

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in KEE Holdings Company Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# KEE

**KEE HOLDINGS COMPANY LIMITED**

**開易控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2011)**

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE FRAMEWORK COOPERATION AGREEMENT;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**中毅資本有限公司  
Grand Moore Capital Limited**

A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at Suite 510, Chater House, 8 Connaught Road, Central, Hong Kong on Thursday, 5 January 2017 at 10:30 a.m. is set out on pages 40 to 41 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.kee.com.cn>).

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 34 of this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Hong Kong, 15 December 2016

<b>CONTENTS</b>
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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	15
<b>LETTER FROM INDEPENDENT FINANCIAL ADVISER</b> .....	17
<b>APPENDIX — GENERAL INFORMATION</b> .....	35
<b>NOTICE OF EGM</b> .....	40

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“Annual Cap”	has the meaning ascribed to it under the section headed “Letter from the Board — Annual Cap”
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	KEE Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 12 July 2016 and entered into between Tianjin Vitality and 御馬坊置業有限公司 (Yumafang Property Company Limited <sup>#</sup> ), a company established in the PRC with limited liability which is indirectly wholly-owned by Zhonghong, the details of which were set out in the announcement dated 12 July 2016 of the Company
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Framework Cooperation Agreement becomes effective pursuant to the terms of the Framework Cooperation Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 5 January 2017 at 10:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including but not limited to the annual cap), the notice of which is set out at the end of this circular
“Framework Cooperation Agreement”	the framework cooperation agreement dated 29 July 2016 and entered into between Tianjin Vitality and Zhonghong (as amended and supplemented by the Supplemental Agreements) in respect of the engagement of Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation, promotion and sales activities for the period commencing from the Effective Date to 30 June 2017

## DEFINITIONS

“Group”	the Company and its subsidiaries
“Hainan Xinjia”	海南新佳旅業開發有限公司(Hainan Xinjia Tourism Development Company Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders as to whether the Framework Cooperation Agreement and the transactions contemplated thereunder (including the annual cap) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how to vote on the proposed resolution to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including the annual cap) at the EGM
“Independent Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Cooperation Agreement and the transactions contemplated thereunder (including the annual cap)
“Independent Shareholder(s)”	Shareholder(s) (other than Zhonghong and its associates) who are not prohibited under the Listing Rules from voting at the EGM to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including the annual cap)
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	12 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

## DEFINITIONS

“Sanya Luhuitou”	三亞鹿回頭旅遊區開發有限公司(Sanya Luhuitou Tourist Zone Development Company Limited <sup>#</sup> ), a company established in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements dated 2 September 2016 and 10 November 2016 respectively, and entered into among Tianjin Vitality, Zhonghong and Tianjin Jinhui to amend certain terms of the Framework Cooperation Agreement
“Tianjin Jinhui”	天津金惠天金有限公司 (Tianjin Jinhui Tianjin Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Tianjin Vitality”	天津活力營銷顧問有限公司 (Tianjin Vitality Marketing Consultancy Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Zhonghong”	中弘控股股份有限公司 (Zhonghong Holding Co., Limited <sup>#</sup> ), a joint stock company established under the laws of the PRC with limited liability, the shares of which are quoted on the Shenzhen Stock Exchange (Stock code: 000979.SZ)
“Zhonghong Group”	Zhonghong and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency in the PRC
“%”	per cent.

*For ease of reference and unless otherwise specified in this circular, sums in HK\$ and RMB in this circular have been translated at the rate RMB1.0 = HK\$1.15. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.*

*# The English translation or transliteration of the Chinese name(s) in this circular, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*



**KEE HOLDINGS COMPANY LIMITED**

**開易控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2011)**

*Executive Directors:*

Mr. Wu David Hang

Mr. Hou Jian

*Independent non-executive Directors:*

Mr. Wong Yik Chung John

Mr. Tse Calvin Kai Chuen

Mr. Leung Ka Tin

*Registered office:*

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113 South Church Street

P.O. Box 10240

Grand Cayman

KY1-1002

Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Suite 510

Chater House

8 Connaught Road

Central, Hong Kong

15 December 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE FRAMEWORK COOPERATION AGREEMENT;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 29 July 2016, 2 September 2016 and 10 November 2016 in respect of the Framework Cooperation Agreement and the transactions contemplated thereunder. On 29 July 2016 (after trading hours), Tianjin Vitality, an indirect wholly-owned subsidiary of the Company, and Zhonghong entered into the Framework Cooperation Agreement (which was amended and supplemented by the Supplemental Agreements), pursuant to which Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation and promotion activities for the period commencing from the Effective Date to 31 December 2017.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Framework Cooperation Agreement (which was amended and supplemented by the Supplemental Agreements) and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM.

### THE FRAMEWORK COOPERATION AGREEMENT

Date: 29 July 2016 (after trading hours) (as amended and supplemented on 2 September 2016 and 10 November 2016)

Parties: (i) Tianjin Vitality, an indirect wholly-owned subsidiary of the Company;

(ii) Tianjin Jinhui, an indirect wholly-owned subsidiary of the Company; and

(iii) Zhonghong

Zhonghong is a company established in the PRC with its headquarters in Beijing. As at the Latest Practicable Date, Zhonghong, which indirectly owns 75% of the issued share capital of the Company, is a controlling Shareholder. Zhonghong is therefore a connected person of the Company. Zhonghong is principally engaged in the business of real estate development in various cities and provinces in the PRC including Beijing, Jilin, Zhejiang, Shandong and Hainan.

Term: From the Effective Date to 31 December 2017

Effective Date: The Framework Cooperation Agreement shall become effective from the date on the passing of the ordinary resolution by the Independent Shareholders at the EGM to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (the “**Independent Shareholders’ Approval**”) (except for the confidentiality, dispute resolution and legal effect provisions which shall be effective from the date of execution).

Scope of services: Pursuant to the Framework Cooperation Agreement, Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation and promotion activities.

## LETTER FROM THE BOARD

- Management of sales personnel: Tianjin Vitality and Tianjin Jinhui shall be responsible for the allocation of sales personnel for the property projects and be also responsible for the organisation, management and assessment of such sales personnel. Tianjin Vitality and Tianjin Jinhui may from time to time engage third party sales sub-agents for the sales of the property projects developed by the Zhonghong Group and shall be responsible for the management of these third party sales sub-agents.
- Advertising and promotion: Tianjin Vitality and Tianjin Jinhui have the right to formulate sales plan and conduct advertising and promotion based on the actual circumstances. Unless otherwise agreed by Zhonghong, Tianjin Vitality and Tianjin Jinhui, the advertising and promotion expenses shall be borne by Tianjin Vitality and Tianjin Jinhui.
- Sale price: The Zhonghong Group shall be entitled to request Tianjin Vitality and Tianjin Jinhui to sell the property projects at a price not less than the amount agreed by the Zhonghong Group and Tianjin Vitality or Tianjin Jinhui (the “**Minimum Sales Price**”).
- Commission: The Zhonghong Group shall pay to Tianjin Vitality and Tianjin Jinhui a commission (the “**Commission**”) ranging from 5.5% to 6.5% of the contract amount of the sales amount received by the Zhonghong Group for the sales of properties. The actual amount of the rate of the Commission will be determined based on the factors including the type, and location of the respective property projects.
- Excess sales fee: If the property projects developed by the Zhonghong Group are sold at a price exceeding the Minimum Sales Price, Tianjin Vitality and Tianjin Jinhui shall be entitled to receive an excess sales fee (the “**Excess Sales Fee**”) equal to 20% to 40% of the excess sales amount received by the Zhonghong Group. The actual amount of the rate of the Excess Sales Fee will be determined based on the factors including the type and location of the respective property projects.
- Payment: Tianjin Vitality, Tianjin Jinhui and Zhonghong shall determine the total Commission and Excess Sales Fee payable to Tianjin Vitality and Tianjin Jinhui for the previous month on or before the fifth calendar day of each month.



## LETTER FROM THE BOARD

If the sales are arranged by Tianjin Vitality or Tianjin Jinhui, the Commission and the Excess Sales Fee for the previous month shall be payable by the Zhonghong Group to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month.

