied by way of the creation and issue of the Convertible Bonds by the Company to Ms. Zhu (or her nominee(s)), in an equivalent principal amount entitling the holder(s) thereof to convert into a total of 516,666,665 Conversion Shares at the initial Conversion Price of HK\$0.36 per Conversion Share in the following manner:

Batch(es)		Amount of Convertible Bonds	Number of Conversion Shares to be converted at the initial Conversion Price of HK\$0.36 per Conversion Share
First batch Convertible Bonds	Within five (5) Business Days after (i) the First Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$49,810,229 (approx. 27% of Total Convertible Bonds)	138,361,747 (approx. 27% of Total Conversion Shares)
Second batch Convertible Bonds	Within five (5) Business Days after (i) the Second Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$33,800,353 (approx. 18% of Total Convertible Bonds)	93,889,869 (approx. 18% of Total Conversion Shares)
Third batch Convertible Bonds	Within five (5) Business Days after (i) the Third Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$58,013,228 (approx. 31% of Total Convertible Bonds)	161,147,855 (approx. 31% of Total Conversion Shares)
Fourth batch Convertible Bonds	Within five (5) Business Days after (i) the Fourth Batch of Land Completion; or (ii) the Completion, whichever is later	HK\$44,376,190 (approx. 24% of Total Convertible Bonds)	123,267,194 (approx. 24% of Total Conversion Shares)
Total		<hr/> HK\$186,000,000 (100% of the Total Convertible Bonds) <hr/>	<hr/> 516,666,665 (100% of the Total Conversion Shares) <hr/>

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4.2. Analysis on the fairness and reasonableness of the Consideration

According to the Letter from the Board, the Consideration was determined after arm's length negotiation between the Purchaser and Ms. Zhu with reference to, among others, the valuation of the Land of approximately US\$98,900,000 (equivalent to approximately HK\$771,420,000) as at 31 August 2023 conducted by the Independent Valuer (the "**Valuation**"). We understand from the Management that, the Target Company is newly incorporated on 11 July 2023 and has not commenced any operations as at the Latest Practicable Date. Upon completion of the Land Agreement, the Land will be the principal assets of the Target Company. We noted that the Valuation, having taken into account the proposed equity interest of 49% of the Target Company is amounted to US\$48,461,000 (equivalent to approximately HK\$377,995,800), which means that the Consideration represents a discount of approximately 10.6% to the Valuation. In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the valuation report of the Land (the "**Valuation Report**") and we have performed the independent due diligence work including, among others, (i) reviewed the terms of engagement and scope of work of the Independent Valuer; (ii) assessed the relevant qualification, experience and independency Independent Valuer in relation to the Valuation; and (iii) conducted interview and understand the bases, assumptions and methodologies adopted by the Independent Valuer. Please refer to Appendix V to the Circular for the Valuation Report in details.

Scope of work

We have reviewed the terms of engagement of the Independent Valuer and consider that the scope of work as stipulated is appropriate to the valuation assessment required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. We also understand from the Independent Valuer that it had performed necessary procedures for the purpose of the Valuation, which included, among others, obtaining and reviewing relevant information in respect of the Land such as title documents, carrying out on-site inspections, making enquires to relevant personnel, and conducting independent researches and analyses. Furthermore, we noted that the Valuation Report is prepared in accordance with the appropriate industry standard, including (i) the HKIS Valuation Standards 2020 as published by The Hong Kong Institute of Surveyors; (ii) the RICS Valuation – Global Standards as published by the Royal Institution of Chartered Surveyors; (iii) International Valuation Standards as published by the International Valuation Standards Council; and (iv) the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules.

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Qualification, experience and independency of the Independent Valuer

We have conducted an interview with the Independent Valuer to enquire its qualification, experience and independency in relation to the Valuation. We were given to understand that the core members of the Independent Valuer are professional valuers since 1990s and the firm was established in 2010s which provides comprehensive advisory services including but not limited to property and business valuation. The core team members of the Independent Valuer are all registered professionals in valuation and surveying industry. We have also reviewed the track record of the Independent Valuer and noted that it has provided various valuation services to companies listed in Hong Kong in the past. The Independent Valuer has also confirmed that it is independent of the Group, the Target Company and their respective core connected persons.

Selection of valuation methodology

We have discussed with the Independent Valuer on the selection of valuation methodology. In arriving at the Valuation Report, the Independent Valuer made reference to three generally accepted approaches, namely the market approach, income approach and depreciated replacement cost approach.

According to the Valuation Report, the market approach was adopted for the Valuation. We understand from the Independent Valuer that in determining the appropriate valuation approach, the Independent Valuer has considered the merits and limitations of the aforesaid valuation methodologies, the status of the Land as at the 31 August 2023 and also the availability and reliability of the information provided. We are advised by the Independent Valuer that the market approach was adopted as the Independent Valuer was able to identify comparables with similar characteristic and locality whereas (i) the income approach was not appropriate as the Land is a bare land and has not been developed, therefore rental performance information (such as rent and yield rate) were less reliable for the preparation of a reliable financial model; and (ii) the depreciated replacement cost approach was not appropriate as there the Land is mostly vacant with no material construction and/or building.

For the valuation of the Land, the Independent Valuer has adopted the market approach to determine its market value by referencing to the asking prices of similar properties that were posted on the real estate agencies websites in Cambodia. We have obtained and reviewed the five comparable properties (the “**Comparable Properties**”) selected by the Independent Valuer, and we noted that the Independent Valuer have selected the Comparable Properties based on the followings:

- (i) Usage – currently agricultural in nature;

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- (ii) Location – along or close to NR4 in the District of Srae Ambel or District of Kampong Seila;
- (iii) Site Area – not smaller than 150,000 sq.m.; and
- (iv) Date of Listing – within three months from the Date of Valuation.

In assessing the reasonableness of the selection criteria of Comparable Properties, we have performed desktop search on valuations of comparable transactions (i.e. acquisition of land parcel conducted by listed issuers on the Stock Exchange), and we noted that the aforementioned selection criteria are commonly adopted by respective valuers in selecting comparable properties under the market approach. In respect of the selection criteria of Comparable Properties on agricultural in nature, despite the Target Company intends to develop the Land into a comprehensive industrial park, having considered the Land is titled as agricultural in nature as at the Date of Valuation (i.e. 31 August 2023), hence we are of the view that it is fair and reasonable for the Independent Valuer to select the Comparable Properties based on the same nature of land in concern. Moreover, we have also performed desktop search on possible land for sale or sold in Cambodia based on the aforementioned selection criteria that, nothing has come to our attention that was not included in the Comparable Properties selected by the Independent Valuer. Therefore, we consider that the selection criteria of the Comparable Properties adopted by the Independent Valuer is fair and reasonable and the Comparable Properties are sufficient to represent the prevailing market condition on land price proximate to the Land in Cambodia, so far as the Independent Shareholders are concerned.

The Independent Valuer assessed the market value of the Land with reference to the Comparable Properties and adjusted by, among others, the sizes, location, frontage, accessibility, topography of the Comparable Properties. According to the Independent Valuer, they attempted to obtain official information on market transaction and/or traded properties that are located within similar district as the Land. As stated in the Valuation Report, land transaction market in Cambodia is not transparent, and there is no publicly available transaction record. Therefore, the Independent Valuer could only make reference to the asking price of the Comparable Properties. In this regard, we have performed desktop search on valuation of properties (namely buildings and land) on the website of Stock Exchange and noted that, in the event that no public transaction record is available for valuing the target subject, it is not uncommon for valuer to rely on the asking price of the market comparables in order to value the target subject under the market approach.

Moreover, we further noted from the Valuation Report that the asking price of the Comparable Properties are ranged broadly from US\$9.00 per sq.m. to US\$28.00 per sq.m. As disclosed in the Valuation Report, Comparable 3, being the highest

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asking price among the Comparable Properties of US\$28.00 per sq.m., is mainly explained by its frontage to two major conjunctions in the local district (namely the National Road 4 and the Phnom Penh – Sihanoukville Expressway, while Comparable 5, being the lowest asking price among the Comparable Properties of US\$9.00 per sq.m., does not have direct access to the National Road 4 and is only accessible only via a laterite road which is inferior to other Comparable Properties.

Nonetheless, we noted that the Independent Valuer had duly considered various adjusting factors on the asking price of the Comparable Properties during the course in assessing the market value of the Land. In particular, an overall 25% discount on the asking prices of the Comparable Properties have been made to reflect the possible bargain based on the Independent Valuer's knowledge in the local market. In this regard, based on the desktop search performed as aforementioned, we also noted that it is not uncommon for valuers to apply adjustment on the asking price in order to reflect the possible bargain of the comparable properties. Moreover, we were given to understand by the Independent Valuer that the overall discount of 25% being adopted on the asking prices of the Comparable Properties were assessed based on the Independent Valuer's experience as well as non-public land transactions in other regions of the Cambodia (namely, Sihanoukville and Kampong Speu). For our due diligence purpose, we have obtained and reviewed such land transactions, which are in-house records provided by the Cambodia office of an international surveying firm, the working partner of the Independent Valuer. It is noted that the discount between the asking price and the transacted price ranging from approximately 9.5% to 32.1% with median discount of approximately 26.7%. Hence, we are of the view that the overall 25% discount on the asking prices of the Comparable Properties as adopted by the Independent Valuer is justifiable. In view of the discrepancy between the Land and the Comparable Properties in terms of the adjustment factors as set out in Appendix V, we are of the opinion that it is necessary to apply adjustments on the unit rate of the Comparable Properties in order to arrive at a fair comparison of values. The Independent Valuer confirmed that all of the adjustments applied conform to the market practice. Upon our review on the calculation details of the adjusted unit rate of each Comparable Properties together with our discussion with the Independent Valuer thereon, we consider that the calculation of the adjusted unit rate of each Comparable Properties was conducted by the Independent Valuer under due and careful consideration, therefore fair and reasonable so far as the Independent Shareholders are concerned.

In light of the above, and taking into account the adjustment factors and their effects on the price adjustment on the asking price of the Comparable Properties, we are of the view that the Comparable Properties are sufficient and appropriate for the Valuation, and we concur with the Independent Valuer's view that the market approach is appropriate and common to determine the market value of the Land.

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Bases and major assumptions adopted by the Independent Valuer

According to the Valuation Report, the Valuation was made on the major assumptions, including but not limited to, (i) the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property interests; (ii) no allowance was made in the Valuation neither for any charges, mortgages or amount owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale; and (iii) it is assumed that the property is free from encumbrances, restrictions and outgoings of onerous nature which could affect its value. With respect to the bases and assumptions being adopted by the Independent Valuer, we have performed desktop search in respect of valuation of land parcel on the website of Stock Exchange and are of the view that, such bases and assumptions are commonly adopted in valuing the land parcel, and are fair and reasonable so far as the Independent Shareholders are concerned.

During the course of our discussion with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Valuation.

Considering the above, we are of the view that the Valuation Report was arrived at after due and careful consideration and, given the fact that the Consideration represents a slight discount to the Valuation, we concur with the view of the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest to the Company and the Shareholders as a whole.

5. The Convertible Bonds

5.1. Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised as below:

Issuer:	The Company
Principal amount:	HK\$186,000,000
Maturity date:	18 months from the date of issue of the Convertible Bonds (the “ Maturity Date ”)
Interest rate:	5.0% per annum

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- Conversion period: The period commencing from the date of issue of the Convertible Bonds up to seven days before (and excluding) the Maturity Date (the “**Conversion Period**”)
- Conversion rights: Holder of the Convertible Bonds will have the right, during the Conversion Period, to convert the Convertible Bonds in whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bonds into Conversion Shares, provided that:
- (i) the exercise of the conversion rights will not result in the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public; and
 - (ii) upon exercise of the conversion rights, Ms. Zhu and her respective associates, together with any parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code, unless (a) such conversion is permissible under the Takeovers Code following the application by the holder of the Convertible Bonds and granting by the Executive of a whitewash waiver and the approval of the Shareholders in this regard; or (b) such holder of the Convertible Bonds has fulfilled sufficient financial resources to make a general offer pursuant to Rule 26 of the Takeovers Code.
- Conversion Price: The initial conversion price of the Convertible Bonds shall be HK\$0.36 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds, and represents:
- (i) a premium of approximately 20.0% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
 - (ii) a premium of approximately 20.0% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

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- (iii) a premium of approximately 32.8% to the average closing price of approximately HK\$0.271 per Share as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iv) a premium of approximately 35.8% to the average closing price of approximately HK\$0.265 per Share as quoted on the Stock Exchange in the ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The initial Conversion Price was determined after arm's length negotiation between the Company, the Purchaser and Ms. Zhu with reference to, among others, the prevailing trading prices of the Shares.

