

*Executive Directors:*

Mr. Xu Xipeng  
Mr. Xu Xinan  
Mr. Chow Hoi Kwang, Albert

*Non-executive Director:*

Mr. Yang Shaolin

*Independent non-executive Directors:*

Mr. Lin Bin  
Mr. Kong Hing Ki  
Mr. Tam Yuk Sang, Sammy

*Registered office:*

3rd Floor, Queensgate House  
113 South Church Street  
P.O. Box 10240  
Grand Cayman  
KY1-1002  
Cayman Islands

*Principal place of*

*business in Hong Kong:*  
Unit B, 16/F., YHC Tower  
No. 1, Sheung Yuet Road  
Kowloon Bay, Kowloon  
Hong Kong

27 January 2016

*To the Independent Shareholders and Optionholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED  
ON BEHALF OF  
GLORY EMPEROR TRADING LIMITED  
FOR ALL THE ISSUED SHARES IN  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
GLORY EMPEROR TRADING LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
KEE HOLDINGS COMPANY LIMITED**

**INTRODUCTION**

Reference is made to (i) the Joint Announcement dated 9 November 2015; (ii) the announcement jointly published by the Company and the Offeror on 30 November 2015 in relation to, among other matters, the extension of the Long Stop Date; and (iii) the announcement jointly published by the Company and the Offeror on 13 January 2016 in relation to, among other matters, Share Transfer Completion.



On 9 November 2015, the Company and the Offeror jointly announced that, among other matters, that on 19 August 2015, Nicco as vendor, the Offeror as purchaser, and Mr. Xu Xipeng and Mr. Xu Xinan as vendor's guarantors entered into the Sale and Purchase Agreement pursuant to which Nicco has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares for a consideration of HK\$707,575,661 (equivalent to HK\$2.2789 per Sale Share). The Sale Shares represent approximately 71.889% of the issued share capital of the Company as at the Latest Practicable Date. On 30 November 2015, the Company and the Offeror jointly announced in the Extension Announcement that, among other matters, Nicco, the Offeror, Mr. Xu Xipeng and Mr. Xu Xinan have entered into an extension letter on 27 November 2015 to extend the Long Stop Date of the Sale and Purchase Agreement from 31 December 2015 to 20 January 2016 or such later date as may be agreed between the parties to the Sale and Purchase Agreement in writing.

The Share Transfer was completed on 13 January 2016, upon which the Offeror has become the controlling Shareholder holding 310,490,000 Shares, representing approximately 71.889% of the issued share capital as at the Latest Practicable Date.

On 20 January 2016, the Offeror despatched the Offer Document containing, among other matters, details of the Offers, to the Independent Shareholders and the Optionholders.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, the Offers, the recommendation from the Code IBC to the Independent Shareholders and the Optionholders in respect of the Offers and the advice from the Independent Financial Adviser to the Code IBC in respect of the Offers.

#### **CODE IBC**

The Code IBC comprising all the non-executive Directors, namely Mr. Yang Shaolin, Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy, has been established to advise the Independent Shareholders and the Optionholder(s) on whether the terms of the Offers (if it is made) are fair and reasonable and as to acceptance of the Offers.

As disclosed in the Joint Announcement, BOSC International has been appointed as the independent financial adviser to the Code IBC in respect of the Offers. The appointment of BOSC International by the Company has been approved by the Code IBC. The letter of advice from BOSC International addressed to the Code IBC is set out on pages 23 to 47 of this Response Document.

**You are advised to read the "Letter from the Code IBC" addressed to the Independent Shareholders and the Optionholders and the additional information contained in the appendices to this Response Document carefully before taking any action in respect of the Offers.**



## **THE OFFERS**

### **Principal terms of the Offers**

The terms of the Offers are set out in the Offer Document and the Forms of Acceptance. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details. CICC, on behalf of the Offeror and pursuant to the Takeovers Code, is making the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options on the following terms:

#### **The Share Offer**

For each Share held ..... HK\$2.2789 in cash

The Board noted that the Share Offer Price of HK\$2.2789 per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Offer Document.