If the sales are arranged by a third party sale sub-agent engaged by Tianjin Vitality or Tianjin Jinhui, Tianjin Vitality or Tianjin Jinhui can request the Zhonghong Group to pay the Commission and the Excess Sales Fee in one of the following manners:

- (i) the Zhonghong Group shall pay the Commission and the Excess Sales Fee for the previous month to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month and Tianjin Vitality or Tianjin Jinhui shall pay the commission to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui by itself in accordance with its agreement with the third party sub-agent; or
- (ii) the Zhonghong Group shall pay the commission to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui within the period as notified by Tianjin Vitality or Tianjin Jinhui and shall pay the balance of the Commission and the Excess Sales Fee (after deduction of the commission payable to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui) for the previous month to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month.

Termination:

Either party may terminate the Framework Cooperation Agreement by one-month notice in writing.

If the Independent Shareholders' Approval is not obtained at the EGM on or before 15 January 2017 (as extended by agreement among Zhonghong, Tianjin Vitality and Tianjin Jinhui) or such other date as Zhonghong, Tianjin Vitality and Tianjin Jinhui may agree in writing, the Framework Cooperation Agreement shall terminate with immediate effect.

The ranges of the rates of the Commission and the Excess Sales Fee were arrived at after arm's length negotiations between Tianjin Vitality, Tianjin Jinhui and Zhonghong and based on the prevailing ranges of the market rates for projects similar to the property projects of the Zhonghong Group.

## LETTER FROM THE BOARD

### PRICING POLICY AND GUIDELINES

Before determining the actual rates of the Commission and the Excess Sales Fee for a specific project of the Zhonghong Group, the sales and marketing department of the Group will evaluate the type and location of the specific project and collect, on a best effort basis, the information on the market rates of commission and excess sales fee of services for projects with similar characteristics. The sales and marketing department of the Group will then propose the actual rates of the Commission and the Excess Sales Fee based on the information collected and ensure the actual rates will not be lower than the rates of commission and excess sales fee of similar services for similar projects in the market and the rates of commission and excess sales fee charged or to be charged by the Group for similar services to be provided to the Independent Third Parties for similar projects.

The finance department of the Company will also monitor the actual rates of the Commission and the Excess Sales Fee as well as the total amount of the Commission and the Excess Sales Fee charged on a regular basis to ensure that the determination of the actual rates of the Commission and the Excess Sales Fee are in compliance with the above pricing policy and guidelines, and the Annual Cap is not exceeded.

The independent non-executive Directors will also review the actual rates of the Commission and the Excess Sales Fee at least annually to ensure that such rates are determined on normal commercial terms and fair and reasonable.

The Company believes that the above pricing policy and guidelines will serve as the safeguard to ensure that the actual rates of the Commission and the Excess Sales Fee are determined on normal commercial terms and fair and reasonable.

### ANNUAL CAP

Pursuant to the Framework Cooperation Agreement, the maximum annual aggregate amount payable by the Zhonghong Group to Tianjin Vitality and Tianjin Jinhui under the Framework Cooperation Agreement during the term of the Framework Cooperation Agreement shall not exceed RMB130,000,000 (equivalent to approximately HK\$149,500,000).

The annual cap (the “**Annual Cap**”) of RMB130,000,000 was determined based on:

- (i) the estimated value of the properties of the Zhonghong Group available for sale for the period from 1 December 2016 to 31 December 2017 in the amount of RMB4,005,000,000;
- (ii) the projected sales ratio of the properties. The property projects of the Zhonghong Group can be broadly divided into the core cities and vacation destinations in the PRC. The Directors projected that the sale ratios of the property projects in the core cities would be approximately 65% while the vacation destinations would be approximately ranging from 40% to 45%. The aforementioned percentages were arrived at based on (a) the experience of the Zhonghong Group in the real estate industry being an experienced property developer in the PRC; and (b) the Directors’ belief that the property market in the PRC is going through a slow yet steady cycle

## **LETTER FROM THE BOARD**

after a boom in the property market in the first half of 2016. The Directors are optimistic about the future in the property market in the PRC and are of the view that the property market will recover in the second quarter of 2017; and

- (iii) the projected commission rate which was arrived at based on the type and location of the properties. The Directors are of the view that it is more of a challenge to sell properties in the vacation destinations as the potential clients are more dispersed and may require a more comprehensive promotion/advertising campaign in order to penetrate into the potential markets/clients. Since Tianjian Vitality and Tianjin Jinhui are responsible for and shall bear the advertising and promotion expenses, the Directors are of the view that it is fair and reasonable for Tianjin Vitality and Tianjin Jinhui to be entitled to a higher commission rate (approximately 6.5%) for selling properties in the vacation destination. The Directors believe that selling properties in the core cities are less of a challenge (in comparison with vacation destinations) as the clients are less dispersed and the demand is higher. Therefore, the Directors are of the view that a Commission ranging from 5.5 percent to 6.5 percent is fair and reasonable as Tianjin Vitality and Tianjin Jinhui may incur less spending on marketing/promotion campaigns to promote the property projects in the core cities. The Directors believe that the demand for the properties in the core cities are higher and it is forecasted that Tianjin Vitality and Tianjin Jinhui are able to sell the properties at a price exceeding the Minimum Sales Price by an average of 2% and 20% of the excess sales amounts shall be payable by the Zhonghong Group.

Save for the services to be provided by Tianjin Vitality to the Zhonghong Group under the Cooperation Agreement, Tianjin Vitality and Tianjin Jinhui have not provided services similar to those under the Framework Cooperation Agreement to the Zhonghong Group before entering into the Framework Cooperation Agreement.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK COOPERATION AGREEMENT**

The Group is principally engaged in manufacturing finished zippers and other garment accessories in China. As disclosed in the announcement of the Company dated 12 July 2016, in order to diversify and expand the business scope of the Group, Tianjin Vitality was established in the PRC with business scope in enterprise sales planning, enterprise image planning, business information consultation, conference services, exhibition display services, real estate information consultation and real estate agency. Tianjin Jinhui will also be principally engaged in enterprise sales planning, enterprise image planning, conference services, exhibition display services, real estate information consultation and real estate agency.

The Zhonghong Group currently has property projects in various cities and provinces in the PRC including Beijing, Jilin, Zhejiang, Shandong and Hainan.

As disclosed in the section headed “Expansion plan of the Group” in the offer document dated 20 January 2016, 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

## LETTER FROM THE BOARD

potential and enhancing Shareholders' return. 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. The diversification of the Group's business into the real estate agency business through the Framework Cooperation Agreement is in line with the expansion plan of the Group. As the Zhonghong Group is principally engaged in property development in the business of real estate development in various cities and provinces in the PRC including Beijing, Jilin, Zhejiang, Shandong and Hainan, Zhonghong is equipped with insight of real estate industry and clear vision of the latest trends in the real estate industry. Through the cooperation with Zhonghong under the Framework Cooperation Agreement, the Group can leverage the experience and advantages of Zhonghong as a stepping stone to achieve the business expansion plan of the Group and develop the online marketing and e-commerce business platform for sales and marketing of real estate and tourist destination projects.

To further facilitate the aforementioned business expansion plan of the Group and to develop its real estate agency business, as disclosed in the announcement of the Company dated 30 September 2016, on 29 September 2016, Tianjin Jinhui and Tianjin Vitality entered into a sales framework agreement (the "**Sales Framework Agreement**") with two independent third parties, namely Sanya Luhuitou and Hainan Xinjia, pursuant to which Sanya Luhuitou and Hainan Xinjia have agreed to engaged Tianjin Jinhui and Tianjin Vitality as the joint exclusive agent for the sales of properties under two property projects located at Luhuitou Bandao, Sanya, Hainan, the PRC, including the related sales planning, organisation, promotion and sales activities for a term of one year commencing from the date of the Sales Framework Agreement. During the term of the Sales Framework Agreement, the estimated total saleable gross floor area of the properties to be sold under the two relevant projects will be approximately 85,715 square metres; the estimated unit selling price of the properties will be approximately RMB35,000 per square metre; and the estimated total sales amount will be approximately RMB3,000,025,000 (equivalent to approximately HK\$3,450,229,000). Tianjin Jinhui and Tianjin Vitality shall charge a commission at the rate of 5% of the sales amount received by the relevant property developers for the sales of the relevant projects under Sales Framework Agreement. If estimated total sales amount is achieved during the term of the Sales Framework Agreement, the estimated amount of the commission is approximately RMB150,001,000 (equivalent to approximately HK\$172,501,000). For further information of the Sales Framework Agreement, please refer to the announcement of the Company dated 30 September 2016.