Adjustment to
Conversion Price:

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of the following events:

- (i) an alteration of the nominal amount of the Shares by reason of consolidation, subdivision or otherwise;
- (ii) an issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued in lieu of a cash dividend;
- (iii) a capital distribution (as such term is defined in the conditions of the Convertible Bonds) to Shareholders being made by the Company;

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- (iv) a rights issue of Shares to all or substantially all Shareholders, or a grant to all or substantially all Shareholders as a class, by way of rights, any options or warrants to subscribe for Shares, in each case at less than 80% of the current market price (namely the average of the closing price for one Share for the five consecutive dealing days ending on and inclusive of the dealing day immediately preceding such date, the “**Current Market Price**”) per Share on the record date of such issue or grant to the Shareholders;
- (v) an issue of Shares being made wholly for cash at a price less than 80% of the Current Market Price per Share on the date of such issue or grant;
- (vi) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any Subsidiary issues any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be re-designated as Shares to be issued by the Company upon conversion, exchange or subscription or redesignation, at a consideration per Share receivable by the Company or the relevant Subsidiary which is less than 80% of the Current Market Price per Share on the date of the issue of such securities; and
- (vii) a modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the events (iv) to (vi) above so that the effective consideration per Share is less than 80% of the Current Market Price per Share on the date of such modification.

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In addition, any adjustment to the Conversion Price shall not involve an increase in the Conversion Price (except upon any consolidation of the Shares). The minimum Conversion Price shall not be less than the par value of each Conversion Share. If an adjustment is not made to the Conversion Price because it would reduce it below the then par value of each Conversion Share and such par value is subsequently reduced, then any adjustment not previously made shall be immediately made to the Conversion Price on such reduction in par value but only to the extent that such adjustment will not reduce the Conversion Price below the newly reduced par value. Where an adjustment would reduce the Conversion Price to below the par value of each Conversion Share, the Conversion Price shall be reduced to such par value subject to the aforesaid provisions.

Conversion Shares: Based on the initial Conversion Price of HK\$0.36 per Conversion Share, a maximum of 516,666,665 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full.

The Conversion Shares represent (i) approximately 35.8% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 26.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The aggregate nominal value of the Conversion Shares (with a par value of US\$0.00015 each) will be US\$77,500.

The issue of the Convertible Bonds and allotment and issue of the Conversion Shares are subject to the Specific Mandate to be sought at the EGM.

Voting rights: Holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

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The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

Ranking: The Conversion Shares will, when allotted and issued, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue.

Please refer to the section headed “The Sale and Purchase Agreement – Consideration – Convertible Bonds” in the Letter from the Board for the principal terms of the Convertible Bonds for details.

5.2. Analysis of the principal terms of the Convertible Bonds

In assessing the fairness and reasonableness of the principal terms of the Convertible Bonds, we have identified and reviewed an exhaustive list of seven comparable transactions announced by companies listed on the Stock Exchange from 30 September 2022 up to and including the date of the Sales and Purchase Agreement (the “**Review Period**”) in relation to issue of convertible bonds as full or partial settlement of consideration for acquisitions conducted by respective listed companies (the “**Comparable CBs**”).

We consider such Review Period of approximately 12 months to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the Convertible Bonds were determined such that the Comparable CBs could reflect the recent market trends of the terms involved in issuing convertible bonds as full or partial settlement of consideration for acquisitions under similar market conditions and sentiments. Based on the above, we consider that the Comparable CBs are fair and representative to provide a general reference for the recent market practice of similar transactions in Hong Kong. However, it should be noted that the companies involved in the Comparable CBs may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and circumstances leading such companies to issue convertible bonds may differ from those of the Company.

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Details of the Comparable CBs are summarised as below:

Date of announcement	Name of Company	Stock code	Maturity (months)	Interest rate per annum (%)	Premium/ (discount) of Conversion Price over/(to) the closing price as at the last trading day prior to/ on the date of the announcement (%)	Premium/ (discount) of Conversion Price over/to the average closing price of five trading days prior to/ on the date of the announcement/ agreement (%)	Premium/ (discount) of Conversion Price over/to the average closing price of ten trading days prior to/ on the date of the respective announcement/ agreement (%)	Conversion price subject to adjustment events (Yes/No)
3-Aug-23	GRAND T G GOLD HOLDINGS LIMITED	8299	24	5.00	4.55	(2.04)	3.70 ^(Note 1)	Yes
1-Aug-23	RAFFLES INTERIOR LIMITED	1376	36	-	(28.40)	29.50	41.52 ^(Note 1)	Yes
29-Jun-23	AFFLUENT PARTNERS HOLDINGS LIMITED	1466	24	-	(23.83)	(24.70)	(26.28)	Yes
26-Apr-23	SINO-LIFE GROUP LIMITED	8296	72	1.00	5.00	4.13	5.26	Yes
10-Mar-23	KIU HUNG INTERNATIONAL HOLDINGS LIMITED	381	36	-	17.31	14.66	13.81 ^(Note 1)	Yes
14-Dec-22	EMINENCE ENTERPRISE LIMITED	616	60	5.00	43.24	45.21	47.02	Yes
30-Sep-22	CHINA CBM GROUP COMPANY LIMITED	8270	24	-	0.48	-	-	Yes
		Minimum	24.0	-	(28.40)	(24.70)	(26.28)	
		Maximum	72.0	5.00	43.24	45.21	47.02	
		Average	39.4	1.60	2.62	9.54	12.15	
		Median	36.0	-	4.55	4.13	5.26	
	The Convertible Bonds		18	5.00	20.00	32.80	35.80	Yes

Source: Website of the Stock Exchange (www.hkexnews.hk)

Note:

- Information is not disclosed in the relevant announcement of respective Comparable CB. For illustrative purpose, the figure is calculated based on the public information from the website of the Stock Exchange.

Conversion Price

As illustrated in the table above, the Conversion Price of the Comparable CBs ranging from (i) a discount of approximately 28.40% to a premium of approximately 43.24% to/over the closing prices of the shares on the date of the respective agreements (the “**Last Date Market Range**”), with average and median of premium of approximately 2.62% and 4.55%, respectively; (ii) a discount of approximately 24.7% to a premium of approximately 45.21% to/over the average closing prices of the shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements (the “**5-Day Market Range**”), with average and median of premium of approximately 9.54% and 4.13%, respectively; and (iii) a discount of approximately 26.28% to a premium of approximately 47.02% to/over the average closing prices of the shares for the last ten consecutive trading days immediately prior to or up to and including the date of the respective agreements (the “**10-Day Market Range**”), with average and median of premium of approximately 12.15% and 5.26%, respectively.

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It is noted that the Conversion Price represents premium of approximately 20.0%, 32.8% and 35.8% over the closing price of the Shares on the date of the Sale and Purchase Agreement, the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement, and the average closing price of the Shares for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement, which are (i) within respective ranges of the Last Date Market Range, 5-Day Market Range and 10-Day Market Range of the Comparable CBs; and (ii) higher than respective average and median of the Last Date Market Range, 5-Day Market Range and 10-Day Market Range of the Comparable CBs. Hence, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Maturity and interest rate

As shown in the table above, the Comparable CBs have interest rates ranging from nil to 5.0% per annum, and the interest rate of the Convertible Bonds of 5.0% per annum fall within the range of the Convertible CBs. In addition, it is noted that the interest rate of the Convertible Bonds is lower than the weighted average effective interest rate on bank borrowings of the Group as at 31 December 2022 of approximately 6.19%. Please refer to the subsection headed “5.3. Other settlement alternatives” in this letter for details. With respect to the maturity period, the Comparable CBs have maturity period ranging from 24 months to 72 months. Despite the fact that the maturity period of the Convertible Bonds of 18 months falls outside the range of the Comparable CBs, the Directors are of the view that, the terms of the Convertible Bonds (including the maturity period) were commercially negotiated between the contracting parties having considered, among others, the financial position and cash flows of the Group. According to the 2022 Annual Report, cash and cash equivalents of the Group amounted to approximately RMB460.3 million as at 31 December 2022 and the Group recorded net cash inflow of approximately RMB189.5 million for the year ended 31 December 2022. Hence, we concur the Directors’ view that the shorter maturity period of the Convertible Bond would not have any material adverse impact on the existing business of the Group and could also reduce the burden of interest expenses of the Group which is considered commercially justifiable.

Adjustment to Conversion Price

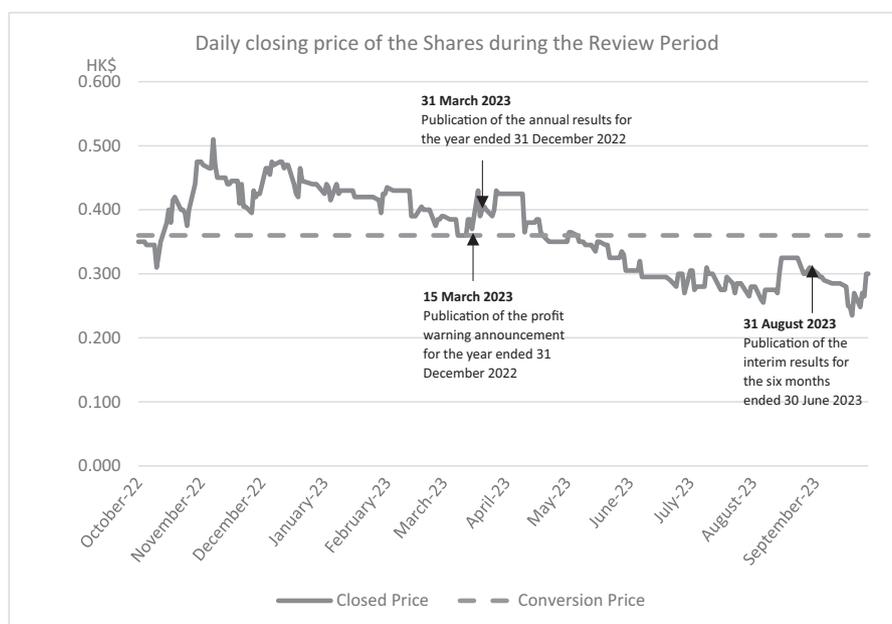
In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds with regard to the Conversion Price, we have compared such adjustment terms with the relevant adjustment terms of the Comparable CBs as disclosed and noted that the conversion prices of a majority of the Comparable CBs are subject to the similar adjustments terms to the Convertible Bonds upon occurrence of dilutive events, which includes consolidation, subdivision or re-classification; capitalisation of profits or reserves; capital distribution; rights issues of Shares; and options, warrants or other rights to subscribe for or purchase Shares.

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Moreover, for our analysis purpose, we have further looked into the historical closing prices and historical trading volume of the Shares during the Review Period as quoted on the Stock Exchange. We consider that the Review Period of approximately 12 months prior to the date of the Sale and Purchase Agreement is adequate to illustrate the recent market sentiment and price movement of the Shares.

Historical Shares performance

We have reviewed the historical prices performance of the Shares, set forth below is a graph illustrates the movement of the closing prices of the Shares and the comparison against the Conversion Price during the Review Period:



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

As shown in the chart above, the closing prices of the Shares demonstrated a declining trend during the Review Period ranged from HK\$0.235 per Share to HK\$0.510 per Share, with an average closing price of approximately HK\$0.365 per Share. The Conversion Price of HK\$0.360 per Conversion Share is within the range of the lowest and highest closing prices of the Shares and represents (i) a premium of approximately 53.2% over the lowest closing price of the Shares; (ii) a discount of approximately 29.4% to the highest closing price of the Shares; and (iii) a slight discount of approximately 1.3% over the average closing price of the Shares during the Review Period. We have enquired the Directors regarding the movements in the Share price during the Review Period, in particular the downward trend, and we are advised by the Directors that they are not aware of any other specific reason nor event which may be related to the aforesaid movements.