#### **The Option Offer**

For cancellation of each Share Option with  
exercise price of HK\$1.39 ..... HK\$0.8889 in cash

For cancellation of each Share Option with  
exercise price of HK\$0.60 ..... HK\$1.6789 in cash

The consideration for cancellation of each outstanding vested Share Option has been determined by deducting the exercise price payable on exercise of each Share Option from the Share Offer Price payable for each Offer Share under the Share Offer pursuant to Rule 13 of the Takeovers Code. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

As at the Latest Practicable Date, the Company had 431,901,000 Shares in issue and, save for the 4,193,000 vested Share Options which entitle the holders thereof to subscribe for 4,193,000 Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

#### **Conditions of the Offers**

The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or Share Options or any other conditions.



### **Comparisons of value**

The Share Offer price of HK\$2.2789 per Offer Share, which is equal to the price paid by the Offeror for each of the Sale Shares under the Sale and Purchase Agreement, represents:

- (a) a discount of approximately 0.05% to the closing price of HK\$2.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 23.2% over the closing price of HK\$1.85 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 36.5% over the average closing price of approximately HK\$1.6690 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;
- (d) a premium of approximately 29.0% over the average closing price of approximately HK\$1.7667 per Share as quoted on the Stock Exchange for the last consecutive 30 trading days up to and including the Last Trading Date; and
- (e) a premium of approximately 193.9% over the net asset value per Share of approximately HK\$0.7754 (based on the unaudited consolidated net assets of the Group of approximately HK\$338,157,000 as at 30 June 2015 and the total number of issued and outstanding shares of the Company on a fully diluted basis of 436,094,000 Shares assuming all the vested Share Options as of 30 June 2015 have been exercised).

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.43 per Share on 28 December 2015 and HK\$0.56 per Share on 13 February 2015 respectively.

### **Further details of the Offers**

Further details of the Offers including, among others, the terms and procedures of acceptance of the Offers, are set out in the sections headed "Letter from CICC" and "Further terms of the Offers and procedures of acceptance" in the Offer Document and the Forms of Acceptance.



## **INFORMATION ON THE GROUP**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2010 and its Shares have been listed on the Main Board since January 2011 under the Stock Code 2011.

The Group is principally engaged in manufacturing finished zippers in China. The Group's customers for zippers are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from the Group. In addition, the Group also supplies flat knit ribs to customers to gradually satisfy the one-stop procurement demand for apparel components and accessories. The Group also supplies sliders, components of zippers (including continuous zipper chains and stops) and moulds and designs and supplies premium items exclusively to apparel brand owners to meet the promotional needs for their products. Following the Share Transfer Completion, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. The Offeror has no plans to (i) dispose of or terminate or downsize the existing business of the Company; (ii) redeploy the fixed assets of the Company; or (iii) terminate any employees or make significant changes to any existing employment of the Company.

### **Expansion plan of the Group**

Following the Share Transfer Completion, apart from the existing business of zipper manufacture and sale, the Group is looking for new investments and business opportunities in order to diversify its existing zipper manufacture and sale business with a view to formulating a suitable business strategy to expand its business scope and broaden its income stream, achieving better growth potential and enhancing Shareholders' return. In this regard, expansion into the e-commerce and online finance industries will hold great potential and will provide good future development opportunities for the Company.

Recent industry reports show that within the PRC real estate industry, there are currently an excessive number of information sources, which vary in both quality and reliability, particularly amongst online sources. The ability to sort through large quantities of data and efficiently provide data that is relevant to the user are of vital importance to both developers and property investors. An e-commerce platform can provide such ability and can effectively identify property investment demand and match it with appropriate property supply. At the same time, an e-commerce platform can identify users' demand for financing and match such demand with other users who possess the relevant capital and investment intentions, thus facilitating both sides to realize their investment needs. Further, the recent promulgation of the "2015 Guiding Opinions on Promoting the Healthy Development of Internet Finance" demonstrates the PRC government's support for internet finance association with the online marketing and e-commerce industry.