The Directors consider that the entering into of the Framework Cooperation Agreement would provide a good opportunity for the Group to develop its real estate agency business and provide a new income stream to the Group by Tianjin Vitality and Tianjin Jinhui acting as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group. Taking into account of the estimated revenue generated from the Sales Framework Agreement and the revenue trend of the existing principal business of manufacturing finished zippers and other garments accessories in China, it is expected that the revenue contributions from the Framework Cooperation Agreement to the total enlarged revenue of the Group for the year ending 31 December 2017 will be maintained at a healthy level. Since the real estate agency business of the Group is at its initial stage, the Directors consider that it would be difficult to estimate the respective profits contributions from the Sales Framework Agreement

## LETTER FROM THE BOARD

and the Framework Cooperation Agreement at this stage. However, apart from the Sales Framework Agreement, the Group will actively seek cooperation opportunities with other parties for its real estate agency business to diversify its income stream. When the online sales and marketing platform and the real estate agency business develop, the Group may attract more property developers to utilise the online platform and the real estate agency services of the Group for the sales and promotion of their real estate and tourist destination projects, which will further reduce the proportion of the revenue and profits of the Group from the Zhonghong Group. During the term of the Framework Cooperation Agreement, The finance department of the Company will, on a monthly basis, review the proportion of the revenue contribution from the cooperation with the Zhonghong Group as at the end of the preceding month as compared to the total revenue of the Group and report to the management of the Company in order to ensure that the revenue contribution from the cooperation with the Zhonghong Group will not exceed 40% of the total revenue of the Group. If as at the end of any particular month under review, the proportion of the revenue contribution from the cooperation with the Zhonghong Group exceeds 40% of the total revenue of the Group, the Group will temporarily halt the cooperation with the Zhonghong Group until such ratio falls below 40%. The Company will use its best endeavours to seek new income sources from other Independent Third Parties in order to maintain the annual revenue contribution from the cooperation with the Zhonghong Group at a level not exceeding 40% of the total annual revenue of the Group. Before the expiry of the term of the Framework Cooperation Agreement, the Directors will review the results of the cooperation in order to determine if the cooperation with the Zhonghong Group will continue. If the cooperation under the Framework Cooperation Agreement continues after 31 December 2017, the Directors will ensure that the new annual cap for the revenue from the cooperation with the Zhonghong Group will not exceed 40% of the total annual revenue of the Group, and the Company will not become overly reliant on the Zhonghong Group and will comply with all requirements under the Listing Rules. The Directors therefore consider that the Group will not become overly reliant on the Zhonghong Group and there is no significant business risk associated with the Framework Cooperation Agreement.

The Group's existing senior management team for the sales agency business has the relevant experience and knowledge in providing the services under the Framework Cooperation Agreement. The biographies of the existing management team for the sales agency business are as follows:

### **Mr. Song Yang (“Mr. Song”)**

Mr. Song is the general manager of Tianjin Vitality. Prior to joining the Group, Mr. Song had worked for a property developer for over 11 years and had held various positions including sales director, sales general manager and project company general manager. He has over 15 years of experience in property sales and marketing. Mr. Song obtained a bachelor's degree in business administration from Beijing Institute of Technology in 2001.

## LETTER FROM THE BOARD

### **Mr. Han Zhiqiang (“Mr. Han”)**

Mr. Han is the director of Tianjin Vitality. Prior to joining the Group, he had worked for various property developers since 2001 and had held various positions including sales director. He has more than 15 years of experience in property sales and marketing. Mr. Han obtained a bachelor’s degree from the University of International Business and Economics in the PRC in 2010 and a Master in Business Administration degree from the University of International Business and Economics in the PRC in 2012.

### **Mr. Jin Wei (“Mr. Jin”)**

Mr. Jin is the director of Tianjin Vitality. Prior to joining the Group, he had worked for various subsidiaries of the Zhonghong Group for more than 9 years and had held various positions including sales director and the head of the sales customer service department. He has more than 9 years of experience in property sales and marketing. Mr. Jin obtained a bachelor’s degree in international trade from Beijing University of Technology in 2007.

Having considered the factors as mentioned above, the Directors (including the independent non-executive Directors after considering the recommendation from the Independent Financial Adviser) are of the view that the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The Group will continue the existing principal business of manufacturing finished zippers and other garments accessories in China except that the manufacture and sales of flat knit ribs have been terminated due to the insignificant contribution from and unsatisfactory performance of this product category. The revenue derived from the sale of flat knit ribs represents only approximately 2% of the total revenue of the Group for the six months ended 30 June 2016. In addition, the flat knit ribs category incurred a gross loss of HK\$49,000 for the six months ended 30 June 2016. The termination of the manufacture and sale of flat knit ribs will allow the Group to redirect its resources to the manufacture and sale of its core products, finished zippers and sliders which are more profitable.

None of the Directors of the Company has material interest in the Framework Cooperation Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

### **LISTING RULES IMPLICATIONS**

As at the date of hereof, Zhonghong, which indirectly owns 326,089,600 Shares, representing approximately 75% of the issued share capital of the Company, is a controlling Shareholder. Accordingly, Zhonghong is a connected person of the Company and the entering into of the Framework Cooperation Agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

## **LETTER FROM THE BOARD**

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the transactions contemplated under the Framework Cooperation Agreement (when aggregated with the transactions contemplated under the Cooperation Agreement) exceeds 25%, the continuing connected transaction contemplated under the Framework Cooperation Agreement is subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the Framework Cooperation Agreement and the transactions contemplated thereunder (including but not limited to the Annual Cap).

Zhonghong, which has a material interest in the Framework Cooperation Agreement, and its associates are required to abstain from voting on the proposed resolution to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including but not limited to the Annual Cap) at the EGM. Save for the aforesaid and to the best knowledge of the Company, as at the Latest Practicable Date, no other Shareholder has material interest in the Framework Cooperation Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolution to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including but not limited to the Annual Cap) at the EGM.

### **EGM**

The notice convening the EGM is set out on pages 40 to 41 of this circular. The EGM will be convened and held at Suite 510, Chater House, 8 Connaught Road, Central, Hong Kong on Thursday, 5 January 2017 at 10:30 a.m. (or any adjournment thereof) for the Independent Shareholders to consider and, if thought fit, pass the resolution to approve, among others, the Framework Cooperation Agreement and the transactions contemplated thereunder (including but not limited to the annual cap). The voting at the EGM will be taken by way of poll.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

### **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 as to whether the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how to vote on the proposed resolution to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including

## LETTER FROM THE BOARD

the annual cap) at the EGM. Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this circular, considers that the Framework Cooperation Agreement was entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Framework Cooperation and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap).

The Board considers that the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**KEE Holdings Company Limited**  
**Wu David Hang**  
*Chairman*





**KEE HOLDINGS COMPANY LIMITED**

**開易控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2011)**

15 December 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE FRAMEWORK COOPERATION AGREEMENT**

We refer to the circular of the Company dated 15 December 2016 (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.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) and to advise the Independent Shareholders as to whether the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolution to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) at the EGM. Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 17 to 34 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 14 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap), and the advice from the Independent Financial Adviser, we consider that the Framework Cooperation Agreement was entered into on normal commercial terms following arm’s length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Independent Shareholders to vote in favour of the resolution at the EGM to approve the Framework Cooperation Agreement and the transactions contemplated thereunder (including the Annual Cap).

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. Wong Yik Chung John    Mr. Tse Calvin Kai Chuen    Mr. Leung Ka Tin**  
*Independent Non-executive Directors*

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from Grand Moore Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Cooperation Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



中毅資本有限公司  
Grand Moore Capital Limited

15 December 2016

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE FRAMEWORK COOPERATION AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Cooperation Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 15 December 2016, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 29 July 2016 (after trading hours), Tianjin Vitality, an indirect wholly-owned subsidiary of the Company, and Zhonghong entered into the Framework Cooperation Agreement (which was amended and supplemented by the Supplemental Agreements) (the “**Agreement**”), pursuant to which Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation, promotion and sales activities for the period commencing from the Effective Date to 31 December 2017.