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Historical trading volume of the Shares

We have also reviewed the historical trading volume of the Shares. The following table sets forth the average daily trading volume per month of the Shares during the Review Period:

	Average daily trading volume of Shares during the month <i>(number of Shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume of Shares to the total number of issued shares <i>(%)</i> <i>(Note 2)</i>
2022		
October	1,822,550	0.126%
November	887,409	0.061%
December	671,700	0.047%
2023		
January	411,056	0.028%
February	77,300	0.005%
March	67,739	0.005%
April	214,118	0.015%
May	74,667	0.005%
June	99,143	0.007%
July	21,000	0.001%
August	33,391	0.002%
September	115,316	0.008%
Minimum	21,000	0.001%
Maximum	1,822,550	0.126%
Average	374,616	0.026%

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

Notes:

1. Computed by dividing the total daily trading volume of the Shares by the number of trading days of the respective corresponding months/periods.
2. Computed by dividing the average daily trading volume of the Shares by the total number of issued Shares of 1,443,141,881 Shares as at the Latest Practicable Date.

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We noted that the average trading volume of the Shares ranged from approximately 21,000 Shares to approximately 1,822,550 Shares during the Review Period, representing approximately 0.001% to 0.126% of a total of 1,443,141,881 Shares in issued as at the Latest Practicable Date, which we considered that the trading volume of the Shares was relatively thin during the Review Period, where the percentages of the average daily trading volume of the Shares to the total number of issued Shares were generally below or around 0.06%. Hence, the Directors are of the view and we concur that, due to the generally low liquidity of the Shares, it would be difficult for the Group to obtain favorable terms on other ways of equity financing such as placement of new Shares for the Acquisition.

5.3. Other settlement alternatives

The Company had explored and evaluated other settlement methods available to the Group, such as settling the Consideration by cash in full, debt financing and equity financing. As disclosed in the 2023 Interim Report, the unaudited cash and cash equivalents of the Group as at 30 June 2023 amounted to approximately RMB451.7 million. According to the Management, although the cash balance of the Group as at 30 June 2023 is sufficient to settle the Consideration in full, however the Management are of view that it is in the interests of the Group to preserve its cash flow and to maintain a strong cash position for business development and operation of the Group in order to satisfy the operating and/or capital needs and not to proceed the settlement of the Consideration by way of cash payment in full. In this regard, we noted from the 2022 Annual Report, the operating costs of the Group (namely selling and distribution costs, administrative expenses and finance costs) for FY2022 amounted to approximately RMB333.7 million, whereas the Group has capital commitment in respect of properties under development for sales of approximately RMB391.7 million as at 31 December 2022. Hence, we concur with the Management that to preserve a strong cash position without settling the Consideration by way of cash payment in full is in the interests of the Company and the Shareholders as a whole.

With respect to debts borrowings such as bank borrowing, we understand that the Management had considered that (i) the debt financing may also be subject to lengthy due diligence and negotiations with banks; and (ii) financing the Consideration through bank borrowing would incur higher interest expense as compared to that of the Convertible bonds. According to the 2022 Annual Report, the weighted average effective interest rate on bank borrowings of the Group as at 31 December 2022 was approximately 6.19% which was higher than the interest rate of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With respect to the equity financing alternatives, such as rights issue or open offer which is expected to be offered to all Shareholders and would be able to maintain their shareholding in the Company on a pro rata basis. However, having considered the prevailing market sentiment and the comparatively thin trading volume of the Shares, the Management is of the view and we concur that, the level of participation for the possible rights issue or open offer would not be optimistic. Moreover, as the rights issue or open offer involve the issue of listing documents, the engagement of additional professional parties (including legal advisers, reporting accountants, share registrar, financial printing service provider etc.), and other additional application and administrative procedures, where more time and costs would be incurred as compared to that of the Convertible Bonds which has no immediate dilution effect upon issuance.

Based on all of the above, having considered that (i) the maturity and interest rate are within range of the Comparable CBs; (ii) the premium of the Conversion Price over respective period of the Shares are within respective range of the Comparable CBs; (iii) the adjustment mechanisms to the Conversion Price are similar to those as disclosed under the Comparable CBs; and (iv) the alternative settlement methods of the Consideration being considered by the Directors, we are of the view that the principal terms of the Convertible Bonds are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible financial effects of the Acquisition

Upon Completion, the Target Company will be owned by Ms. Zhu and Kasen International as to 51% and 49%, respectively. Since the Company will be in control of the board of directors of the Target Company, the Target Company will become a subsidiary of the Company. The financial results of the Target Company will be consolidated into the accounts of the Group.

Earnings

According to the Letter form the Board, the Target Company is newly established in Cambodia on 11 July 2023 and has not commenced any material operations, and hence does not have any material income or expenses. Therefore, it is expected that there will be no material impact on the earnings of the Group as a result of Completion.

Net assets

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition had taken place on 30 June 2023, it is expected that the total assets of the Group would increase from approximately RMB5,744.6 million to approximately RMB6,243.5 million, the total liabilities of the Group would increase from approximately RMB2,004.4 million to approximately RMB2,192.6 million and the net assets of the Group would increase from approximately RMB3,740.1 million to approximately RMB4,050.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital

For illustration purpose, based on the 2023 Interim Report, unaudited cash and cash equivalent of the Group as at 30 June 2023 amounted to approximately RMB451.7 million which is sufficient to settle the Total Cash Consideration. With respect to the Convertible Bonds, as the maturity term is falling on the 18 months from the issue date of the Convertible Bonds, the Company will not face any immediate cash outflow for the Total Convertible Bonds.

7. Possible dilution effect of the Acquisition

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds) are as follows:

	As at the		Immediately after the	
	Latest Practicable Date		allotment and issue of the	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
Ms. Zhu	–	–	516,666,665	26.36
Joyview Enterprises Limited <i>(Note 1)</i>	555,645,113	38.50	555,645,113	28.35
Mr. Zhu <i>(Note 1)</i>	12,360,000	0.86	12,360,000	0.63
Team Ease Limited <i>(Note 2)</i>	235,043,057	16.29	235,043,057	11.99
Zhou Xiaohong	9,514,561	0.66	9,514,561	0.49
Public Shareholders	<u>630,579,150</u>	<u>43.69</u>	<u>630,579,150</u>	<u>32.18</u>
Total	<u>1,443,141,881</u>	<u>100.00</u>	<u>1,959,808,546</u>	<u>100.00</u>

Notes:

- Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the controlling Shareholders, are collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the total number of issued Shares held by Joyview Enterprises Limited, which in turn is wholly owned by Prosperity and Wealth Limited, being the trustee of the aforesaid family trust).
- Team Ease Limited is a company beneficially owned by Xu Helin (許合林).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, upon full conversion of the Convertible Bonds (assuming there is no other change in issued Shares), the aggregate shareholding of the existing public Shareholders will be decreased by approximately 11.51 percentage points, from approximately 43.69% as at the Latest Practicable Date to approximately 32.18%. In this regard, taking into account (i) the aforementioned reasons for and benefits of the Acquisition; and (ii) the terms of the Sales and Purchase Agreement and the Convertible Bonds being fair and reasonable, we are of the view that the said level of dilution to the shareholding interest of the public Shareholders as a result of full conversion of the Convertible Bonds is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that although the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Bonds) is not conducted in the ordinary and usual course of business of the Group, (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Bonds) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Conversion Shares.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 25 years of experience in the securities and investment banking industries.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the last three financial years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 have been disclosed in the annual reports of the Company for each of the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023 respectively. These annual reports and interim report are published on the website of the Company (www.irasia.com/listco/kasen/index.htm) and the website of the Stock Exchange (www.hkexnews.hk):

- (i) annual report of the Company for the year ended 31 December 2020 published on 26 April 2021 on pages 75 to 178, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600440.pdf>

- (ii) annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 on pages 80 to 182, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700709.pdf>

- (iii) annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 on pages 82 to 184, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701529.pdf>

- (iv) interim report of the Company for the six months ended 30 June 2023 published on 27 September 2023 on pages 15 to 38, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0927/2023092700768.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on September 30, 2023, the Enlarged Group had outstanding borrowings of approximately RMB775,959,000, details of which are set out below:

	As at September 30, 2023
	<i>RMB'000</i>
Bank borrowings	
– Secured	709,039
– Unsecured	<u>66,920</u>
	<u>775,959</u>
– Guaranteed	741,059
– Unguaranteed	<u>34,900</u>
	<u>775,959</u>
Carrying amount repayable:	
– Within one year	334,959
– More than 1 year but less than 5 years	231,000
– After 5 years	<u>210,000</u>
	<u>775,959</u>

Lease Liabilities

As at the close of business on September 30, 2023, the Enlarged Group had unguaranteed lease liabilities totaling approximately RMB41,575,000. Out of this amount, approximately RMB32,658,000 was secured, while approximately RMB8,917,000 was unsecured.

Pledge of Asset

As at the close business on September 30, 2023, certain of the Enlarged Group's assets have been pledged to secure the borrowings of the Group. The carrying amount of the pledged assets of the Enlarged Group as at September 30, 2023 is as follows:

	As at September 30, 2023 <i>RMB'000</i>
Buildings	11,418
Pledged bank deposits	11,000
Properties under development and held for sale	<u>1,043,357</u>
	<u><u>1,065,775</u></u>

At the close of business on September 30, 2023, fixed bank deposit of approximately RMB11,000,000 had been pledged to bank for general facility granted to the Enlarged Group.

Contingent Liabilities

As at September 30, 2023, the Enlarged Group provided guarantees in an aggregate amount of approximately RMB56,820,000 to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Enlarged Group's properties. These guarantees provided by the Enlarged Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of the above guarantees is insignificant on initial recognition and at the report dates as it is not probable that an outflow in settlement will be required.

The Enlarged Group also provided financial guarantees in the maximum amounts of RMB308,000,000 and RMB370,000,000 as at September 30, 2023 to related parties and an independent third party, respectively.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, intra-group guarantees and normal trade payables in the ordinary course of business, as at the close of business on September 30, 2023, the Enlarged Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Enlarged Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

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

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Manufacturing and trading of upholstered furniture Business is the traditional competitive industries of the Group. Currently, the international situation is complex and volatile, and it is expected that the procurement volume of furniture products exported from China to purchasers in Europe and the United States will continue to decrease. In recent years, the Group has been taking proactive measures to cope with the aforementioned risks. At present, the Group is further optimizing the layout of production factories and integrating production resources domestically to reduce costs, meanwhile, it continues to expand the scale of its production base in Cambodia and increase the volume of exports from Cambodia to customers in Europe and the United States.

In the field of property development, in the context of the fundamental changes of the supply and demand relationship of properties in China, the Group will, instead of continuing to develop new domestic projects, focus on the sale and delivery of the projects already developed and accelerate the disposal of certain assets, to recover its funds. In the overseas, “Phnom Penh Kasen Garden”, a property project located in Phnom Penh, the capital of Cambodia, is under development and construction as scheduled, which will bring a new sales growth driver and enable the Group to explore new development opportunities for the property development business of the Group.

In the field of tourism resort business, following the end of the pandemic prevention and control in China, such business has recovered rapidly, and achieved satisfactory performance with the significant increase in the number of admissions and patrons of the water parks and hotels. The Group will seize the favorable opportunity arising from the recovery of domestic tourism resort business to optimize its management and services, and strive to create better economic benefits. At the same time, the Group will actively search for partners to promote the optimization and integration of related assets in a favorable industry environment.

The following is the text of a report set out on pages II-1 to II-20, received from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Koh Kong Zhejiang Sez Co., Ltd. (the **"Target Company"**) set out on pages II-4 to II-20, which comprises the statement of financial position of the Target Company as at July 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from July 11, 2023 (date of incorporation) to July 31, 2023 (the **"Relevant Period"**) and a summary of significant accounting policies and other explanatory information (together, the **"Historical Financial Information"**). The Historical Financial Information set out on pages II-4 to II-20 forms an integral part of this report, which has been prepared for inclusion in the circular of Kasen International Holdings Limited (the **"Company"**) dated November 23, 2023 (the **"Circular"**) in connection with the proposed acquisition of 49% equity interests in the Target Company.

