

12 September 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CCB INTERNATIONAL CAPITAL LIMITED  
ON BEHALF OF  
JUNFUN INVESTMENT LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GRAND CONCORD INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY  
JUNFUN INVESTMENT LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**1. INTRODUCTION**

Reference is made to the Joint Announcements and the Completion Announcement.

On 25 July 2016 (after trading hours), the Vendor, the Guarantors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares. The total consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$385,002,912, equivalent to HK\$1.592 per Sale Share.

Completion of the sale and purchase of the Sale Shares took place on 29 July 2016, upon which the Offeror and parties acting in concert with it became interested in a total of 241,836,000 Shares, representing approximately 58.71% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make the Offer to acquire all the Offer Shares.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Directors, namely Dr. Chan Ah Pun, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Mr. Wei Jin Long has been established for the purpose of advising the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance. Nuada has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

This letter sets out, among other things, the details of the Offer, information on the Offeror, intention of the Offeror in relation to the Group and the recommendations to the Independent Shareholders by the Independent Board Committee in response to the Offer. Further details on the terms of the Offer and the procedures of acceptances are set out in Appendix I to this Composite Document and the Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from CCBI”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

## **2. THE OFFER**

### **Principal terms of the Offer**

CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer for all the Offer Shares on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$1.592 in cash**

The Offer Price of HK\$1.592 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and with all rights attached thereto, including but not limited to the rights to receive all dividends and distributions which may be paid, made or declared on and from the Completion Date.

As at the Latest Practicable Date, there were 411,947,330 Shares in issue and there were no options, derivatives, warrants, other securities convertible into Shares, on relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which are issued and outstanding.

### 3. INFORMATION ON THE GROUP

The Company is a company incorporated in the British Virgin Islands with limited liability and the Shares of which are listed on the Stock Exchange. The Group is principally engaged in the manufacturing of functional fabrics and innerwear products.

Based on the audited consolidated financial statements of the Group, the financial information of the Group for each of the two years ended 31 December 2015 was as follows:

	For the year ended 31 December	
	2014	2015
	(audited)	(audited)
	(RMB)	(RMB)
Revenue	453,476,000 (equivalent to HK\$535,102,000)	389,317,000 (equivalent to HK\$459,394,000)
Net profit (loss) before taxation and extraordinary items	41,527,000 (equivalent to HK\$49,002,000)	(1,915,000) (equivalent to HK\$(2,260,000))
Net profit (loss) after taxation and extraordinary items	25,671,000 (equivalent to HK\$30,292,000)	(6,954,000) (equivalent to HK\$(8,206,000))

Based on the audited consolidated financial statements of the Group, the audited net asset value of the Group for the two years ended 31 December 2014 and 2015 was approximately RMB270,036,000 (equivalent to HK\$318,642,000) and RMB300,614,000 (equivalent to HK\$354,725,000), respectively.

Your attention is drawn to the financial information on the Group set out in Appendix II to this Composite Document.

#### 4. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion of the Sale and Purchase Agreement and (ii) after Completion of the Sale and Purchase Agreement and as at the Latest Practicable Date:

	Immediately prior to Completion		After Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Vendor (Note 1)	241,836,000	58.71	0	0
Ho Kin	26,288,000	6.38	22,280,000	5.41
Wang Shao Hua (Note 2)	15,000,000	3.64	15,000,000	3.64
Wei Jin Long (Note 3)	24,000,000	5.83	24,000,000	5.83
The Offeror and parties acting in concert with it	0	0	241,836,000	58.71
Public Shareholders	104,823,330	25.44	108,831,330	26.41
<b>Total</b>	<b>411,947,330</b>	<b>100.00</b>	<b>411,947,330</b>	<b>100.00</b>

*Notes:*

1. The Shares were held by the Vendor, which were beneficially owned by Mr. Wong and Ms. Hung, who are spouses, in equal shares. Accordingly, each of Mr. Wong and Ms. Hung was deemed under the SFO to be interested in all the Shares held by Vendor.
2. Mr. Wang Shao Hua is an executive Director.
3. Mr. Wei Jin Long is a non-executive Director.

#### 5. INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed "Information on the Offeror" in the "Letter from CCBI" of this Composite Document.

#### 6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the paragraph headed "Intention of the Offeror in relation to the Group" in the "Letter from CCBI" of this Composite Document.

The Board has noted the intention of the Offeror in respect of the Group and its employees and is willing to render cooperation and support to the Offeror, which are in the interests of the Company and the Shareholders as a whole.

### **Maintaining the listing status of the Group**

We refer to the paragraph headed “Maintaining the listing status of the Group” in the “Letter from CCBI” of this Composite Document. The Offeror intends for the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after close of the Offer.

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

### **RECOMMENDATION**


Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance. The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun and the non-executive Director, namely Mr. Wei Jin Long, is established by the Company to advise the Independent Shareholders in respect of the Offer.

We recommend the Independent Shareholders to read the “Letter from the Independent Board Committee” as set out on pages 23 to 24 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Offer, and the “Letter from the Independent Financial Adviser” as set out on pages 25 to 48 of this Composite Document containing its advice to the Independent Board Committee in respect of the Offer.

As at the Latest Practicable Date, none of the Directors had committed themselves to accept or reject the Offer. Mr. Wang Shao Hua and Mr. Wei Jin Long are the only Directors holding Shares. Mr. Wang Shao Hua noted the recommendation of the Independent Board Committee but has indicated his intention to reject the Offer based on his own personal view whilst Mr. Wei Jin Long has indicated his intention to accept the Offer.

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

Yours faithfully,  
For and on behalf of the Board of  
**Grand Concord International Holdings Limited**

A handwritten signature in black ink, consisting of three Chinese characters: 王健良 (Wong Kin Ling).

**Wong Kin Ling**  
*Chairman*