

LETTER FROM THE BOARD

KEE

KEE HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

Executive Director:

Wu David Hang (*Chairman*)
Yau Chi Chiu

Independent Non-executive Directors:

Yau Pak Yue
Lu Nim Joel
Leung Ka Tin

Registered Office:

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal Place of Business in Hong Kong:

Suite 510, Chater House
8 Connaught Road, Central
Hong Kong

30 August 2019

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF CHINA SUN CORPORATION,
CENTRAL EAGLE LIMITED AND GOLDEN DIAMOND INC.
TO ACQUIRE ALL ISSUED SHARES IN THE CAPITAL OF
KEE HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY CHINA SUN CORPORATION,
CENTRAL EAGLE LIMITED AND GOLDEN DIAMOND INC.
AND PARTIES ACTING IN CONCERT WITH EACH OF THEM)**

INTRODUCTION

References are made to the Joint Announcement jointly published by the Joint Offerors and the Company on 10 July 2019 in relation to, among other matters, the Offer pursuant to Rule 3.5 of the Takeovers Code. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

As mentioned in the Joint Announcement, the Company was informed by Glory Emperor that on 2 July 2019, Glory Emperor as seller, the Joint Offerors as purchasers and Noble Wisdom as warrantor entered into the SPA, pursuant to which Glory Emperor agreed to sell and the Joint Offerors agreed to purchase the Sale Shares, being 326,089,600 Shares representing approximately 70.16% of the total issued share capital of the Company as at the Latest Practicable Date at the aggregate consideration of HK\$546,852,259.20 or HK\$1.677 per Sale Share which was agreed between the Joint Offerors and Glory Emperor after arm's length negotiations.

The aggregate consideration for the Sale Shares is HK\$546,852,259.20 (being HK\$1.677 per Sale Share) and was settled in cash by the Joint Offerors on Completion in the following manner:

- (a) as to HK\$224,838,775.86 by China Sun in respect of 134,072,019 Shares;
- (b) as to HK\$208,458,545.88 by Central Eagle in respect of 124,304,440 Shares; and
- (c) as to HK\$113,554,937.46 by Golden Diamond in respect of 67,713,141 Shares.

The entire consideration for the Sale Shares payable under the SPA was financed solely by Noble Wisdom through the NW Facility, which was entered into by the Joint Offerors under a single agreement. Mr. Qiu, Mr. Zhuang and Ms. Lin, the controlling shareholders of each of the Joint Offerors, have pursuant to the NW Facility Agreement agreed to act as guarantors of the obligation of the Joint Offerors. Each of China Sun, Central Eagle and Golden Diamond was entitled to under the NW Facility Agreement and had drawn down a loan on Completion in the principal amounts of HK\$224,838,775.86, HK\$208,458,545.88 and HK\$113,554,937.46 respectively.

The Completion is not subject to any conditions and took place immediately upon the signing of the SPA on 2 July 2019. Immediately before Completion, Noble Wisdom had pursuant to a deed of discharge released the GE Share Charge.

Immediately following Completion and as at the Latest practicable Date, the Joint Offerors and parties acting in concert with each of them are in aggregate interested in a total of 326,089,600 Shares, representing approximately 70.16% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Joint Offerors are required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and the parties acting in concert with each of them). Lego Securities is, on behalf of the Joint Offerors, making the Offer in compliance with the Takeovers Code on the terms set out in this Composite Document.

Details of the Offer are set out in the "Letter from Lego Securities", Appendix 1 to this Composite Document and the Form of Acceptance.

LETTER FROM THE BOARD

This letter forms part of this Composite Document, together with the Form of Acceptance, which, among other matters, provides you with information relating to the Group and the Joint Offerors, the Offer (including the expected timetable and terms of the Offer), the letter from the Board, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yau Pak Yue, Mr. Lu Nim Joel and Mr. Leung Ka Tin, has been established by the Board to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

In accordance with Rule 2.1 of the Takeovers Code, as disclosed in the announcement of the Company dated 17 July 2019, Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the terms of the Offer is fair and reasonable and as to acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee. The letter from the Independent Financial Adviser addressed to the Independent Board Committee is set out on pages 29 to 55 of this Composite Document.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

THE OFFER

As disclosed in the “Letter from Lego Securities”, Lego Securities is, on behalf of the Joint Offerors, making the Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$1.677 in cash

As at the Latest Practicable Date, the Company has 464,804,000 Shares in issue. The Company does not have any outstanding options, warrants, derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

LETTER FROM THE BOARD

The Offer Price of HK\$1.677 per Offer Share is equal to the per Sale Share consideration under the SPA which was arrived at after arm's length negotiation between the parties to the SPA.