Directors' Responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the sole director of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Company's financial position as at July 31, 2023 and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information which states that no dividends have been declared by the Target Company in respect of the Relevant Period.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

November 23, 2023

Lam Kam Fung

Practising Certificate No.: P07822

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") ("Underlying Financial Statements").

The Historical Financial Information is presented in United States dollar ("US\$") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

(A) *Statement of profit or loss and other comprehensive income*

	<i>Notes</i>	Period from July 11, 2023 (date of incorporation) to July 31, 2023 <i>US\$'000</i>
Revenue	3	–
Administrative expenses		<u>(2)</u>
Loss before income tax	4	(2)
Income tax expenses	5	<u>–</u>
Loss and total comprehensive expenses for the period		<u><u>(2)</u></u>

(B) Statement of financial position

	<i>Notes</i>	As at July 31, 2023 US\$'000
ASSETS AND LIABILITIES		
Current assets		
Bank balances		<u>20</u>
Current liabilities		
Accruals		2
Amount due to a shareholder	7	<u>20</u>
		<u>22</u>
Net current liabilities/net liabilities		<u><u>(2)</u></u>
EQUITY		
Share capital	9	–
Accumulated losses		<u>(2)</u>
Capital deficiency		<u><u>(2)</u></u>

(C) Statement of changes in equity

	Share capital <i>US\$'000</i>	Accumulated losses <i>US\$'000</i>	Capital deficiency <i>US\$'000</i>
At July 11, 2023 (date of incorporation)	–	–	–
Loss and total comprehensive expenses for the period	<u>–</u>	<u>(2)</u>	<u>(2)</u>
At July 31, 2023	<u><u>–</u></u>	<u><u>(2)</u></u>	<u><u>(2)</u></u>

(D) Statement of cash flows

		Period from July 11, 2023 (date of incorporation) to July 31, 2023 US\$'000
Cash flows from operating activities		
Loss before income tax		(2)
Increase in accruals		<u>2</u>
<i>Net cash from operating activities</i>		<u>–</u>
Cash flows from financing activities		
Increase in amount due to a shareholder	<i>10</i>	<u>20</u>
<i>Net cash from financing activities</i>		<u>20</u>
Net increase in cash and cash equivalents		20
Cash and cash equivalents at the beginning of the period		<u>–</u>
Cash and cash equivalents at the end of the period, represented by bank balances		<u><u>20</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Koh Kong Zhejiang Sez Co., Ltd. (the “**Target Company**”) was established in the Kingdom of Cambodia (the “**Cambodia**”) with limited liability on July 11, 2023. The address of its registered office is National Road No. 4, at point nearby kilometer pole number 174 (Phnom Penh-Preah Sihanouk Province), Trapeang Kea and Trapeangmoul village, Choengko quarter, Prey Nup district, Preah Sihanouk Province, Cambodia. The Target Company is principally engaged in property development in the Cambodia.

2. Summary of significant accounting policies

2.1 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with IFRSs which includes all applicable individual International Financial Reporting Standards, International Accounting Standards, amendments and interpretations issued by the IASB and the accounting principles generally accepted in Hong Kong. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Period, the Target Company has adopted for the first time all IFRSs which are relevant and effective for the Historical Financial Information. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Period. The adoption of new or amended IFRSs that are issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 2.2.

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

The Historical Financial Information have been prepared on a going concern basis which assumes the realization of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Target Company incurred a net loss of US\$2,000 for the period from July 11, 2023 (date of incorporation) to July 31, 2023 and, as of that date, the Target Company had net current liabilities and capital deficiency of US\$2,000. The Historical Financial Information have been prepared on the assumption that the Target Company will continue to operate as a going concern notwithstanding the conditions prevailing as at July 31, 2023 and subsequently thereto up to the date of approval of the Historical Financial Information. The going concern basis has been adopted on the basis that Ms. Zhu Jiayun (“**Ms. Zhu**”), the shareholder

of Target Company, will continue to provide the Target Company with the necessary financial support to meet the Target Company's liabilities and commitments as and when they fall due. The Historical Financial Information do not include any adjustments that would result from a failure of the Target Company to operate as a going concern.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made in the Historical Financial Information to restate the values of the assets to their net realizable amounts, to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the Historical Financial Information.

2.2 Issued but not yet effective IFRSs

The Target Company has not early adopted the following new and amended IFRSs which have been issued but are not yet effective for the Relevant Period:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective date not yet determined

The sole director of the Target Company anticipates that all of the pronouncements will be adopted in the Target Company's accounting policies for the first period beginning on or after the effective date of the new and amended IFRSs. The new and amended IFRSs are not expected to have a material impact on the Historical Financial Information.

2.3 Foreign currency

The Historical Financial Information is presented in US\$, which is also the functional currency of the Target Company.

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rate at the transaction date). When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income.

2.4 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Target Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss (“**FVTPL**”), plus transaction costs that are directly attributable to the acquisition of the financial asset.

On initial recognition, financial asset is classified as measured at amortized cost.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "other gains and losses", if any.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Non-equity investments held by the Target Company are classified into amortized cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in "Other gains and losses" in profit or loss, if any. Discounting is omitted where the effect of discounting is immaterial. The Target Company's bank balances fall into this category of financial assets.

Financial liabilities

Classification and initial measurement of financial liabilities

The Target Company's financial liabilities include accruals and amount due to a shareholder. They are separately shown on the face of the statement of financial position.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Target Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

2.5 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognize expected credit losses (“ECL”) – the “ECL model”. Instruments within the scope included debt-type financial assets measured at amortized cost.

The Target Company considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

“Stage 3” would cover financial assets that have objective evidence of impairment at each reporting date.

“12-month ECL” are recognized for the Stage 1 category while “lifetime ECL” are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other financial assets measured at amortized cost

The Target Company measures the loss allowance for bank balances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the short term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collateral held by the Target Company).

Detailed analysis of the ECL assessment of financial assets measured at amortized cost are set out in note 11.3.

2.6 Leases

Definition of a lease and the Target Company as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

All leases are required to be capitalized in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalize leases which are short-term leases. The Target Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at banks.

2.8 Employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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

2.9 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Target Company has the legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the Target Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.10 Provisions

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

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

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

2.11 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to the Target Company if:

- (a) the party is a person, or a close member of that person's family, and if that person:
 - (i) has control or joint control of the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of the key management personnel of the Target Company or the Target Company's parent.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Target Company are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entities and the Target Company are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

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

3. Revenue

The Target Company did not generate any revenue during the Relevant Period.

4. Loss for the period

	Period from July 11, 2023 (date of incorporation) to July 31, 2023 US\$'000
Staff costs	2
Short-term lease expense	—*
	<u>2</u>

* The amount represents figure less than US\$1,000.

5. Income tax expenses

Statutory tax rate of Cambodia is 20% on assessable profits for the Relevant Period. No provision for Cambodia's income tax is made in the financial statements as the Target Company did not have any assessable profits for the Relevant Period.

	Period from July 11, 2023 (date of incorporation) to July 31, 2023 US\$'000
Loss for the period	<u>(2)</u>
Tax on loss at the Cambodia statutory tax rate of 20%	—*
Tax effect of non-deductible expenses	—*
Income tax expenses	<u>—</u>

* The amount represents figure less than US\$1,000.

6. Director's remuneration

The sole director did not receive any fees or emoluments in respect of her services rendered to the Target Group during the Relevant Period.

7. Amount due to a shareholder

The amount due to a shareholder is non-trade nature, interest-free, unsecured and repayable on demand.

8. Dividend

During the Relevant period, no dividend has been paid or declared by the Target Company.

9. Share capital

US\$'000

Registered and issued:

Upon incorporation and as at July 31, 2023

– 1,000 ordinary shares of KHR28,000,000,000 (<i>note</i>)	–
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Note: On July 11, 2023 (the date of incorporation) and as at July 31, 2023, the shareholder has not yet paid up the share capital in full.

10. Reconciliation of liabilities arising from financing activities

**Amount due to
a shareholder**
US\$'000

At 11 July, 2023 (date of incorporation)	–
Cash inflow	20
At 31 July, 2023	20

11. Financial risk management and fair value measurements

The Target Company is exposed to financial risks through their use of financial instruments in its ordinary course of operations. The financial risk includes liquidity risk and credit risk.

The Target Company actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. The Target Company adopts conservative strategies on its risk management and seeks to limit the Target Company's exposure to these risks to a minimum. Financial risk management is carried out by the sole director.

11.1 Categories of financial assets and financial liabilities

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

	As at
	July 31, 2023
	<i>US\$'000</i>
Financial assets	
At amortized cost:	
– Bank balances	<u>20</u>
Financial liabilities	
At amortized cost:	
– Accruals	2
– Amount due to a shareholder	<u>20</u>
	<u>22</u>

11.2 Liquidity risk

The liquidity risk of the Target Company is managed by regularly monitoring current and expected liquidity requirements to ensure that the Target Company maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term. The contractual maturities of financial liabilities are due within one year or on demand.

11.3 Credit risk

The Target Company's credit risk is primarily attributable to bank balances. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the end of the reporting period, management assessed that the credit risk of cash at bank was not significant.

11.4 Fair values

The carrying amounts of the Target Company's financial instruments carried at cost or amortized cost were not materially different from their fair values at the end of the reporting period.

12. Capital management

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The management of the Target Company reviews the capital structure periodically. The management of the Target Company also balances its overall capital structure through new shareholders loans.

13. Events after reporting period

On August 17, 2023, Ms. Zhu entered into a sale and purchase agreement with Mr. Suon Mean and Mrs. Keo Dary, who are independent third parties of the Target Company, to acquire lands located on National Road 4, within the communes of Boeng Preav and Chrouy Svay, in the Srae Ambel District of Koh Kong Province, Kingdom of Cambodia (the "**Land**"), for a consideration of US\$88,424,000.

Ms. Zhu further entered into a sale and purchase agreement with the Company, undertaking to procure the duly transfer of the legal title of the Land to the Target Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to July 31, 2023 and up to the date of this report.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP****(i) Introduction to the Unaudited Pro Forma Financial Information**

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), being Kasen International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) together with its equity interests in Koh Kong Zhejiang Sez Co., Ltd. (the “**Target Company**”), which has been prepared by the directors of the Company in accordance with paragraphs 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), for the purpose of illustrating the effects of the proposed acquisition of 49% equity interests in the Target Company (the “**Proposed Acquisition**”) on the Group’s assets and liabilities as at June 30, 2023, as if the Proposed Acquisition had been completed on June 30, 2023.

The preparation of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is based on the unaudited condensed consolidated statement of financial position of the Group as at June 30, 2023 which has been extracted from the published interim report of the Company for the six months ended June 30, 2023 and the audited statement of financial position of the Target Company as at July 31, 2023, extracted from the accountants’ report as set out in Appendix II to this Circular, after making pro forma adjustments relating to the Proposed Acquisition as explained in the notes below that are (i) directly attributable to the Proposed Acquisition and not relating to future events or decisions; and (ii) factually supportable, as if the Proposed Acquisition had been completed on June 30, 2023. The accounting policies of the Target Company are stated in accountant’s report as set out in Appendix II of this Circular and such policies are consistent with the accounting policies of the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed as at June 30, 2023 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group and the Target Company, as set out in the published interim report of the Company for the six months ended June 30, 2023 and the accountants’ report of the Target Company as set out in Appendix II to this Circular respectively, and other financial information included elsewhere in this Circular.