As at the date of this Circular, Zhonghong, which indirectly owns 326,089,600 Shares, representing approximately 75% of the issued share capital of the Company, is a controlling Shareholder. Accordingly, Zhonghong is a connected person of the Company and the entering into of the Agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the transactions contemplated under the Agreement (when aggregated with the transactions contemplated under the Cooperation Agreement) exceeds 25%, the continuing connected transaction contemplated under the Agreement is subject to reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **LETTER FROM INDEPENDENT FINANCIAL ADVISER**

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee which comprises Mr. Wong Yik Chung John, Mr. Tse Calvin Kai Chuen and Mr. Leung Ka Tin, all being the independent non-executive Directors, has been formed to advise and make recommendations to the Independent Shareholders on whether the Agreement and the transactions contemplated thereunder (including the Annual Cap) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and as to how to vote on the proposed resolution to approve the Agreement and the transactions contemplated thereunder (including the Annual Cap) at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we do not have any relationships with or interests in the Company/Group or the Zhonghong Group that could reasonably be regarded as relevant to the independence of Grand Moore Capital Limited. In the last two years, there was no engagement between the Company/Group, the Zhonghong Group and Grand Moore Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company/Group or the Zhonghong Group. Accordingly, we are qualified to give independent advice in respect of the Agreement.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates.

In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Agreement (including the Annual Cap), we have considered the following principal factors and reasons:

#### **1. Background of and reasons for entering into the Agreement**

##### ***(a) Information of the Group***

The Company was incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange in Hong Kong.

According to the 2015 annual report of the Company, the Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of finished zippers, flat knit ribs and other garment accessories etc. in the PRC. The Group's major customers are original equipment manufacturers who manufacture apparel products for (i) apparel brands in the PRC; and (ii) some well known international apparel labels.

##### ***(b) Information of Tianjin Vitality***

天津活力營銷顧問有限公司 (Tianjin Vitality Marketing Consultancy Company Limited), is a company established in the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company with business scope in enterprise sales planning, enterprise image planning, business information consultation, conference services, exhibition display services, real estate information consultation and real estate agency.

##### ***(c) Information of Tianjin Jinhui***

天津金惠天金有限公司 (Tianjin Jinhui Tianjin Company Limited), is a company established in the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in enterprise sales planning, enterprise image planning, conference services, exhibition display services, real estate information consultation and real estate agency.

***(d) Information of the Zhonghong Group***

中弘控股股份有限公司 (Zhonghong Holding Co., Limited), is a joint stock company established under the laws of the PRC with limited liability, the shares of which are quoted on the Shenzhen Stock Exchange (Stock code: 000979.SZ).

According to the 2015 annual report of Zhonghong, its main business is real estate development and sales with its headquarters in Beijing. Property sales are the main source of revenue and profits of the Zhonghong Group. The Zhonghong Group currently has property projects in various cities and provinces in the PRC including Beijing, Hainan, Shandong, Zhejiang and Jilin. The Zhonghong Group's other businesses include rental, property management and catering etc.

***(e) Reasons for and benefits of entering into the Agreement***

*The Group and the industry*

According to the Company's 2015 annual report, the Directors are of the view that the apparel industry in the PRC may face tough challenges ahead. The Group's customers are primarily original equipment manufacturers ("OEMs") who manufacture apparel products for (i) apparel brands in the PRC; and (ii) some well known international apparel labels. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group. The Directors consider that by entering into of the Agreement is a good opportunity to broaden the income source of the Company. By developing a more diversified business portfolio may safeguard the Group from adversity of its current business and may hedge against the risks should the apparel brand owners and/or the OEMs cease to designate the Company as the supplier of zippers.

The Directors are of the view that the apparel industry in the PRC is undergoing a period of upgrade and transformation. The zipper industry is fragmented, with a substantial number of zipper manufacturing companies of various sizes operating in the PRC. Competitions from existing and potential new players may exert pressure on the qualities and prices of the Company's products. The Directors are of the view that by expanding its business scope may improve the profitability of the Group.

It has been the Company's business strategy to pursue business growth by expanding its business scope and broaden its income stream by various means. Apart from the existing zipper business, the Group is looking for new investments and business opportunities in order to diversify and expand its business scope, broaden its income stream, achieving better growth potential and enhancing shareholders' returns. The Company plans to develop an internet platform through which to conduct online marketing and e-commerce businesses involving major real estate and vacation/tourist destination projects. As the Zhonghong Group is principally engaged in real estate developments and has property projects in various cities and provinces in the PRC including Beijing, Jilin, Zhejiang, Shandong and Hainan; Zhonghong is equipped with insight of and clear vision of the latest trends in the real estate

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

industry. Through the cooperation with Zhonghong under the Agreement, the Group can leverage the experiences and advantages of Zhonghong as a stepping stone to achieve the business expansion plan of the Group and develop the online marketing and e-commerce business platform for sales and marketing of real estate and vacation/tourist destination projects. The Directors therefore are of the view that by entering into of the Agreement is in line with the Company's business strategy to make investments that have earning potentials for the Group. The Directors believe that the Company will not become overly reliant on the Zhonghong Group and consider that there will not be substantial business risk(s) in relation to the cooperation with the Zhonghong Group under the Agreement.

The Directors consider that the entering into of the Agreement would provide a good opportunity for the Group to develop its real estate agency business and provide a new income stream to the Group by Tianjin Vitality and Tianjin Jinhui acting as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group. Based on the table provided by the Company as set out in Section 3, it is estimated that an Annual Cap for the Commission revenue to be generated from the Agreement is approximately RMB130 million (equivalent to approximately HK\$149,500,000).

To further facilitate the business strategy of the Group and to develop its real estate agency business, as disclosed in the announcement of the Company dated 30 September 2016, on 29 September 2016, Tianjin Jinhui and Tianjin Vitality entered into a sales framework agreement (the "**Sales Framework Agreement**") with two Independent Third Parties, namely Sanya Luhuitou and Hainan Xinjia, pursuant to which Sanya Luhuitou and Hainan Xinjia have agreed to engage Tianjin Jinhui and Tianjin Vitality as the joint exclusive agent for the sales of properties under two property projects located at Luhuitou Bandao, Sanya, Hainan, the PRC, including the related sales planning, organisation, promotion and sales activities for a term of one year commencing from the date of the Sales Framework Agreement.

During the term of the Sales Framework Agreement, it is estimated the total saleable gross floor area of the properties to be sold under the two relevant projects will be approximately 85,700 square metres; the estimated unit selling price of the two properties will be approximately RMB35,000 per square metre; and the estimated total sales amount will be approximately RMB3,000 million (equivalent to approximately HK\$3,450 million). Tianjin Jinhui and Tianjin Vitality shall charge a commission at the rate of 5 percent of the sales amount received by the relevant property developers for the sales of the relevant projects under the Sales Framework Agreement. If the estimated total sales amount is achieved during the term of the Sales Framework Agreement, the estimated amount of the commission will be approximately RMB150 million (equivalent to approximately HK\$173 million). For further information of the Sales Framework Agreement, please refer to the announcement of the Company dated 30 September 2016.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

As far as the Agreement entered into with the Zhonghong Group, the Directors will review the business performance and future business opportunities of the cooperation before the expiry of the term of the Agreement, that is, by the end of 2017, to determine if the cooperation with the Zhonghong Group will continue. The Directors will ensure that the estimated annual revenue contribution from the cooperation with the Zhonghong Group will not exceed 40 percent of the total annual revenue of the Group. If the cooperation under the Agreement continues after 31 December 2017, the Directors will ensure that the new annual cap for the revenue from the cooperation with the Zhonghong Group will not exceed 40 percent of the total annual revenue of the Group and the Company will not become overly reliant on the Zhonghong Group if the cooperation under the Agreement continues after 31 December 2017. During the term of the Agreement, the finance department of the Company will, on a monthly basis, review the proportion of the revenue contribution from the cooperation with the Zhonghong Group as at the end of the preceding month as compared to the total revenue of the Group and report to the management of the Company in order to ensure that the revenue contribution from the cooperation with the Zhonghong Group will not exceed 40 percent of the total revenue of the Group. If as at the end of any particular month under review, the proportion of the revenue contribution from the cooperation with the Zhonghong Group exceeds 40 percent of the total revenue of the Group, the Group will temporarily halt the cooperation with the Zhonghong Group until such ratio falls below 40 percent. The Directors will ensure that the Group will not become overly reliant on the Zhonghong Group and will comply with all requirements under the Listing Rules if the Agreement is to be extended. We therefore concur with the views of the Directors of the Company that the entering into of the Agreement is in the interests of the Company and the Independent Shareholders as a whole.