The continually improving regulatory environment and rapid expansion of online services create a favourable climate. It is expected that consumer demand for online services will grow every day. The development of e-commerce capabilities can bring about further opportunities, drive future growth and provide excellent potential returns.

In view of the significant growth potentials in China's internet e-commerce industry, the online marketing business will hold great potential for investment and create additional value for the Company and its Shareholders. As such, following the Share Transfer Completion, the Company plans to develop an internet platform through which to conduct online marketing and e-commerce businesses involving major real estate and tourist destination projects. Specifically, following the Share Transfer Completion, the Company plans to develop an internet platform that is available to the general public which identifies individuals, including third parties, who have property purchase intentions and demands for loans required in connection with such property purchases, and refer these individual borrowers to individuals who have appropriate funds and investment plans. Through the online platform, the borrowers can be matched with the investors in an efficient manner and thus satisfying their respective needs and the Company can charge a commission fee based on the transactions conducted. This internet business model is believed to have significant demand and development potential.

In terms of the business model of the Company's new Internet business, the Company shall make use of its ability to consolidate data and resources and provide Internet users with online marketing information service (i.e. the online-to-offline model) and financial information service in relation to loans for the purchase of real property.

Our online platform will gather demand from consumers requiring, for example, purchase of real property or tourism investments, and transfer such demand to our platform participants (e.g. property developer) who can meet such demand. The income to be realized from the online platform includes the fees received through online marketing information services, earnings from an increase in the value of the real property, etc. In the online-to-offline matching process, our online platform will offer financial information services to those consumers who are in need of loans in order to purchase real property. The online platform will match appropriate lenders who have investment plans (or other well-known online financial platforms). The online platform will charge a commission for each successful transaction.

It is expected that the main income will be from fees received through offering online marketing information services, earnings from an increase in the value of the real property. In respect of the financial information services, it is expected that the income will include the commissions charged for each successful transaction.

The online platform will form an experienced team of staff to select projects and manage risks. In relation to the prospective financial information service in relation to lending, the online platform shall evaluate the risks of each and every single project with comprehensive assessments of the transaction. In addition, the online platform will expressly warn the lender (or online financial platforms in partnership with us) that in the event where the borrower defaults on his loan, the lender (or the online financial platforms in partnership with us) shall bear the credit risks. However, due to the structure of the products and the



design of related contracts, a property purchaser is required to pledge the purchased property as security after obtaining a loan through the online financial platform. Where the borrower defaults on his loan, the online platform party will have the right to dispose of the pledged property. This arrangement will significantly lower the credit risk of borrowers and ensure that the proceeds from the sale of the pledged property will be sufficient to cover the principal amount of the loan.

It is expected that the target customers will consist of property developers and property buyers. Offline property developers will engage the Company to publish information on property developments on its online platform, the online platform will become both a sales channel and provide promotional services. Potential property buyers will be able to browse information on properties through the online platform to identify suitable properties and, if the potential buyer so demands, the online platform can arrange a physical visit of the properties. At the same time, if the potential buyer requires financing when making the property purchase, the online platform can also connect him with a corresponding lender, thus providing a complete online to offline service.

Following the Share Transfer Completion, the Company will look for appropriate candidates for directors and senior management who have experience and expertise in real estate, e-commerce and/or internet-financing industry to develop and monitor the new business. Besides the new hiring, the Company will also leverage the existing management team of Zhonghong, which is equipped with insight of the real estate industry and clear vision of the latest industry trends, including online marketing. It is expected that the newly appointed directors and senior level management, together with the existing management of Zhonghong, will form a strong and efficient management team to develop and monitor the new business.

Through the share transfer under the Sale and Purchase Agreement, the Company will be able to leverage the experience, network and resources of Zhonghong in the real estate industry to expand into such new business stream while still maintaining its existing zipper products business stream in parallel. Funds raised through completion of the Disposals in the approximate amount of HK\$200,000,000 will primarily be used to finance the Company's efforts in implementing this new business strategy, in addition to settling the bank loan secured by the HK Property.