The Offer Shares tendered for acceptance under the Offer shall be allocated between the Joint Offerors in accordance with the proportion of the Sale Shares acquired by each of China Sun, Central Eagle and Golden Diamond under the SPA being 28.84%, 26.74% and 14.57% respectively. Such allocation shall take place immediately upon the Registrar receiving the relevant acceptances for the Offer and each of the Joint Offerors shall be liable for the cash consideration payable in respect of the number of Offer Shares allocated to it only.

The Offer is unconditional in all aspects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, options, claims, encumbrances, adverse interests, pre-emptive rights and all third party rights of any nature together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive all dividends and other distributions recommended or declared, if any, paid or made on or after the date on which the Offer is made, being the date of this Composite Document.

Further details of the Offer

Further details of the Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from Lego Securities", Appendix I to this Composite Document and the Form of Acceptance.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Stock Exchange (stock code: 2011). The Group is principally engaged in the design, manufacture and sale of finished zippers and other garment accessories etc., in the PRC.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial information and general information of the Group.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) immediately before the Completion; and (ii) immediately after the Completion and as at the Latest Practicable Date:

Shareholders	Immediately before the Completion		Immediately after the Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
<i>The Joint Offerors and parties acting in concert with each of them (Note 1)</i>				
China Sun	—	—	134,072,019	28.84
Central Eagle	—	—	124,304,440	26.74
Golden Diamond	—	—	<u>67,713,141</u>	<u>14.57</u>
Sub-total	<u>—</u>	<u>—</u>	<u>326,089,600</u>	<u>70.16</u>
Glory Emperor	326,089,600	70.16	—	—
<i>Public Shareholders</i>				
Farco Holdings Limited (Note 2)	39,130,000	8.42	39,130,000	8.42
CM SPC (Note 3)	30,000,000	6.45	30,000,000	6.45
Other public Shareholders	<u>69,584,000</u>	<u>14.97</u>	<u>69,584,000</u>	<u>14.97</u>
Total:	<u>464,804,000</u>	<u>100.00</u>	<u>464,804,000</u>	<u>100.00</u>

Notes:

1. Noble Wisdom is the lender to the Joint Offerors under the NW Facility Agreement and a warrantor under the SPA, as such is presumed as a party acting in concert with the Joint Offerors.
2. Farco Holdings Limited is wholly owned by Mr. Qi Wei, who is deemed to be interested in 39,130,000 Shares held by Farco Holdings Limited under the SFO.
3. CM SPC is wholly owned by CM Capital Management (Cayman) Limited, which is in turn wholly owned by CM Asset Management Holdings Limited. CM Asset Management Holdings Limited is wholly owned by China Minsheng Financial Holding Corporation Limited, which is owned as to 49.84% by CMI Financial Holding Company Limited. CMI Financial Holding Company Limited is wholly owned by Minsheng (Shanghai) Assets Management Company Limited, which is wholly owned by China Minsheng Investment Corporation Limited.
4. Certain amounts and percentages above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

INFORMATION ON THE JOINT OFFERORS

Please refer to the section headed “Information of the Joint Offerors” in the “Letter from Lego Securities” for information on the Joint Offerors.

INTENTION OF THE JOINT OFFERORS ON THE GROUP AND THE PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

Please refer to the sections headed “Intention of the Joint Offerors in relation to the Group” and “Proposed change to the Board composition of the Company” in the “Letter from Lego Securities” for detailed information on the Joint Offerors’ intention on the business and management of the Group, including but not limited to the proposed change to the Board composition of the Company. The Board is aware of the intention of the Joint Offerors in respect of the Group and is willing to render reasonable co-operation with the Joint Offerors which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Board noted from the “Letter from Lego Securities” that the Joint Offerors intend the Company to remain listed on the Stock Exchange after the close of the Offer. The Board noted that the directors of each of the Joint Offerors have undertaken and the new directors appointed to the Board (if any) will undertake jointly and severally to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 27 to 28 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 29 to 55 of this Composite Document, which sets out its advice to the Independent Board Committee in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

LETTER FROM THE BOARD

Yours faithfully,
By order of the Board

A handwritten signature in black ink, appearing to read 'Wu David Hang', with a stylized flourish at the end.

KEE Holdings Company Limited
Wu David Hang
Chairman