(ii) Unaudited pro forma consolidated statement of assets and liabilities of the
Enlarged Group

	The Group as at June 30, 2023 RMB'000 <i>Note 1</i>	The Target Company as at July 31, 2023 RMB'000 <i>Note 2</i>	Pro Forma Adjustments		The Enlarged Group RMB'000
			RMB'000 <i>Note 3</i>	RMB'000 <i>Note 4</i>	
Non-current assets					
Property, plant and equipment	966,391	–			966,391
Land held for development or sale	–	–	638,934		638,934
Right-of-use assets	132,249	–			132,249
Interests in associates	31,705	–			31,705
Intangible assets	58	–			58
Prepayment for acquisition of property, plant and equipment	11,532	–			11,532
Financial asset at fair value through other comprehensive income	18,923	–			18,923
Financial asset at fair value through profit or loss	21,816	–			21,816
Prepayment for acquisition of freehold land	130,064	–			130,064
Deferred tax assets	66,046	–			66,046
	<u>1,378,784</u>	<u>–</u>			<u>2,017,718</u>
Current assets					
Inventories	73,721	–			73,721
Properties under development for sale	1,874,801	–			1,874,801
Properties held for sale	746,031	–			746,031
Trade, bills and other receivables	1,098,498	–			1,098,498
Prepaid income tax	22,019	–			22,019
Prepaid land appreciation tax	6,862	–			6,862
Pledged bank deposit	88,750	–			88,750
Restricted bank deposit for property development business	3,441	–			3,441
Cash and cash equivalents	451,659	147	(140,144)		311,662
	<u>4,365,782</u>	<u>147</u>			<u>4,225,785</u>

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at June 30, 2023 RMB'000 Note 1	The Target Company as at July 31, 2023 RMB'000 Note 2	Pro Forma Adjustments		The Enlarged Group RMB'000
			<i>RMB'000 Note 3</i>	<i>RMB'000 Note 4</i>	
Current liabilities					
Trade, bills and other payables	385,463	16		1,696	387,175
Lease liabilities – current	26,517	–			26,517
Contract liabilities	512,654	–			512,654
Bank and other borrowings – due within one year	244,072	–			244,072
Tax payable	182,011	–			182,011
Amounts due to non-controlling interests of subsidiaries	73,981	–			73,981
Amount due to shareholder	–	145			145
Derivative financial liabilities	–	–	21,270		21,270
Convertible bonds	–	–	165,044		165,044
	<u>1,424,698</u>	<u>161</u>			<u>1,612,869</u>
Net current assets/(liabilities)	<u>2,941,084</u>	<u>(14)</u>			<u>2,612,916</u>
Total assets less current liabilities					
	<u>4,319,868</u>	<u>(14)</u>			<u>4,630,634</u>
Non-current liabilities					
Lease liabilities – non-current portion	21,318	–			21,318
Bank and other borrowings – non-current portion	538,806	–			538,806
Deferred tax liabilities	19,598	–			19,598
	<u>579,722</u>	<u>–</u>			<u>579,722</u>
Net assets/(liabilities)	<u>3,740,146</u>	<u>(14)</u>			<u>4,050,912</u>

Notes:

- (1) The balances were extracted from the condensed consolidated statement of financial position of the Group as at June 30, 2023 as set out in the published interim report of the Company for the six months ended June 30, 2023.
- (2) The balances were extracted from audited statement of financial position of the Target Company as at July 31, 2023 included in the accountants' report as set out in Appendix II of this Circular, and translated into Renminbi (“RMB”), which is the presentation currency of the Group.

- (3) On September 29, 2023, the Company entered into the Sale and Purchase Agreement with Ms. Zhu to acquire 49% equity interest of the Target Company.

The adjustment represents the effect of the Proposed Acquisition as if the Proposed Acquisition had been completed on June 30, 2023.

Pursuant to the Sale and Purchase Agreement, Ms. Zhu undertakes the followings:

- (i) to procure the duly transfer of the legal title of the Land to the Target Company upon the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion, respectively;
- (ii) the Land shall be free from any encumbrances and there shall be no defect in the title to the Land;
- (iii) all the voting rights in respect of the 51% equity interest of the Target Company held by Ms. Zhu will be assigned to the board of directors of the Company; and
- (iv) to procure the appointment of majority of the board of directors of the Target Company to be nominated by the Company.

The Company shall settle the consideration by (i) issuing the Convertible Bonds with a principal amount of HK\$186,000,000 (equivalent to approximately RMB171,492,000) and (ii) cash consideration of HK\$152,000,000 (equivalent to approximately RMB140,144,000), which represents approximately 49% of the total consideration of the Land. The considerations paid/will be paid based on the progress of each batch of Land Completion. Each of the First Batch of Land Completion, the Second Batch of Land Completion, the Third Batch of Land Completion and the Fourth Batch of Land Completion is not interconditional to each other. Further details of which are set out in the subsection headed "Consideration" in the section headed "Letter from the Board" in this Circular.

The total acquisition cost of the Land paid/to be paid by Ms. Zhu is approximately US\$88,424,000 (equivalent to approximately RMB638,934,000). The legal title of the First Batch of Land, the Second Batch of Land, the Third Batch of Land and the Fourth Batch of Land is expected to be transferred to Ms. Zhu (or her nominee(s)) on or before September 30, 2023, November 30, 2023, December 31, 2023 and January 31, 2024, respectively. The Land transferred from Ms. Zhu will be accounted for as equity of the Target Company.

The Convertible Bonds have a conversion option which grants the holders the right to convert the Convertible Bonds into a fixed number of Shares from time to time at a conversion price of HK\$0.36 per Share, subject to restrictions and adjustments in accordance with the terms and conditions of the Convertible Bonds. Details of the terms of the Convertible Bonds are set out in the subsection headed "Consideration" in the section headed "Letter from the Board" in this Circular.

The fair value of the Convertible Bonds of approximately HK\$202,076,000 (equivalent to approximately RMB186,314,000) were valued by CHFT Advisory and Appraisal Limited as if the issuance of the Convertible Bonds had taken place on June 30, 2023. The Convertible Bonds consist of (a) debt component of approximately HK\$179,007,000 (equivalent to approximately RMB165,044,000) which is classified as current liabilities as the bond holder has an option to convert the host liability into the Company's own equity instruments at any time seven days before the maturity day; and (b) conversion option of approximately HK\$23,069,000 (equivalent to approximately RMB21,270,000) which is classified as derivative financial liabilities.

The fair value of the Convertible Bonds is measured by a valuation technique which is subject to estimates and judgements and may be significantly different as at the Completion Date.

Upon Completion, the Target Company will be owned by Ms. Zhu and the Company as to 51% and 49%, respectively. Since the Company will be in control of the board of directors of the Target Company, the Target Company will become a subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial statements of the Group.

The Target Company principally holds the Land in Cambodia and does not carry out any other active business operations. Under International Financial Reporting Standard 3 (revised) "Business Combinations" ("IFRS 3") issued by International Accounting Standards Board, the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business assessed under the optional concentration test. Accordingly, the acquisition of the Target Company is not considered as a business combination. In accordance with IFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the completion of such acquisition and such a transaction does not give rise to goodwill.

The Group seeks to establish a special economic zone with the Land. The Land will be accounted for as the "Land held for development or sale" under non-current assets of the Enlarged Group.

- (4) The adjustment represents the estimated legal and professional fees and other direct expenses of approximately HK\$1,840,000 (equivalent to approximately RMB1,696,000), which are directly attributable to the Acquisition. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.
- (5) For calculation purposes, the values of the consideration, assets and liabilities have been converted into RMB under the exchange rate of HK\$1.00 to RMB0.92 and US\$1.00 to RMB7.23.

The following is the text of a report received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Circular.



Grant Thornton
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**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF KASEN INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kasen International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), and Koh Kong Zhejiang Sez Co., Ltd. (the “**Target Company**”) (together, the “**Enlarged Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at June 30, 2023 and related notes as set out in Part A of Appendix III to the circular dated November 23, 2023 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 49% equity interests in the Target Company (the “**Proposed Acquisition**”) on the Group's financial position as at June 30, 2023 as if the Proposed Acquisition had taken place at June 30, 2023. As part of this process, information about the Group's assets and liabilities as at June 30, 2023 has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended June 30, 2023, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management (“**HKSQM**”) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

November 23, 2023

Lam Kam Fung

Practising Certificate No: P07822

*Set out below is the management discussion and analysis of the Target Company for the period from 11 July 2023 (i.e. date of incorporation) to 31 July 2023 (the “**Relevant Period**”), for the purpose of this Appendix only.*

BUSINESS REVIEW

The Target Company is a limited liability company registered under the laws of Cambodia and principally engaged in industrial development project.

FINANCIAL REVIEW**Revenue**

During the Relevant Period, no revenue was recorded by the Target Company as it had not commenced any business operation.

Loss for the period

During the Relevant Period, the loss recorded by the Target Company was approximately US\$2,000.

Fair value change of investment property

During the Relevant Period, no fair value change of investment property was recorded by the Target Company.

Other income, gains or losses

During the Relevant Period, no other income, gains or losses was recorded by the Target Company.

Administrative expenses

During the Relevant Period, the administrative expenses recorded by the Target Company was approximately US\$2,000.

Finance costs

During the Relevant Period, no finance costs was recorded by the Target Company.

Income tax expense

During the Relevant Period, there was no income tax expense recorded by the Target Company.

Dividend paid

During the Relevant Period, no dividend was paid or proposed by the Target Company.

Liquidity and financial resources

The current ratio of the Target Company, calculated as current assets divided by current liabilities, as at 31 July 2023 was approximately 90.9%. The bank balances and cash of the Target Company as at 31 July 2023 were approximately US\$20,000, all of which were denominated in US\$.

Gearing ratio

During the Relevant Period, gearing ratio is not applicable as the Target Company had no bank borrowings.

Charges on assets

As at 31 July 2023, the Target Company had no charges over its assets.

CAPITAL STRUCTURE

During the Relevant Period, the Target Company mainly relies on upon its bank balances and amount due to a shareholder to finance its operations.

SIGNIFICANT INVESTMENTS HELD

As at 31 July 2023, the Target Company did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was neither acquisition nor disposal of subsidiaries and associated companies during the Relevant Period.

FOREIGN EXCHANGE EXPOSURE

The Target Company operates in Cambodia where United States dollars is its functional currency. There is no exposure to fluctuations in exchange rates nor any hedge to foreign currency exposure.

CONTINGENT LIABILITIES

During the Relevant Period, the Target Company had no significant contingent liabilities.

CAPITAL COMMITMENT

During the Relevant Period, the Target Company had no material capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Please refer to the paragraph headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” under the section headed “Letter from the Board” in this circular for the future plans of the investments by the Target Company.

EMPLOYEES AND REMUNERATION POLICIES

During the Relevant Period, the Target Company had two employees with staff costs amounted to approximately US\$2,000.

Apart from the two employees, the Target Company had one director. The sole director did not receive any remuneration during the Relevant Period.

The Target Company recruits, employs and promotes its employees and makes remuneration payments to them in accordance with the employees’ qualifications, experience, skills, performance and contributions. The Target Company provides employees with on-the-job training and market competitive remuneration, including salaries and bonus. No emoluments were paid or payable by the Target Company to any of the employees as an inducement to join or upon joining the Target Company or as compensation for loss of office.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from CHFT Advisory and Appraisal Ltd., an independent professional surveyor and valuer, in connection with its valuation as at 31 August 2023 of the Land to be acquired of by the Group.



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電話 Tel: +852 2301 4080 傳真 Fax: +852 2301 4988

Date of Report: 23 November 2023

The Board of Directors

Kasen International Holdings Limited

Unit 1107, 11/F.,
COSCO Tower,
183 Queen's Road Central,
Sheung Wan, Hong Kong



Dear Sirs/Madams,

Re: Valuation of Land Parcels located along National Road 4, within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia

In accordance with an instruction for us to value the captioned land parcels in the Kingdom of **Cambodia**, as detailed in the attached valuation report held by/to be held by Koh Kong Zhejiang Sez Co., Ltd., (the “**Target Company**”), which is proposed to be acquired by **Kasen International Holdings Limited** (the “**Group**”). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at **31 August 2023** (the “**Date of Valuation**”) for the purpose of **Public Circular** in relation to the acquisition only.

We are acting as external valuer and in the position to provide objective and unbiased valuation to the Group. We confirm that we have no material connection or involvement with the subject asset or the other parties to the valuation assignment. Unless otherwise stated, we have sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Valuation Basis

This valuation complies with “The HKIS Valuation Standards 2020” published by The Hong Kong Institute of Surveyors (“**HKIS**”), “RICS Valuation – Global Standards” published by the Royal Institution of Chartered Surveyors (“**RICS**”), and the “International Valuation Standards” (“**IVS**”) published on 31 July 2021 by the International Valuation Standards Council as well as the requirements set out in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Our valuation has been carried out on a Market Value basis, which is defined in the IVS as *the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

Valuation Assumptions

Our valuation would be made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance would be made in our valuation neither for any charges, mortgages or amount owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of onerous nature which could affect their values.