Based on the best estimates by the Directors, the estimated revenues to be generated from the Sales Framework Agreement and the Agreement, as well as the revenue trend of the existing principal business of manufacturing finished zippers and other garments accessories in the PRC for 2017, it is expected that the revenue contributions from the real estate agency business to the total enlarged revenue of the Group will be grown at a healthy level for the year ending 2017.

Having enquired with the Directors of the Company, the Group will diversify its income streams for its real estate agency business by the following measures so that there will be no overly-reliance of the revenues to be generated from the Zhonghong Group: a) the Company has been developing its online sales and marketing platform which may allow the Group to attract more property developers to utilise the online platform which will further diversify its customer base and hence, reducing the reliance of the revenue and profits of the Group to be derived from the cooperation with the Zhonghong Group. b) the Group is actively seeking cooperation opportunities with other Independent Third Parties for its real estate agency business to diversify its income streams. c) the Directors expressed that they will ensure that the estimated annual revenue contribution from the cooperation with the Zhonghong Group will not exceed 40 percent of the total annual revenue of the Group as stated above. Hence, there is no significant business risk resulting from concentration of a



## LETTER FROM INDEPENDENT FINANCIAL ADVISER

single customer (the Zhonghong Group) associated with the Agreement, as well as the fact that there are other customers being developed such as those under the Sales Framework Agreement and other potential customers to be developed by the Company through the on-line sales and marketing platform as stated above.

The Directors of the Company are of the view that the Group's existing senior management team of the real estate sales agency business possesses the relevant experience and knowledge in providing the relevant services under the Agreement. For the biographies of the existing management team, please refer to pages 11 to 12 of this Circular.

Taking into account of the above-mentioned factors, with a strategy of diversifying its income streams for its real estate agency business, a plan by the Directors to monitor the estimated annual revenue contribution from the Zhonghong Group not to exceed 40 percent of the total annual revenue of the Group, and an experienced management team for the real estate agency business, we concur with the view of the Directors that the Group is not going to be overly-reliant on revenue and profit contributions from the Zhonghong Group for year ending 2017, as and when the Agreement will be subject to a renewal assessment as stated above.

### *Overview of the PRC's economy and the real estate market*

With reference to the National Bureau of Statistics of the PRC (the "**Bureau**"), the PRC's economy showed moderate but steady growth in the first half year of 2016 despite the unstable global economic environment. As per the Bureau's preliminary estimation, the gross domestic product (GDP) of the PRC was approximately RMB34,063 billion in the first half year of 2016, a year-on-year increase of 6.7 percent at comparable prices.

In the first half year of 2016, the national per capita disposable income was approximately RMB11,886, a nominal growth of 8.7 percent year-on-year or a real increase of 6.5 percent after deducting price factors. In terms of permanent residence, the per capita disposable income of the urban residents was approximately RMB16,957, a nominal growth of 8.0 percent, or a real growth of 5.8 percent after deducting price factors. The per capita disposable income of the rural residents was approximately RMB6,050, up by 8.9 percent nominally, or 6.7 percent in real terms. The median of the national per capita disposable income was approximately RMB10,505, a nominal increase of 8.3 percent. With regard to the aforesaid GDP and disposable income figures, suggested that the people in the PRC have great potential purchasing and earning powers; and with its huge population, the PRC offers enormous earning potentials for investors. The Directors are of the view that the PRC's economy is going strong with a positive overall outlook.

The PRC government has abolished its one-child policy (the "**policy**") (effective from 1 January 2016), allowing each married couple to have two children for the first time since family planning rules were introduced decades ago. According to the PRC government, the abolishment of the policy is intended to balance population developments and address the challenges of an ageing population.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

With reference to a statement made by the President of the PRC in November 2015, it is possible for the PRC to have an annual economic growth of around 7 percent over the next five years after adopting the ‘two-child’ policy. The Vice Minister of the National Health and Family Planning Commission (NHFPC) of the PRC is of the view that, in the long-term, the ‘two-child’ policy may have a significant positive effect on the economic growth of the PRC and the adoption of the ‘two-child’ policy will boost consumer demands for housing, education, health and daily necessities in the PRC. The NHFPC estimated that the ‘two-child’ policy will give rise to an extra 5 to 6 million babies every year.

According to the senior management of DTZ Cushman & Wakefield, the extra population will create extra demand for housing. Taking an average household size of approximately 3.02 and self-owned property ratio of 70 percent, there will be a new demand of approximately 4.4 million units every year; this is in addition to the ordinary demand of the PRC population for up-grading, replacements and investments. From the PRC’s property market perspective, the demand side is quite comfortably supported by new-born. He estimated that the housing demand to grow by approximately 8 percent on an annual basis as the direct impact of the ‘two-child’ policy.

With reference to the research published by Savills on November 2015, it is believed that the ‘two-child’ policy is a positive signal for the PRC’s property market as parents may be looking into buying properties to accommodate their larger families. The Directors therefore are of the view that the adoption of the ‘two-child’ policy could provide a boost to the housing demand and may have an overall positive impact in the real estate market in the PRC.

With reference to an article published online in the South China Morning Post on 20 April 2016, property sales of 37 major Chinese developers rose an average of approximately 111 percent in March from a year earlier.

The People’s Bank of China (PBOC) has lowered the PRC banks’ reserve requirements as well as borrowing rates. In October 2015, the PBOC cut the key interest rate by 25 basis points to 4.35 percent, its sixth rate cut in recent years since November 2014. The reserve requirement ratio was also cut by 50 basis points for all banks. Chinese banks had extended a record of approximately RMB636 billion in new loans in March 2016.

According to Bloomberg’s article “China eases mortgage down payment to 20% for first homes” published online on 2 February 2016, the PBOC plans to lessen the minimum 25 percent mortgage down payment requirement to 20 percent for first-time homebuyers in most cities. On the other hand, homeowners who want to purchase their second home will also have a lower mortgage down payment requirement, from 40 percent to 30 percent.

Taken into account of the buoyant property market, the overall positive outlook of the PRC’s economy and real estate market supported by loose monetary policy, are helping to stoke up growth in the real estate industry. Therefore, the Directors

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

consider that the entering into of the Agreement would provide a good opportunity for the Group to develop its real estate agency business and provide a new income stream to the Group.

Having considered (i) the opportunity to diversify and expand the business scope of the Group; (ii) the opportunity for the Group to develop its real estate agency business; (iii) the opportunity to develop a new income stream to the Group, (iv) the Agreement is in line with the Company's business development strategy and (v) the overall positive outlook of the PRC's economy and real estate market, we consider that the Company has commercial rationale to enter into of the Agreement and we concur with the Directors' views that the entering into of the Agreement is in the interests of the Company and its Shareholders as a whole.

According to IBIS World research (one of the world's leading publishers of business intelligence, specializing in industry research and procurement research), the huge population of the PRC, the accelerating urbanisation process, the rising household disposable income, and strong economic growth have all contributed to the rapid development of the real estate market in the PRC over the past decade. As a result, there exists a trend of increasing demand for real estate agencies services to facilitate the ever-expanding market volumes and requirements for higher transaction efficiency for the real estate market of the PRC. This was also supported by ASKCI (中商情報網) which stated that based on the accelerated urbanisation process and the huge population in the PRC, the real estate market in the PRC has been growing vigorously with an average growth rate of approximately 50 percent over the past decade, which in turn, drives the rapid growth for the real estate agency business in the PRC.

According to an interview with National Business Daily (每日經濟新聞), a senior management of Shenzhen World Union Properties Consultancy Co. Ltd (Stock code: 002285.SZ) (世聯行集團) stated that the real estate agency business in the PRC has opportunities for developments and those providing good quality services have better chances to succeed. He believes that those who would succeed in the future not necessarily be the existing established real estate agencies, but could be the emerging companies so long if they can provide good quality services.