More specifically, these funds will primarily be used over the next two years to construct an open, collaborative online real estate information and marketing platform, build up operational and management teams, improve the marketing of the Company's business and customer service levels, consolidate working capital and explore new business opportunities. Details are set out below:

1. approximately 20% will be used to build up professional business teams, including (i) professional management staff; (ii) professional technical staff charged with constructing the online platform, including establishing the webpage, necessary applications and electronic databases; and (iii) business development professionals charged with promoting the online platform and its products within the market and conducting market research;



2. approximately 40% will be used to market the product offering and establish brand recognition. The Group plans to engage an independent marketing company to assist in establishing the brand and image of the product, and significantly invest in promotional activities through both traditional media and online media. Specific methods will include engaging a brand spokesperson, collaborating with media outlets, engaging in corporate sponsorship and other promotional and advertising activities. The goal will be to improve brand recognition and increase market share amongst online investors; and
3. approximately 40% will be used to purchase equipment and services necessary for the business, including cloud services equipment and networking channels, outsourced web and application hosting, third party payment platforms, messaging platforms, third party user identification and security systems and other systems as well as being used for working capital, including the settling of the bank loan secured by the Hong Kong Property.

The implementation of any new investment or business expansion will be done in compliance with the Listing Rules.

As advised by the PRC Legal Advisers, the proposed internet platform business may involve three categories of business: (1) utilising the internet platform to promote and sale of the real estate and tourist destination projects of the Group (the “**1st Category Business**”); (2) utilising the internet platform for promotion and sales of real estate and tourist destination projects for other property developers (the “**2nd Category Business**”); and (3) utilising the internet platform for conducting individual internet financing (the “**3rd Category Business**”).

As advised by the PRC Legal Advisers, the 1st Category Business is not a restricted or prohibited business for foreign investment under the Catalogue of Industries for Guiding Foreign Investment (2015 Revision). According to “Notice of the General Office of the Ministry of Commerce on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales”, only recordation with the telecommunication authority is required. For the 2nd Category Business and the 3rd Category Business, they are restricted businesses for foreign investment under the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) and a foreign investor cannot own more than 50% of the registered capital. In any event, the qualification of the internet platform business is subject to the approval of the relevant authority.

The Group may conduct the new internet platform business through contractual arrangements, direct investment in equity interest subject to the restriction on foreign investment, cooperation with other qualified entities and/or other arrangements permitted under the applicable laws and regulations.

If any contractual arrangements have been entered into by the Group for the new internet platform business, the Company will comply with Stock Exchange’s guidance letter HKEx-GL77-14, provide the necessary legal opinion to the Stock Exchange and make an announcement to update the Shareholders and potential investors.



## Shareholding structure of the Company

The following table sets out the shareholding structures of the Company (i) immediately before Share Transfer Completion; (ii) as at the Latest Practicable Date; and (iii) assuming that all of 4,193,000 vested Share Options have been exercised and converted into Shares prior to the Closing Date:

|   | (i) Immediately before Share Transfer Completion |                | (ii) As at the Latest Practicable Date |                | (iii) Assuming that all of 4,193,000 vested Share Options have been exercised and converted into Shares prior to the Closing Date |                |
|---|--|----------------|--|----------------|---|----------------|
|   | Number of Shares                                 | Approx. %      | Number of Shares                       | Approx. %      | Number of Shares  | Approx. %      |
| The Offeror and parties acting in concert with it | –  | –              | 310,490,000                            | 71.889         | 310,490,000   | 71.198         |
| Nicco ( <i>Note</i> )                             | 310,490,000                                      | 72.745         | –                                      | –              | –   | –              |
| Directors   | –  | –              | –                                      | –              | 1,140,000   | 0.261          |
| Public shareholders                               | 116,330,000                                      | 27.255         | 121,411,000                            | 28.111         | 124,464,000   | 28.541         |
| <b>Total</b>                                      | <b>426,820,000</b>                               | <b>100.000</b> | <b>431,901,000</b>                     | <b>100.000</b> | <b>436,094,000</b>  | <b>100.000</b> |

*Note:* Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Chow Hoi Kwang, Albert are beneficial owners of 49.75%, 49.75% and 0.50% respectively, of the issued share capital of Nicco.