Valuation Methodology

This valuation of the properties has been conducted by Direct Comparison Approach. As land transaction market in Cambodian is not transparent, no public transaction records are available. We have relied on asking comparables as listed in the local market and this practice is in-line with the valuation practices in Cambodia as well as most other developing countries. We, act as an independent valuers, have made enquiries to relevant real estate agents and/or owners, and have carried out inspections to the comparables. Comparable properties with similar location, size, and character are selected and then analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

Source of Information

During the valuation process, we have relied on legal opinions provided by the Group's legal advisors, namely SK & P Cambodia Law Group, and we have been provided with copies of certain title documents and approvals relating to the property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies provided to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to planning approvals, statutory notices, easements, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspection of the properties was carried out on 31 July 2023 by Mr. Law Kheng Fong (MRICS & Ministry of Economy and Finance (“MEF”) Registered Valuer in Cambodia), Mr. Long Sengkry (MEF Registered Valuer in Cambodia), and Mr. Amen YC Choi (BSc in Urban Studies), who have two to fourteen years’ property valuation experience. We have not carried out site survey to verify the land boundaries and the correctness of the areas of the subject lands but have assumed that the areas shown on the title documents and site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any development. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring lands, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

Limitation of Liabilities

We have had no reason to doubt the truthfulness and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information provided. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Our findings of conclusion of values of the properties in this report are valid only for the stated purpose and at the Date of Valuation. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuers accept no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Group contractual undertakings in respect of their services and shall be deemed to have paid to the Group such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding Five Hundred Thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Group is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

The valuation has been prepared by Mr. Leo MY Lo, Mr. Law Kheng Fong, Mr. Long Sengkry, and Mr. Amen YC Choi. Mr. Lo is a member of HKIS and a member of RICS and he has over 15 years' post-qualified experience in valuing properties across Asia-Pacific. Mr. Law, Mr. Long, and Mr. Choi have between two and fourteen years' of experience in undertaking valuations across Asia-Pacific.

Values of the properties are denoted in United States Dollar ("US\$"), the lawful currency of the United States, and the commonly adopted currency for land property sales in Cambodia. Where required, an exchange rate of US\$1 = 4,158 Cambodian Reils is adopted. Site areas are quoted in square metre ("sq.m.") and/or hectare.

We enclose herewith the valuation report.

Yours faithfully,
For and on behalf of
CHFT Advisory and Appraisal Ltd.

Leo MY Lo *MRICS MHKIS*
Managing Director

Encl.

Note: Mr. Leo MY Lo is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. Mr. Lo has over 15 years' experience in valuing properties across Asia-Pacific.

Property Held for Future Development

VALUATION REPORT

Property	Description and Tenure	Occupancy Details	Market Value as at the Valuation Date
<p>Thirty-three (33) land parcels located along National Road 4, approximately 4km to the North of Toll Gate No. 6 (Srae Ambel Exit) of the Phnom Penh – Sihanoukville Expressway, all within Communes of Boeng Preav and Chrouy Svay, District of Srae Ambel, Province of Koh Kong, Kingdom of Cambodia (Title Nos. of the land parcels stated in notes a) and b))</p>	<p>The properties is located along National Road 4 (“NR4”), all within Communes of Boeng Preav & Chrouy Svay, District of Srae Ambel, Province of Koh Kong. It is approximately 4km to the north of the Toll Gate No.6 (Srae Ambel Exit) of the Phnom Penh – Sihanoukville Expressway (“PP-SHV Expressway”), approximately 15km south of Srae Ambel district centre and approximately 155km south-west of Koh Kong centre.</p>	<p>As inspected, majority of the properties was vacant and mainly covered with shrub, with a number of low-rise detached houses and structures.</p>	<p>US\$98,900,000 (UNITED STATES DOLLARS NINETY-EIGHT MILLION NINE HUNDRED THOUSAND)</p>
	<p>The Srae Ambel district centre, which is approximately 15km away, houses public amenities, governmental premises, banking/ financial institutions, wet markets, food and beverage establishments, as well as traditional retail format of shophouses.</p>		
	<p>The vicinity is predominantly of agricultural lands and tracts of undeveloped lands interspersed with residential settlements of temporary and semi-permanent construction, godowns, workshops, and light industrial premises. Notable landmarks within the vicinity include Lim Long petrol filling station, Ksach Sor Pagoda, PTT Kampong Seila Petrol Station, Chamkar Loung Wet Market, to name a few.</p>		
	<p>As advised by the Group, the properties comprise 33 contiguous parcels of lands extending to a total land area of about 11,336,417.23 sq.m. (or about 1,133.6 hectares).</p>		
	<p>The land parcels are all freehold.</p>		

- a) Pursuant to 23 sets of Certificates of Real Estate Ownerships, commonly known as Hard Titles, the subject 23 parcels are agricultural in nature. Owners of the Hard Title lands at the Date of Valuation were as follows:

Parcel No.	Title No.	Village & Commune	Land Area (sq.m.)	Proprietor Name
1.	09060401-0009*	Chheu Neang, Chrouy Svay	1,061,667	Suon Mean & Keo Dary
2.	K.K 005681*	Chheu Neang, Chrouy Svay	100,342	Suon Sambath
3.	09060101-0013*	Ou Chrov, Boeng Preav	519,690	Suon Mean & Keo Dary
4.	09060101-0014*	Ou Chrov, Boeng Preav	646,746	Suon Mean & Keo Dary
5.	09060101-0020*	Ou Chrov, Boeng Preav	222,340	Kit Tea & Min Sourphea
6.	09060101-0022*	Ou Chrov, Boeng Preav	62,175	Kit Tea & Min Sourphea
7.	09060101-0031*	Ou Chrov, Boeng Preav	666,716	Suon Mean
8.	K.K 000207	Ou Chrov, Boeng Preav	47,599.8	Ratana Resource Investment (Cambodia) Corporation
9.	09060101-0021*	Ou Chrov, Boeng Preav	182,488	Kit Tea & Min Sourphea
10.	K.K 005425	Phlaong, Boeng Preav	1,133,077	Suon Mean
11.	K.K 000214	Ou Chrov, Boeng Preav	47,989.58	Ratana Resource Investment (Cambodia) Corporation
12.	K.K 000215*	Ou Chrov, Boeng Preav	47,594.85	Ratana Resource Investment (Cambodia) Corporation
13.	K.K 004980	Ou Chrov, Boeng Preav	54,862	Lim Heak
14.	K.K 004981	Ou Chrov, Boeng Preav	51,483	Lim Leang
15.	K.K 004982	Ou Chrov, Boeng Preav	57,458	Phun Touch
16.	K.K 004986	Ou Chrov, Boeng Preav	52,444	Lim Leang
17.	K.K 004987	Ou Chrov, Boeng Preav	56,905	Lim Heak
18.	K.K 004989	Ou Chrov, Boeng Preav	51,661	Chhet Lim
19.	K.K 004990	Ou Chrov, Boeng Preav	55,765	Lim Leang
20.	K.K 004991	Ou Chrov, Boeng Preav	50,734	Lim Heak
21.	K.K 004992	Ou Chrov, Boeng Preav	50,217	Phun Touch
22.	K.K 004993	Ou Chrov, Boeng Preav	50,109	Chhet Lim
23.	K.K 005917	Ou Chrov, Boeng Preav	47,599	Yueng Sophy
Total of Hard Title lands			5,317,662.23	

Note: Title No. marked with "*" has been transferred to Koh Kong Zhejiang SEZ Co., Ltd. as of 30 September 2023.

- b) Pursuant to 10 sets of Letters of Ownership Transfers, commonly known as Soft Titles, the remaining 10 subject parcels are also agricultural in nature. Owners of the Soft Title lands at the Date of Valuation were as follows:

Parcel No.	Title No.	Village & Commune	Land Area (sq.m.)	Proprietor Name
24.	184/21	Chheu Neang, Chrouy Svay	387,290	Keo Dary
25.	186/21	Chheu Neang, Chrouy Svay	355,439	Keo Dary
26.	188/21	Chheu Neang, Chrouy Svay	20,585	Keo Dary
27.	189/21	Chheu Neang, Chrouy Svay	681,749	Suon Suanphor
28.	190/21	Chheu Neang, Chrouy Svay	400,760	Keo Dary
29.	191/21	Chheu Neang, Chrouy Svay	95,550	Suon Sambath
30.	341/21	Ou Chrov, Boeng Preav	1,496,250	Keo Dary
31.	397/21	Ou Chrov, Boeng Preav	824,300	Keo Dary
32.	398/21	Ou Chrov, Boeng Preav	20,975	Suon Suanphor
33.	376/21	Steung Chay, Boeng Preav	1,735,857	Suon Sambath
Total of the Soft Title lands			6,018,755	

- c) In Cambodia, Soft Titles are registered at the local government level, and are opened to ownership contests and road surrenders. Hard Titles, on the other hand, are registered at the national level, and are indisputably confirmed ownership. Both Hard Titles and Soft Titles are common and transferable forms of title ownership.
- d) Pursuant to sale and purchase agreement dated 17 August 2023, the ownership of the subject property will be transferred to Ms. Zhu Jiayun at a transaction price of US\$88,424,000.
- e) From our enquiries, we have ascertained that the properties are within an indicative floodplain and that there is a moderate flood risk as a result of heavy rain and poor sewage infrastructure, which is typical throughout Cambodia.
- f) According to inquiries made to the Department of Land Management, Urban Planning, Construction, and Cadastral in Koh Kong, the properties are located within an area designated for mixed-use, and the area is not subject to any height restriction.
- g) As advised, the subject land parcels will be developed into an industrial park, namely, Phase Two of Zhejiang Special Economic Zone. The Target Company has commenced the planning of the industrial park since the 3rd quarter 2023. As advised, the estimate cost of infrastructure works is US\$226 million.
- h) There is no ground or government rent applicable to the properties.
- i) We have been provided with legal opinions on the property interests by the Group's legal advisor SK & P Cambodia Law Group, which contains *inter alia*, the following:
- (i) Ownership of the land parcels is/was legally held by Koh Kong Zhejiang SEZ Co., Ltd., Chhet Lim, Keo Dary, Kit Tea & Min Sourphea, Lim Heak, Lim Leang, Phun Touch, Ratana Resource Investment (Cambodia) Corporation, Suon Mean, Suon Sambath, Suon Suanphor, Yueng Sophy, and they have the rights to occupy, use, mortgage, lease, and transfer their properties;

- (ii) Ownerships of certain lands, including Title Nos. 09060401-0009, K.K 005681, 09060101-0013, 09060101-0014, 09060101-0020, 09060101-0021, 09060101-0022, 09060101-0031, K.K 000214, i.e. Parcel Nos. 1 to 7, 9 and 12, have been transferred to Koh Kong Zhejiang Co., Ltd.;
 - (iii) Title No. 09060101-0013, i.e. Parcel No. 3, was subjected to mortgage in favour of Canadia Bank PLC for a term of 96 months commencing from 30 March 2022. The mortgage had been released when the ownership was transferred to Koh Kong Zhejiang Co., Ltd.;
 - (iv) Few parcels of Soft Title lands, next to the hillslope area with a total area of approximately 550,000 sq.m. is subjected to a dispute on lot boundary. These boundary disputes are common and usually immaterial;
 - (v) Conversion of agricultural to industrial land use involves a conversion fee of 50 Cambodian Riels per sq.m. (about US\$0.012 per sq.m.); and
 - (vi) Ownership of property interests are not opened for public access without the relevant property owners' authorization, and no transaction records of property interests is publicly available in Cambodia.
- j) With the consideration of the legal opinions, our valuation is based on certain basis, which are summarized as below:
- (i) The land parcels subjected to boundary dispute as reported by the legal opinions accounts for 4.9% of the total land area. We have considered the risk associated with the dispute and reflected by a downward adjustment for Soft Title lands under the factor of "Type of title";
 - (ii) As per the Group, if the boundary dispute is not resolved upon the date of transfer, the area of the relevant land parcels will be excluded from the transaction and the consideration to be paid will be adjusted accordingly. Therefore, downward adjustment range up to 5% made under "Type of title" has covered the risk of the dispute, and is considered fair and reasonable.
 - (iii) Other than the abovementioned, the land use rights of the properties are all with proper titles, and the owner of the property is entitled to occupy, use, mortgage, lease, and transfer the property without any additional land premium, grant fee, or other onerous payment to the relevant authorities;
 - (iv) The properties are registrable for individual title(s), and when issued, will be held under freehold tenure, free from encumbrances, and will be good and marketable; and
 - (v) The properties are free from any mortgage or third parties' encumbrances.
- k) In arriving at our valuation, we have made reference to asking comparables along or close to NR4 as sourced from CPA Realty Cambodia as well as other on-the-spot listings for sale. Due adjustments to the unit rates have been made to reflect factors including location, frontage, accessibility, shape, topography, tenure, type of title, size, existing use, as well as proximity to high-voltage cables and electric station/substation. The selection criteria for the land comparables are listed below:
- (i) Usage – currently agricultural in nature;
 - (ii) Location – along or close to NR4 in the District of Srae Ambel or District of Kampong Seila;
 - (iii) Site Area – not smaller than 150,000 sq.m.; and
 - (iv) Date of Listing – within three months from the Date of Valuation.