The competition in the real estate agency business is keen in the PRC with many established mega- to mid-sized real estate agencies with national chain stores in most provinces and cities of the PRC. However, as Tianjin Vitality and Tianjin Jinhui are engaged to be the joint exclusive agents of the Zhonghong Group for the initial term of the Agreement and hence, they are not in direct competition with other competitors in the open market. It is expected that by the end of 2017, both the Company and the Zhonghong Group would re-evaluate the business performance and future business potentials of the cooperation with a view to decide on the extension of the Agreement.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

### 2. Principal terms of the Agreement

The principal terms of the Agreement are as follows:

#### 2.1 *Principal terms*

- Date: 29 July 2016 (as amended and supplemented on 2 September 2016 and 10 November 2016)
- Parties: (i) Tianjin Vitality, an indirect wholly-owned subsidiary of the Company;
- (ii) Tianjin Jinhui, an indirect wholly-owned subsidiary of the Company; and
- (iii) Zhonghong
- Term: From the Effective Date to 31 December 2017

Pursuant to the Agreement, Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation and promotion activities for the period commencing from the Effective Date to 31 December 2017.

#### 2.2 *Management of sales personnel*

As stated in the Letter from the Board, Tianjin Vitality and Tianjin Jinhui shall be responsible for the allocation of sales personnel for the property projects and be also responsible for the organisation, management and assessment of such sales personnel. Tianjin Vitality and Tianjin Jinhui may from time to time engage third party sales sub-agents for the sales of the property projects developed by the Zhonghong Group and shall be responsible for the management of these third party sales sub-agents.

#### 2.3 *Advertising and promotion*

As stated in the Letter from the Board, Tianjin Vitality and Tianjin Jinhui have the right to formulate sales plan and conduct advertising and promotion based on the actual circumstances. Unless otherwise agreed by Zhonghong, Tianjin Vitality and Tianjin Jinhui, the advertising and promotion expenses shall be borne by Tianjin Vitality and Tianjin Jinhui.

#### 2.4 *Sale price, commission, fee and payments*

##### 2.4.1 *Sale price*

As stated in the Letter from the Board, the Zhonghong Group shall be entitled to request Tianjin Vitality and Tianjin Jinhui to sell the property projects at a price not less than the amount agreed by the Zhonghong Group and Tianjin Vitality or Tianjin Jinhui (the “**Minimum Sales Price**”).

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

### *2.4.2 Commission*

The Zhonghong Group shall pay to Tianjin Vitality and Tianjin Jinhui a commission (the “**Commission**”) ranging from 5.5% to 6.5% of the contract amount of the sales amount received by the Zhonghong Group for the sales of properties. The actual amount of the rate of the Commission will be determined based on the factors including the type and location of the respective property projects.

### *2.4.3 Excess sales fee*

If the property projects developed by the Zhonghong Group are sold at a price exceeding the Minimum Sales Price, Tianjin Vitality and Tianjin Jinhui shall be entitled to receive an excess sales fee (the “**Excess Sales Fee**”) equal to 20% to 40% of the excess sales amount received by the Zhonghong Group. The actual amount of the rate of the Excess Sales Fee will be determined based on the factors including the type and location of the respective property projects.

### *2.4.4 Payment*

Tianjin Vitality, Tianjin Jinhui and Zhonghong shall determine the total Commission and Excess Sales Fee payable to Tianjin Vitality and Tianjin Jinhui for the previous month on or before the fifth calendar day of each month.

If the sales are arranged by Tianjin Vitality or Tianjin Jinhui, the Commission and the Excess Sales Fee for the previous month shall be payable by the Zhonghong Group to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month.

If the sales are arranged by a third party sale sub-agent engaged by Tianjin Vitality or Tianjin Jinhui, Tianjin Vitality or Tianjin Jinhui can request the Zhonghong Group to pay the Commission and the Excess Sales Fee in one of the following manners: (i) the Zhonghong Group shall pay the Commission and the Excess Sales Fee for the previous month to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month and Tianjin Vitality or Tianjin Jinhui shall pay the commission to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui by itself in accordance with its agreement with the third party sub-agent; or (ii) the Zhonghong Group shall pay the commission to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui within the period as notified by Tianjin Vitality or Tianjin Jinhui and shall pay the balance of the Commission and the Excess Sales Fee (after deduction of the commission payable to the third party sub-agent engaged by Tianjin Vitality or Tianjin Jinhui) for the previous month to Tianjin Vitality or Tianjin Jinhui on or before the 15th calendar day of each month.

## **2.5 Termination**

Either party may terminate the Agreement by one-month notice in writing.

If the Independent Shareholders' Approval is not obtained at the EGM on or before 15 January 2017 (as extended by agreement among Zhonghong, Tianjin Vitality and Tianjin Jinhui) or such other date as Zhonghong, Tianjin Vitality and Tianjin Jinhui may agree in writing, the Agreement shall terminate with immediate effect.

## **Outline of the PRC's regulatory framework on real estate agents' service charges**

With reference to the notice published by the National Development and Reform Commission of the PRC on 13 June 2014; effective from 1 July 2014, the Central People's Government of the PRC has deregulated its regulatory requirements on prices upon real estate agents' service charges. Each province in the PRC has the option to charge accordingly with reference to its local market; and the charges shall be negotiated and agreed upon by the relevant parties to the contract taken into factors such as the service costs, service details, service quality and the supply and demand of the market.

## **Major terms of the Agreement**

We have obtained and reviewed the Agreement and have made enquiries with the Directors of the Company regarding the major terms therein and we were given the understanding as follows:

### *The Minimum Sales Price*

As stated in the Letter from the Board, if the property projects developed by the Zhonghong Group are sold at a price exceeding the Minimum Sales Price, Tianjin Vitality and Tianjin Jinhui shall be entitled to receive the Excess Sales Fee equal to 20 percent to 40 percent of the excess sales amount received by the Zhonghong Group.

After consulting with the Directors of the Company in respect of their bases for determining the Minimum Sales Price, we were given the understanding that the Minimum Sales Price was being negotiated at arm's length between the Zhonghong Group, Tianjin Vitality and Tianjin Jinhui with reference to, among others, the cost of land, upfront costs, cost of construction, tax, general expenses incurred by the Zhonghong Group and the estimated reasonable profits to be made by the Zhonghong Group. The expected sale price of the property being agreed upon between the both parties as the Minimum Sales Price.

We are of the view that it is of normal commercial practice for the Zhonghong Group, Tianjin Vitality and Tianjin Jinhui to take into account factors mentioned above in the determination of the Minimum Sales Price. We therefore concur with the views of the Directors of the Company that the Minimum Sales Price is fair and reasonable as far as the Independent Shareholders are concerned.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

### *The Excess Sales Fee*

We have discussed with the Directors of the Company regarding the range of percentage for the Commission and the Excess Sales Fee prevailing in the real estate agency market of the PRC, and were informed that the ranges are generally determined by arm's length negotiations amongst the relevant parties to such contracts, of which the information is confidential and not being disclosed in the public domain. The Directors expressed the view that the range of percentage for the Excess Sales Fee to a larger extent, are gathered from market intelligence.

The Directors of the Company stated that the Excess Sales Fee of 20 percent to 40 percent as agreed as the joint exclusive agents of Zhonghong was arrived at after arm's length negotiation amongst the relevant parties to the Agreement with reference to market intelligence gathered as stated above.

The Directors of the Company stated that before determining the actual rates of the Commission and the Excess Sales Fee for a specific project of Zhonghong, the sales and marketing department of the Group will evaluate the type and location of the specific project and collect, on a best effort basis, the information on the market rates of commission and excess sales fee of services for projects with similar characteristics. The sales and marketing department of the Group will then propose the actual rates of the Commission and the Excess Sales Fee to Zhonghong based on the information collected and ensure the actual rates will not be lower than the rates of commission and excess sales fee of similar services for similar projects in the market as well as the rates of commission and excess sales fee charged or to be charged by the Group for similar services to be provided to the Independent Third Parties for similar projects.