## INFORMATION ON THE OFFEROR AND INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” and “The Intention of the Offeror regarding the Group” in the “Letter from CICC” of the Offer Document.

As set out in the Offer Document, the Offeror is an investment holding company incorporated in BVI with limited liability. Save for entering into the MOU, the Sale and Purchase Agreement with Nicco and other agreements in relation to the Sale and Purchase Agreement, the Investment Agreement (as amended) and the related Security Documents and the Offers, the Offeror did not engage in any business activities. Prior to the Share Transfer Completion, the Offeror does not have any assets other than the inter-company loan facility provided by Li Zhen under the loan agreement dated 27 August 2015 and entered into between the Offeror as borrower and Li Zhen as lender in relation to the provision of loan in the amount of HK\$1,005,000,000 to the Offeror for the purpose of funding the Offers.

The Offeror is directly wholly-owned by Li Zhen, which is a company incorporated in Hong Kong and is principally engaged in investment holding activities. The Offeror, through Li Zhen and other intermediate holding companies, is indirectly wholly-owned by Zhonghong. Zhonghong is established in the PRC with its headquarters in Beijing and is primarily engaged in the business of real estate development in various cities and provinces in the PRC including Beijing, Jilin, Shandong and Hainan. As an integrated leader in the PRC property industry, Zhonghong has a diverse portfolio of property related businesses



which primarily focuses on the development, sale and management of commercial properties including offices, residential properties, hotels and shopping complexes. In addition, its long term strategy includes the development and operation of travel destinations and it currently operates and manages several cultural and leisure resort destinations in Beijing, Jilin, Shandong and Hainan. In pursuit of this long term strategy, Zhonghong has entered into strategic cooperation agreements in various regions rich in tourism resources allowing it first entry into such markets to exploit the potential of such regions for developing holiday resort businesses. As such, it has already accumulated over 6 million square metres of land for further development. Zhonghong was listed on the Stock Exchange of Shenzhen with the Stock Code 000979 in 2010. As of 30 September 2015, Zhonghong's total asset value was RMB19 billion and as of 10 November 2015, its total market capitalisation was RMB21.1 billion.

As at the Latest Practicable Date, Mr. Wang Yonghong, through one of his wholly owned companies called Zhonghong Zhuoye, is the controlling shareholder of Zhonghong and holds 34.51% of the issued shares of Zhonghong.

The Group is currently principally engaged in the manufacture and sale of zipper products and other garment accessories as at the Latest Practicable Date. Following the Share Transfer Completion and taking into account a series of factors, including but not limited to the current macro economy environment and market condition, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. The Offeror has no plans to (i) dispose of, terminate or downsize the existing business of the Company; (ii) redeploy the fixed assets of the Company; or (iii) terminate any employees or make significant changes to any employment of the Company (except for the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition of the Company" in the Offer Document).

The Offeror has also confirmed that it does not have any plans and has not engaged in any discussion or negotiation on injection of assets or businesses into the existing business.

The Board has noted the intentions of the Offeror in respect of the Company and its employees as stated above.

#### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends that the Company will remain listed on the Main Board of the Stock Exchange after the close of the Offers. The director of the Offeror and the new Directors (if any) to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the closing of the Offers to ensure that the minimum public float requirement under the Listing Rules is complied with by the Company.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may



exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

#### **RECOMMENDATION**

Your attention is drawn to the letter from the Code IBC set out on pages 21 to 22 of this Response Document and the letter from the Independent Financial Adviser set out on pages 23 to 47 of this Response Document, which contains, among other things, its advice to the Code IBC in relation to the Offers and the principal factors considered by it in arriving at its advice.

#### **ADDITIONAL INFORMATION**

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



Yours faithfully,  
For and on behalf of the Board  
**KEE Holdings Company Limited**

A handwritten signature in black ink, appearing to be 'Xu Xipeng', written over a horizontal line.

**Xu Xipeng**  
*Chairman*