- 1) Five land comparables in the District of Srae Ambel and the District of Kampong Seila meet the selection criteria as above mentioned. Further to our enquires to the relevant agents and/or the owners as well as other due diligence works to verify the correctness of these land comparables information, we have adopted these listed comparables in our valuation.

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	Located to the west of NR4, within Commune of Boeng Preav, District of Srae Ambel, Province of Koh Kong	Located to the west of NR4, within Commune of Boeng Preav, District of Srae Ambel, Province of Koh Kong	Located to the east of NR4, within Commune of Chamkar Luong, District of Kampong Seila, Province of Sihanoukville	Located to the east of NR4, within Commune of Chamkar Luong, District of Kampong Seila, Province of Sihanoukville	Located to the west of NR4, along a motorable laterite road, within Commune of Boeng Preav, District of Srae Ambel, Province of Koh Kong
Location Description	Approximately 2.9 km to the north of the intersection of NR4 and the entrance to Toll Gate No.6 (Srae Ambel Exit) of PP-SHV Expressway	Approximately 2.3 km to the south of the intersection of NR4 and the entrance to Toll Gate No. 6 (Srae Ambel Exit) of PP-SHV Expressway	Approximately 5.2 km to the north of the intersection of NR4 and the entrance to Toll Gate No. 6 (Srae Ambel Exit) of PP-SHV Expressway	Approximately 9.1 km to the north of the intersection of NR4 and the entrance to Toll Gate No. 6 (Srae Ambel Exit) of PP-SHV Expressway	Approximately 10.4 km to the north of the intersection of NR4 and the entrance to Toll Gate No. 6 (Srae Ambel Exit) of PP-SHV Expressway
Approximate Site Area	430,000 sq.m.	300,000 sq.m.	5,020,000 sq.m.	1,800,000 sq.m.	1,090,000 sq.m.
Access/Frontage	Direct access to NR4	Direct access to NR4	Direct access to NR4, and a long frontage to PP-SHV Expressway	Direct access to NR4	Without direct access to NR4 but linked by a motorable laterite road
Shape	Irregular	Irregular	Irregular	Irregular	Irregular
Topography	Flat	Flat	Slight sloping	Slight sloping	Hilly
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Type of Title	Hard	Hard and Soft	Hard and Soft	Hard and Soft	Hard and Soft
Date of Asking	August 2023	August 2023	August 2023	August 2023	August 2023
Asking Price	US\$7,310,000	US\$4,500,000	US\$140,560,000	US\$39,600,000	US\$9,810,000
Unit Rates	US\$17.00/sq.m.	US\$15.00/sq.m.	US\$28.00/sq.m.	US\$22.00/sq.m.	US\$9.00/sq.m.

Comparable 3 possess long frontages onto NR4 as well as the PP-SHV Expressway, making it superior to other comparables. Comparable 5, on the other hand, does not have direct access to NR4 but is approximately 1.3km to the west of NR4 and is accessible only via a laterite road. Comparable 5 is inferior to other comparables. These five comparables exhibit a general pattern that the better the attributes and characteristics of the land comparables, the higher their listed prices, and vice versa. We therefore consider these listed comparables reasonable and have applied appropriate adjustments to reflect their dissimilarities with the subject parcels.

- m) The rationale of the Direct Comparison Approach is that if a comparable is superior to the subject land on any factor which affects value, a downward adjustment is made to the comparable, and vice versa. Adjustment factors made in our valuation are asking, location, frontage, accessibility, shape & topography, size, tenure, type of title, existing use, and presence of high-voltage cable & electric station/substation.
- n) Pursuant to the status of acquisitions as advised by the Group, we were instructed to assess the properties in four batches of land parcels as follow:

Batches	Parcel No.	Location	Site Area (sq.m.)
First Batch of Land	Nos. 1 to 2, 4 to 8, and portion of No. 3	Located on the eastern and north-western parts of the subject land. A portion, on the eastern part has access to NR4.	3,037,196.80
Second Batch of Land	Nos. 9, 10, 24 and 25	Mainly located on the north-western part of the subject land, and is along the motorable laterite roads but further away from the exit of PP-SHV Expressway.	2,058,294.00
Third Batch of Land	Nos. 26 to 32	Mainly located on the south-western part of the subject land, along the motorable laterite roads, further away from the exit of PP-SHV Expressway.	3,540,169.00
Fourth Batch of Land	Nos. 11 to 23, 33, and portion of No. 3	Located on the eastern and south-western parts of the subject land. A portion, on the south-eastern part has access to NR4, while other portions are located along the motorable laterite roads but further away from the exit of PP-SHV Expressway.	2,700,757.43
Total:			11,336,417.23

- o) Upon determining the asking price of a land property, land owners would consider the characteristics of their land and their urgency to dispose of the property. They would probably also seek advice from their property agents. Whilst every land is unique due to its location, accessibility, size, etc., land buyers would not merely consider the unit price but also if the relevant land could meet the buyers’ needs and budget. Upon setting the asking prices, land owners would set a price that has the potential to capture a premium from buyers with unique needs and/or when there is a lack of other choices in the market. On the other hand, the asking price could not be unreasonably high which would discourage enquiries from potential buyers.

After due enquires with local agents and the local valuers who are specialized in this market, it is opined that the room of negotiation, in general situations, could be in the range of 20% to 30%. Although enquiries have been made to relevant agents of the five comparable lands, no one could be certain about the exact room for negotiation for each specific property. Therefore, 25% discount was made to all comparables.

- p) Details of our adjustments made for the subject four batches of land parcels from the land comparables are as follows:

First Batch of Land

Adjustment Factors	Adjustment Range
Asking	-25%
Location	-17.5% to -2.5%
Frontage	-10% to +10%
Accessibility	-17.5% to +5%
Shape	0%
Topography	-10% to +5%
Tenure	0%
Type of title	0% to +5%
Size	-13% to +10%
Existing use	-5% to 0%
Presence of high-voltage cable & electric station/substation	-5% to -1%

In terms of location, due to the scattered nature of the First Batch of Land, downward adjustments were made to all comparables.

In terms of frontage, a portion of the First Batch of Land has a frontage facing NR4. A downward adjustment was made to Comparable 3 as it shares an additional frontage to PP-SHV Expressway. On the other hand, an upward adjustment was made to Comparable 5 as it has no frontage to NR4.

In terms of accessibility, a portion of the First Batch of Land has direct access to NR4, thus, downward adjustments were made to Comparables 1 to 4, whereas an upward adjustment was made to Comparable 5.

In terms of topography, the First Batch of Land is generally situated on slightly sloping terrains. Comparables 1 and 2 are situated on flat terrains and are superior to the First Batch of Land, thus, downward adjustments were made. Comparable 5 is situated on a hilly terrain, thus, an upward adjustment was made.

In terms of type of title, Comparable 1 consists of Hard Titles only, which is the same as the First Batch of Land, therefore no adjustment was made to Comparable 1. Comparables 2 to 5 consist of Hard Titles and Soft Titles, which are inferior compared to the First Batch of Land, thus, upward adjustments were made.

In terms of existing use, Comparables 3 and 4 are superior to the First Batch of Land, thus, downward adjustments were made.

In terms of presences of high-voltage cable and electric station/substation, a portion of the First Batch of Land is affected by high-voltage cable, thus, downward adjustments were made to all comparables. Comparable 4 is affected by electric station/substation which is considered less impactful to high-voltage cables, thus, only a slight downward adjustment was made.

Second Batch of Land Adjustment Factors	Adjustment Range
Asking	-25%
Location	-15% to 0%
Frontage	-15% to 0%
Accessibility	-25% to 0%
Shape	0%
Topography	-12.5% to 0%
Tenure	0%
Type of title	-5% to 0%
Size	-5% to +15%
Existing use	-5% to 0%
Presence of high-voltage cable & electric station/substation	0% to +5%

In terms of location, frontage, and accessibility, Comparables 1 to 4 are superior to the Second Batch of Land, as it is located further away with no frontage and direct access to NR4, thus, downward adjustments were made.

In terms of topography, a majority of the Second Batch of Land is situated on hilly terrains with some slightly sloping terrains, thus, downward adjustments were made to Comparables 1 to 4.

In terms of type of title, Comparable 1 consists of only Hard Titles which are superior to the Second Batch of Land, thus, a downward adjustment was made.

In terms of existing use, Comparables 3 and 4 are superior to the Second Batch of Land, thus, downward adjustments were made.

In terms of presences of high-voltage cable and electric station/substation, the Second Batch of Land is not affected by high-voltage cable, thus, an upward adjustment was made to Comparable 4 as it is affected by electric station/substation.

Third Batch of Land Adjustment Factors	Adjustment Range
Asking	-25%
Location	-10% to 5%
Frontage	-15% to 0%
Accessibility	-20% to 0%
Shape	0%
Topography	-10% to 0%
Tenure	0%
Type of title	-5% to 0%
Size	-15% to +10%
Existing use	-5% to 0%
Presence of high-voltage cable & electric station/substation	-7.5% to -2.5%

In terms of location, frontage, and accessibility, Comparables 1 to 4 are superior to the Third Batch of Land, as it is located further away with no frontage and direct access to NR4, thus, downward adjustments were made. An upward adjustment to the location of Comparable 5 was made, as Comparable 5 is located further away from NR4 relative to the Third Batch of Land.

In terms of topography, a majority of the Third Batch of Land is situated on slightly sloping terrains with some hilly terrains, thus, downward adjustments were made to Comparables 1 and 2.

In terms of type of title, Comparable 1 consists of only Hard Titles which are superior to the Soft Titles on the Third Batch of Land, thus, a downward adjustment was made.

In terms of existing use, Comparables 3 and 4 are superior to the Third Batch of Land, thus, downward adjustments were made.

In terms of presences of high-voltage cable and electric station/substation, the Third Batch of Land is generally affected by high-voltage cable, thus, downward adjustments were made to all comparables.

Fourth Batch of Land

Adjustment Factors	Adjustment Range
Asking	-25%
Location	-10% to +5%
Frontage	-10% to +10%
Accessibility	-17.5% to +5%
Shape	0%
Topography	-10% to +2.5%
Tenure	0%
Type of title	-2.5% to +2.5%
Size	-13% to +10%
Existing use	-5% to 0%
Presence of high-voltage cable & electric station/substation	-7.5% to -2.5%

In terms of location, as Comparables 1 to 4 are located closer to NR4, downward adjustments were made, and vice versa for Comparable 5.

In terms of frontage, a portion of the Fourth Batch of Land has frontage facing NR4, thus, downward adjustments were made to Comparable 3 as it shares an additional frontage to PP-SHV Expressway. On the other hand, an upward adjustment was made to Comparable 5 as it has no frontage to NR4.

In terms of accessibility, a portion of the Fourth Batch of Land has direct access to NR4, thus, downward adjustments were made to Comparables 1 to 4, whereas an upward adjustment was made to Comparable 5.

In terms of topography, the Fourth Batch of Land is generally situated between slightly sloping terrains and hilly terrains. Comparables 1 to 4 are considered superior to the Fourth Batch of Land, thus, downward adjustments were made. Comparable 5 is situated on a hilly terrain, thus, an upward adjustment was made.