The finance department of the Company will also monitor the actual rates of the Commission and the Excess Sales Fee as well as the total amount of the Commission and the Excess Sales Fee charged on a regular basis to ensure that the determination of the actual rates of the Commission and the Excess Sales Fee are in compliance with the section "Pricing Policy and Guidelines" as set out in the Letter from the Board, and the Annual Cap is not exceeded.

The independent non-executive Directors will also review the actual rates of the Commission and the Excess Sales Fee at least annually to ensure that such rates are determined on normal commercial terms and fair and reasonable.

The Company believes that the aforementioned pricing policy and guidelines will serve as the safeguard to ensure that the actual rates of the Commission and the Excess Sales Fee are determined on normal commercial terms and fair and reasonable.

We are of the view that it is of normal commercial practice for Tianjin Vitality and Tianjin Jinhui to take into account factors mentioned above in the determination of the Commission and the Excess Sales Fee. We therefore concur with the views of the Directors of the Company that the rates of Commission and Excess Sales Fee charged to Zhonghong are fair and reasonable as far as the Independent Shareholders are concerned.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

### *The Commission*

Having enquired with the Directors of the Company in respect of their bases for determining the commission rate, they replied that this data usually does not fall within the scope under the PRC law requiring the tendering procedure and is considered confidential by the parties to the contract involved. We have searched the public domain and found that there is no relevant data available.

The Directors expressed that the Commission was ascertained after arm's length negotiations between the Zhonghong Group, Tianjin Vitality and Tianjin Jinhui, taken into account factors such as the type and location of the specific project and market intelligence. Hence, the Company has provided us with the following comparables which were gathered through market intelligence by their sales and marketing department.

Having enquired and reviewed the internal control policy and procedures document of the Company in the determination of the Commission, we understand that Tianjin Vitality and Tianjin Jinhui are responsible for the development of the sales strategy of the real estate agency business taking into account of the location, property types, and salability of the Zhonghong projects. Tianjin Vitality's sales and marketing department is responsible for gathering market intelligence which will take into account commission rates charged by other real estate agencies for other real estate projects comparable to those developed by the Zhonghong Group (the "benchmarked projects") as benchmarks for the proposed commission rates to be charged by Tianjin Vitality and Tianjin Jinhui. The selection criteria for these benchmarked projects include the types and locations (core cities/vacation destinations), the size, and the salability of the real estate projects. The proposed commission rates based on these benchmarked projects will then be submitted to the directors and general manager of Tianjin Vitality for final review and approval. With reference to the internal control policy and procedures of the Company, we consider there are established market intelligence gathering procedures and a review and approval mechanism that is reasonable for the size of operation of Tianjin Vitality and Tianjin Jinhui which are in their early development phase.



## LETTER FROM INDEPENDENT FINANCIAL ADVISER

Please refer to the following table for the comparables:

		<b>Commission rates</b>	<b>Median</b>
	<b>Names of projects</b>		
1	Central Park Plaza 中央公園廣場	3%–4%	
2	CAC Chang'an Center 泰禾長安中心	3%–4%	
3	Core City 核心城市 Rongsheng Time Plaza 榮盛時代廣場	7.50%	5.1%
4	Wanhong Plaza 萬虹廣場	5%	
5	Xinyuan 鑫苑	6%	
6	Wanda Changbai mountain resort 萬達長白山	3%–5%	
7	Vacation Destinations 文旅城市 Blessed Bay villas 葛洲壩·海棠福灣	4%–8%	4.75%
8	Luneng Sanya Bay 魯能三亞灣	3.5%–5%	

*Source: Provided by the Company*

With reference to the above table provided by the Company, we have calculated the median commission rate is 4.75 percent for vacation destination properties and for core city properties is 5.1 percent between independent property developers and real estate agencies in the PRC, which are slightly lower than the Commission to be charged by Tianjin Jinhui and Tianjin Vitality to Zhonghong, which is in the range of 5.5 percent to 6.5 percent under the Agreement. As the projects provided by the Company are comparables but do have different factors affecting their salability and commission rates charged by different agents, we thus consider the commission rates charged by Tianjin Jinhui and Tianjin Vitality to Zhonghong are within a fair and reasonable range.

We have also reviewed the contract of the Zhonghong Group with another third party signed on 26 November 2015 in relation to seven of its property projects across the PRC, namely, core cities in the PRC (such as Beijing and Shandong) and cultural tourism cities (such as Hainan, Changbai Mountain and Zhejiang). The commission rates paid by the Zhonghong Group to the Independent Third Party is between 2 percent to 6 percent. We noted that the Commission under the Agreement are comparable to the sample property projects; and what the Zhonghong Group paid to Independent Third Party. We therefore are of the view that the Commission ranging from 5.5 percent to 6.5 percent to be paid by the Zhonghong Group to Tianjin Vitality and Tianjin Jinhui is fair and reasonable as far as the Independent Shareholders are concerned.

### **3. Annual Cap of the Agreement**

In assessing the reasonableness of the Annual Cap of the Agreement, we have made enquiries with the Directors the bases and assumptions in arriving of the Annual Cap. We understand that the Annual Cap amount was determined based on:

- (i) the estimated value of the properties of the Zhonghong Group available for sale for the period from 1 December 2016 to 31 December 2017 is in the amount of RMB4,005,000,000;
- (ii) the projected sales ratio of the properties. As mentioned in the previous section (2), the property projects of the Zhonghong Group can be broadly divided into the core cities and vacation destinations in the PRC. The Directors projected that the sale ratios of the property projects in the core cities would be approximately 65 percent while the vacation destinations would be approximately ranging from 40 percent to 45 percent. The aforementioned percentages were arrived based on (a) the experiences of the Zhonghong Group in the real estate industry and being an experienced property developer in the PRC (b) the Directors' belief that the property market in the PRC is going through a slow yet steady cycle after a boom in the property market in the first half of 2016. The Directors are optimistic about the future in the property market in the PRC and are of the view that the property market will recover in the second quarter of 2017; and
- (iii) the projected commission rate was arrived based on (a) the type and location of the properties. The Directors are of the view that it is more of a challenge to sell properties in the vacation destinations as the potential clients are more dispersed and may require a more comprehensive promotion/advertising campaign in order to penetrate into the potential markets/clients (b) since Tianjin Vitality and Tianjin Jinhui are responsible for and shall bear the advertising and promotion expenses; the Directors are of the view that it is fair and reasonable for Tianjin Vitality and Tianjin Jinhui to be entitled to a higher Commission (approximately 6.5%) (c) the Directors believe that selling properties in the core cities are less of a challenge (in comparison with vacation destinations) as the clients are less dispersed and the demand is higher. Therefore, the Directors are of the view that a Commission ranging from 5.5 percent to 6.5 percent is being fair and reasonable as Tianjin Vitality and Tianjin Jinhui may incur less spending on marketing/promotion campaigns to promote the property projects (d) the Directors believe that the demand for properties in the core cities are higher and it is forecasted that Tianjin Vitality and Tianjin Jinhui are able to sell the properties at a price exceeding the Minimum Sales Price by an average of 2 percent and 20 percent of the excess sales amounts shall be payable by the Zhonghong Group.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following table was provided by the Company in relation to the Annual Cap:

		Estimated sales amount from 1 December 2016 to 31 December 2017 (RMB million)	Estimated commission rate	Estimated commission (RMB million)	Estimated Commission (inclusive of Excess Sales Fee) (RMB million)	Total commission (RMB million)
	Estimated value (RMB million)					
夏各莊 (Xia Ge Zhuang)	北京 (Beijing)	131	5.5%	4.7	0.3	5.0
中弘廣場 (Zhonghong Plaza)	山東 (Shandong)	1,361	5.5%	48.7	3.5	52.2
中弘大廈 (Zhonghong Tower)	北京 (Beijing)	680	5.5%	24.3	0.9	25.2
<b>核心城市類合計 (Core cities total)</b>		<b>2,172</b>		<b>77.7</b>	<b>4.7</b>	<b>82.4</b>
東參 (Dongshen)	吉林 (Jilin)	1,230	6.5%	32.0		32.0
池北 (Chibei)	吉林 (Jilin)	402	6.5%	10.4		10.4
安吉 (Anji)	浙江 (Zhejiang)	201	6.5%	5.2		5.2
<b>文旅城市類合計 (Vacation destinations total)</b>		<b>1,833</b>		<b>47.6</b>	<b>0.00</b>	<b>47.6</b>
<b>合計 (Aggregate amount)</b>		<b>4,005</b>		<b>125.3</b>	<b>4.7</b>	<b>130.0</b>

Source: Provided by the Company

The maximum annual aggregate amount payable by the Zhonghong Group to Tianjin Vitality and Tianjin Jinhui under the Agreement during the term of the Agreement shall not exceed RMB130,000,000 (equivalent to approximately HK\$149,500,000).