In terms of type of title, Comparable 1 consists of only Hard Titles which are superior to the Fourth Batch of Land, thus, downward adjustments were made.

In terms of existing use, Comparables 3 and 4 are superior to the Fourth Batch of Land, thus, downward adjustments were made.

In terms of presences of high-voltage cable and electric station/substation, the Fourth Batch of Land is generally affected by high-voltage cable, thus, downward adjustments were made to all comparables.

- q) After due adjustments to the comparable properties for various factors as above-mentioned, we have adopted unit rates of US\$8.00 to US\$9.42/sq.m., which are around the lower end of the asking unit price range, to the four batches of land. We are of the view that the selection of valuation methodology and the use of asking comparables are consistent with the industry norm in Cambodia. And, our opinion of the market values of the subject parcels are fair and reasonable.

Batches	Site Area (sq.m)	Market Value	Unit Rate
First Batch of Land	3,037,196.80	US\$28,100,000	\$9.25
Second Batch of Land	2,058,294.00	US\$16,500,000	\$8.00
Third Batch of Land	3,540,169.00	US\$28,900,000	\$8.17
Fourth Batch of Land	<u>2,700,757.43</u>	<u>US\$25,400,000</u>	<u>\$9.42</u>
Total:	<u><u>11,336,417.23</u></u>	<u><u>US\$98,900,000</u></u>	<u><u>\$8.72</u></u>

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Directors and chief executives**

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

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

Name of Directors	Capacity in which interests are held	Directly beneficially owned	Through controlled corporation	Total number of shares interested	Total interests as to percentage of the Company's issued share capital as at the Latest Practicable Date
Zhu Zhangjin ("Mr. Zhu") (Note 1)	Beneficial owner	12,360,000	555,645,113	568,005,113	39.36%
Zhou Xiaohong (Note 2)	Beneficial owner	9,514,561	--	9,514,561	0.66%

Notes:

1. Mr. Zhu, the chairman of the Company, as settlor, and together with persons acting in concert with him as beneficiaries of a family trust (a trust set up to hold interest of family of Mr. Zhu (excluding Mr. Zhu) in the Company), being the substantial shareholders of the Company, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview Enterprises Limited ("Joyview") which in turn is wholly-owned by the trustee of such family trust). This figure does not include the options granted to Mr. Zhu to subscribe for 1,000,000 shares as at December 31, 2022 under the share option scheme adopted by a resolution of the Shareholders on September 24, 2005 and passed by a resolution of the Board on September 26, 2005 (the "2005 Share Option Scheme"), in which the grant of share option was approved by the Board on May 26, 2015.
2. This figure does not include the options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 shares as at December 31, 2022 under the 2005 Share Option Scheme and approved by the Board on May 26, 2015 for the share option grant.

(ii) Long positions in underlying Shares held pursuant to equity derivatives

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

Name of Directors	Exercise Price HK\$	Number of share options					Outstanding as at Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Notes
		Outstanding as at 1 January 2022	Exercised		Forfeited from 1 January 2022 to the Latest Practicable Date	Outstanding as at Latest Practicable Date				
			Granted from 1 January 2022 to the Latest Practicable Date	from 1 January 2022 to the Latest Practicable Date						
			Latest Practicable Date	Latest Practicable Date						
Mr. Zhu	1.37	1,000,000	-	-	-	1,000,000	0.07%	1/1/2016 to 25/5/2025	1,2,3	
Zhou Xiaohong	1.37	3,000,000	-	-	-	3,000,000	0.21%	1/1/2016 to 25/5/2025	1,2,3	
		<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>0.28%</u>			

Notes:

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

(iii) Interests in the associated corporation of the Company

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

Note: As at the Latest Practicable Date, Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of the family trust, being the controlling Shareholders, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview, which in turn is wholly-owned by Prosperity and Wealth Limited, being the trustee of the family trust).

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

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Mr. Zhu's shareholdings stated in this circular) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(i) Long positions in Shares and underlying Shares

Name of Shareholders	Capacity/Nature	Short position	Long position	Number of issued shares held	Total interests as to percentage of the Company's issued share capital as at the Latest Practicable Date
Joyview (Note 1)	Beneficial owner	-	555,645,113	555,645,113	38.50%
Prosperity and Wealth Limited (Note 1)	Trustee	-	555,645,113	555,645,113	38.50%
Team Ease Limited (Note 2)	Beneficial owner	-	235,043,057	235,043,057	16.29%
Xu Helin (許合林)(Note 2)	Interest in controlled corporation	-	235,043,057	235,043,057	16.29%

Notes:

- (1) As at the Latest Practicable Date, Mr. Zhu, as settlor, and together with persons acting in concert with him as beneficiaries of the family trust, being the controlling Shareholders, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the issued Shares held by Joyview, which in turn is wholly owned by Prosperity and Wealth Limited, being the trustee of the family trust).
- (2) Team Ease Limited is a company beneficially owned by Xu Helin (許合林).

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

Name of Shareholders	Name of Subsidiaries	Nature of interest	Approximate % of interest in subsidiaries
Zhejiang Zhongyu Trading Investment Development Co., Ltd.* (浙江中宇經貿投資發展有限公司)	Hainan Sanya Kasen Property Development Co., Ltd.* ¹ (海南三亞卡森置業有限公司)	Beneficial	19.5%
Hangzhou Anwei Industrial and Investment Co., Ltd.* (杭州安維實業投資有限公司)	Hainan Boao Kasen Property Development Co., Ltd.* ² (海南博鰲卡森置業有限公司)	Beneficial	8%
Hangzhou Anwei Industrial and Investment Co., Ltd.* (杭州安維實業投資有限公司)	Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.* ³ (長白山保護開發區卡森置業有限公司)	Beneficial	8%
Jiangsu Yimu Industrial and Investment Co., Ltd.* (江蘇一木實業投資有限公司)	Jiangsu Kasen Property Development Co., Ltd.* ⁴ (江蘇卡森置業有限公司)	Beneficial	37%
Hangzhou Anwei Industrial and Investment Co., Ltd.* (杭州安維實業投資有限公司)	Hangzhou Kasen Investment Management Company Ltd.* ⁵ (杭州卡森投資管理有限公司)	Beneficial	8%
Hainan Chengmai County Jinan Farm* (海南澄邁縣金安農場)	Hainan Kasen Home Furnishing Company Ltd.* ⁶ (海南卡森家居有限公司)	Beneficial	30%
Fan Dehua	Cambodian Kasen Guoji Real Estate Co., Ltd. ⁷	Beneficial	51%
Fan Dehua	Kasen International Paper Co., Ltd. ⁷	Beneficial	51%

Notes:

1. The Company has approximately 80.5% indirect interest in Hainan Sanya Kasen Property Development Co., Ltd.
2. The Company has approximately 92% indirect interest in Hainan Boao Kasen Property Development Co., Ltd.
3. The Company has approximately 89% indirect interest in Changbai Mountain Protection and Development Zone Kasen Property Co., Ltd.
4. The Company has 55% indirect interest in Jiangsu Kasen Property Development Co., Ltd.

5. The Company has 92% indirect interest in Hangzhou Kasen Investment Management Company Ltd.
6. The Company has 70% indirect interest in Hainan Kasen Home Furnishing Company Ltd.
7. The Company has 49% indirect interest in Cambodian Kasen Guoji Real Estate Co., Ltd. and Kasen International Paper Co., Ltd., respectively.

* *For identification purposes only*

As at the Latest Practicable Date, none of the Directors was a director or employee of any substantial shareholders of the Company.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the businesses of the Enlarged Group.

4. 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).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERT AND CONSENT

The followings are the qualification of the experts who have been named in this circular or have given opinion or letter contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Grant Thornton Hong Kong Limited	Certified public accountants
CHFT Advisory and Appraisal Limited	Qualified independent valuer

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and all referenced to its name in the form and context in which they are included.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. MATERIAL CONTRACTS

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

- (i) the equity transfer agreement dated 29 July 2022 entered into between Jiangsu Kasen Property Development Co., Ltd.* (江蘇卡森置業有限公司) (“**Jiangsu Kasen**”) and Yancheng Dayangwan Group Development Co., Ltd.* (鹽城大洋灣組團開發有限公司) relating to the sale and purchase of 80% of the equity interest in Yancheng Dayangwan Changle Health Development Co., Ltd.* (鹽城大洋灣長樂健康發展有限公司) held by Jiangsu Kasen at the consideration of RMB93,739,800;
- (ii) the agreement date 6 September 2022 entered into between Haining Kareno Furniture Co., Ltd.* (海寧卡雷諾家私有限公司) and Huafeng Economic Cooperative of Xieqiao Town, Haining City* (海寧市斜橋鎮華豐股份經濟合作社) in relation to the disposal of the land with an aggregate site area of 11,485 sq.m., located at No. 2 Luotang Road, Xieqiao Town, Haining City, Zhejiang Province, the PRC and the equipment and fixture affiliated to such land at the total consideration of RMB98,820,000; and
- (iii) the Sale and Purchase Agreement.

8. LITIGATION

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

9. DOCUMENTS ON DISPLAY

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

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Independent Financial Adviser as set out in this circular;
- (c) the accountant’s report on the financial information of the Target Company as set out in Appendix II of this circular;
- (d) the report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

- (e) the valuation certificate and associated valuation report of the Land prepared by the Independent Valuer as set out in Appendix V to this circular; and
- (f) the written consents referred to in the paragraph headed “6. EXPERT AND CONSENT” in this Appendix.

10. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The place of business of the Company in Hong Kong is at Unit 1107, 11/F, COSCO Tower, 183 Queen’s Road Central, Sheung Wan, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The principal share registrar of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1110, Cayman Islands.
- (e) 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.
- (f) In case of any inconsistency between English and Chinese versions of this circular, the English version shall prevail.

NOTICE OF EGM



KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

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

(Stock Code: 496)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Kasen International Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 12 December 2023 at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China to consider and, if thought fit, approve the following resolution (with or without modifications) as an ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 29 September 2023 (the “**Sale and Purchase Agreement**”) entered into between Ms. Zhu Jiayun (the “**Seller**”), Kasen International Company Limited (the “**Purchaser**”) and the Company (a copy of which marked “A” has been produced to the EGM and initialled by the chairman of the EGM for the purpose of identification) in relation to, among other matters, the proposed purchase of 490 ordinary shares of Koh Kong Zhejiang Sez Co., Ltd. (the “**Target Company**”), representing 49% of equity interest of the Target Company, and the transactions contemplated thereunder (including the terms and conditions of the subscription of the convertible bonds in the total principal amount of HK\$186,000,000 (the “**Convertible Bonds**”) to be issued by the Company) be and are hereby approved, ratified and confirmed;
- (b) subject to and conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) approving the listing of, and granting the permission to deal in, the Conversion Shares (as defined below), the directors of the Company (the “**Directors**”) be and are hereby authorised to: (i) issue the Convertible Bonds to the Seller (or her nominee(s)); and (ii) allot and issue such shares of the Company which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds (the “**Conversion Shares**”) on the terms and subject to the conditions of the Convertible Bonds;

NOTICE OF EGM

- (c) an unconditional specific mandate granted to the Directors to exercise the powers to allot, issue and deal with such number of Conversion Shares as may be required to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the terms of the Convertible Bonds be and is hereby confirmed and approved; and
- (d) subject to and conditional upon the fulfillment of the conditions set out in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds), any one or more Directors be and is/are hereby authorized, for and on behalf of the Company, to execute all such documents, instruments and agreements, and take such action, do all such acts or things, as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implement of or giving effect or completion of any matters relating to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds) and all matters incidental thereto.”

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

Hong Kong, 23 November 2023

Notes:

1. Every member entitled to attend and vote at the EGM is entitled to appoint one or more persons as his proxy to attend and vote on behalf of himself. A proxy need not be a member of the Company.
2. A form of proxy for the EGM is enclosed. To be valid, a form of proxy, together with the power of attorney or other document of authority, if any, under which the form is signed, or a certified copy thereof, must be deposited with the Company's Hong Kong branch share registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Sunday, 10 December 2023, or not less than 48 hours before the time appointed for holding any adjourned meeting (as the case may be).
3. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjourned meeting or upon the poll concerned if the shareholders of the Company so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

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

In the case of inconsistency, the English text of this notice shall prevail over the Chinese text.