From the table above, it is noted that the total estimated sales amount of the properties in the core cities was arrived from the total estimated value multiplied by 65 percent; and the total estimated commission was arrived by multiplying the total estimated sales amount by 5.5 percent; and the total estimated sales amount of the properties in the vacation destination was arrived from the total estimated value multiplied by 40 percent to 45 percent; and the total estimated commission was arrived by multiplying the total estimated sales amount by 6.5 percent; and the aggregate amount of the Commission was arrived by adding up the total commissions of both the core cities and vacation destinations.

Based on the factors being discussed above, we are of the view that the bases of determining the Annual Cap amount pursuant to the Agreement are fair and reasonable; and we concur with the Directors that the Agreement and the transactions contemplated thereunder

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

(including the Annual Cap) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that (i) the entering into of the Agreement is fair and reasonable, is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Independent Shareholders as a whole; (ii) the terms of the Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole; and (iii) the Annual Cap is reasonably determined, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favor of the relevant resolution(s) to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Grand Moore Capital Limited**  
**Albert Poon**  
*Director*

*Mr. Albert Poon is a licensed person registered with the SFC and a responsible officer of Grand Moore Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the finance and investment banking industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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 is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Director's interests and short positions in the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (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 he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### (b) Substantial shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors were aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

#### *Long position in Shares and underlying Shares of the Company*

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Glory Emperor Trading Limited ("Glory Emperor")	Beneficial owner	326,089,600	75%
Li Zhen Hong Kong Trading Co., Limited ("Li Zhen") (Note 1)	Interest in controlled corporation	326,089,600	75%

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
上海永文投資有限公司 (Shanghai Yongwen Investment Company Limited <sup>#</sup> ) (“ <b>Shanghai Yongwen</b> ”) (Note 2)	Interest in controlled corporation	326,089,600	75%
北京中弘弘毅投資有限公司 (Beijing Zhonghong Hongyi Investment Company Limited <sup>#</sup> ) (“ <b>Beijing Zhonghong Hongyi</b> ”) (Note 3)	Interest in controlled corporation	326,089,600	75%
Zhonghong (Note 4)	Interest in controlled corporation	326,089,600	75%
中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited <sup>#</sup> ) (“ <b>Zhonghong Zhuoye</b> ”) (Note 5)	Interest in controlled corporation	326,089,600	75%
Mr. Wang Yong Hong (Note 6)	Interest in controlled corporation	326,089,600	75%
Farco Holdings Limited (Note 7)	Beneficial owner	35,260,000	8.11%
Mr. Dong Yu (Note 7)	Interest in controlled corporation	35,260,000	8.11%
China Orient Asset Management Corporation (“ <b>COAMC</b> ”) (Note 8)	Interest in controlled corporation	391,589,600	90.06%
Ken Concept Enterprise Corp. (“ <b>Keen Concept</b> ”) (Note 9)	Security Interest	391,589,600	90.06%
China Orient Asset Management (International) Holding Limited (“ <b>COAMI</b> ”) (Note 9)	Interest in controlled corporation	391,589,600	90.06%

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Wise Leader Assets Ltd. ("Wise Leader") (Note 10)	Interest in controlled corporation	391,589,600	90.06%
Dong Yin Development (Holdings) Limited ("Dong Yin") (Note 11)	Interest in controlled corporation	391,589,600	90.06%

## Notes:

- Li Zhen wholly owns Glory Emperor.
- Shanghai Yongwen wholly owns Li Zhen.
- Beijing Zhonghong Hongyi wholly owns Shanghai Yongwen.
- Zhonghong wholly owns Beijing Zhonghong Hongyi.
- Zhonghong Zhuoye holds approximately 26.55% interest in Zhonghong.
- Mr. Wang Yong Hong wholly owns Zhonghong Zhuoye.
- Mr. Dong Yu wholly owns Farco Holdings Limited.
- COAMC holds 100% interest in Dong Yin. Therefore, COAMC is deemed or taken to be interested in the security interest in 391,589,600 Shares of the Company held by Keen Concept.
- COAMI holds 100% interest in Keen Concept. Therefore, COAMI is deemed or taken to be interested in the security interest in 391,589,600 Shares of the Company held by Keen Concept.
- Wise Leader holds approximately 50% interest in COAMI. Therefore, Wise Leader is deemed or taken to be interested in the security interest in 391,589,600 Shares of the Company held by Keen Concept.
- Dong Yin holds approximately 50% interest in COAMI and 100% interest in Wise Leader respectively. Therefore, Dong Yin is deemed or taken to be interested in the security interest in 391,589,600 Shares of the Company held by Keen Concept.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### 4. COMPETING INTERESTS

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

### 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up.

### 6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

### 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Grand Moore Capital Limited	Licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Grand Moore has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and reference to its name in the form and context in which they respectively appear.



As at the Latest Practicable Date, Grand Moore did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Grand Moore did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

## **8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suite 510, Chater House, 8 Connaught Road, Central, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the Framework Cooperation Agreement;
- (b) the Supplemental Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 34 of this circular;
- (e) the written consent referred to in the section headed “7. Expert and consent” in this appendix; and
- (f) this circular.



**KEE HOLDINGS COMPANY LIMITED**

**開易控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2011)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of KEE Holdings Company Limited (the “**Company**”) will be held at Suite 510, Chater House, 8 Connaught Road, Central, Hong Kong on Thursday, 5 January 2017 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT**

- (a) the framework cooperation agreement (the “**Framework Cooperation Agreement**”) dated 29 July 2016 and entered into between 天津活力營銷顧問有限公司 (Tianjin Vitality Marketing Consultancy Company Limited<sup>#</sup>) (“**Tianjin Vitality**”), a company established in the People’s Republic of China (the “**PRC**”) with limited liability and an indirect wholly-owned subsidiary of the Company and 中弘控股股份有限公司 (Zhonghong Holding Co., Limited<sup>#</sup>) (“**Zhonghong**”, which together with its subsidiaries, the “**Zhonghong Group**”), a joint stock company established under the laws of the PRC with limited liability, the shares of which are quoted on the Shenzhen Stock Exchange (Stock code: 000979.SZ) (as amended and supplemented by supplemental agreements (the “**Supplemental Agreements**”) dated 2 September 2016 and 10 November 2016 respectively and entered into between Tianjin Vitality, Zhonghong and 天津金惠天金有限公司 (Tianjin Jinhui Tianjin Company Limited<sup>#</sup>) (“**Tianjin Jinhui**”), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, in respect of the engagement of Tianjin Vitality and Tianjin Jinhui as the joint exclusive agents for the sales of the property projects developed by the Zhonghong Group including the related sales planning, organisation, promotion and sales activities for the period commencing from the date on which the Framework Cooperation Agreement becomes effective (the “**Effective Date**”) to 31 December 2017 with the maximum aggregate annual cap of RMB130,000,000 (copies of the Framework Cooperation Agreement and the Supplemental Agreements are marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

## NOTICE OF EGM

- (b) the annual cap of RMB130,000,000, being the maximum annual aggregate amount payable by the Zhonghong Group to Tianjin Vitality and Tianjin Jinhui under the Framework Cooperation Agreement (as amended and supplemented by the Supplemental Agreements) during the term of the Framework Cooperation Agreement (as amended and supplemented by the Supplemental Agreements), be and is hereby approved, confirmed and ratified; and
- (c) any one or more of the director(s) of the Company be and is/are hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things as he/they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Framework Cooperation Agreement (as amended and supplemented by the Supplemental Agreements) and the transactions contemplated thereunder.”

*# The English translation or transliteration of the Chinese name(s) in this notice, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By Order of the Board  
**KEE Holdings Company Limited**  
**Wu David Hang**  
*Chairman*

Hong Kong, 15 December 2016

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof.