Nuada Limited
Corporate Finance Advisory

Nuada Limited
Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
洛爾達有限公司
香港上環永樂街 93-103 號
協成行上環中心 18 樓 1805-08 室

Phone/電話: 2544-9978
Fax/傳真: 2544-0023

12 September 2016

To the Independent Board Committee of
Grand Concord International Holdings Limited

Dear Sirs,

**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)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer, the details of which are set out in the Composite Document dated 12 September 2016 jointly issued by the Company and the Offeror to the Independent Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

According to the Company's announcement dated 27 July 2016, the Company was informed by the Vendor that on 25 July 2016, the Offeror, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing approximately 58.71% of the entire issued share capital of the Company as at the Latest Practicable Date.

According to the Company's announcement dated 29 July 2016, 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. The Offer is unconditional in all respects.

CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, makes the Offer for all the Offer Shares on the terms set out in the 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.

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 non-executive Directors, namely Dr. Chan Ah Pun, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Mr. Wei Jin Long, has been established by the Company to advise the Independent Shareholders in respect of the Offer.

We, Nuada Limited, have been appointed to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Our appointment has been approved by the Independent Board Committee.

We, Nuada Limited, did not act as independent financial adviser to the Company's other transactions in the last two years. We are independent from, and are not associated with the Offeror, Joint Full International, Wintime Holding, Wintime Technology, Jiangsu Hongyu, Mr. Yuan Guoping (袁國平), Mr. Wang, Mr. Cui Zhenhua (崔震華), Mr. Yin Xiuyuan (殷秀媛), the Vendor, the Guarantors, the Company, or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Offer to the Independent Board Committee in accordance with Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of the Company (the "**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. 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 Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror, its associates and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statement in the Composite Document misleading.

The directors of the Offeror, Joint Full International, Wintime Holding and Wintime Technology jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group, the Vendor, the Guarantors and any of their associates and parties acting in concert with any of them) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Group, the Vendor, the Guarantors, any of their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Independent Shareholders as a result of the Offer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Overview of financial information of the Group and the Group's market of its principal business

(a) Financial information of the Group for the last five financial years ended 31 December 2015 and the six months ended 30 June 2015 and 2016

As disclosed in the "Letter from the Board" in the Composite Document and as advised by the Management, the Group is principally engaged in the manufacturing of functional fabrics and innerwear products.

(i) Profit and loss of the Group

Set out below is an extract of the audited consolidated statement of financial information of the Group for the five years ended 31 December 2011, 2012, 2013, 2014 and 2015 (**"FY2011"**, **"FY2012"**, **"FY2013"**, **"FY2014"** and **"FY2015"** respectively) as extracted from the annual reports of the Company for the years ended 31 December 2011, 2012, 2013, 2014 and 2015 respectively (the **"Annual Reports"**) and the unaudited interim results of the Group for the six months ended 30 June 2015 and 2016 as extracted from the interim results announcement of the Company for the six months ended 30 June 2016 dated 30 August 2016 (the **"Interim Results 2016"**):

	For the six months ended 30 June		For the year ended 31 December				
	2016	2015	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Revenue	179,236	169,764	389,317	453,476	543,788	475,764	416,547
Knitted fabrics	51,642	73,329	151,051	191,171	183,068	156,613	125,473
Innerwear products	127,594	96,435	238,266	262,305	360,720	319,151	291,074
Gross profit	33,926	31,558	75,179	111,497	121,782	116,091	127,506
Gross profit margin (%)	18.9%	18.6%	19.3%	24.6%	22.4%	24.4%	30.6%
Profit/(Loss) for the year	(4,098)	(19,702)	(6,954) *(Note)*	25,671	24,375	35,490	29,184
Profit margin (%)	–	–	–	5.7%	4.4%	7.5%	7.0%

Note: Excluding the non-cash charge of approximately RMB11.2 million of loss from changes in fair value in respect of convertible bonds, the Group achieved net profit from operation of RMB4.3 million in FY2015.

Revenue

For the period from FY2011 to FY2015, the revenue of the Group experienced an upward trend from FY2011 (approximately RMB416.5 million) to FY2013 (approximately RMB543.8 million). The increase in revenue was mainly due to the adjustment on the Group's product development strategy and increase in demand from customers. After reaching the top in FY2013, the revenue of the Group started to drop and reached the lowest in FY2015 (approximately RMB389.3 million), which represented a decrease of approximately 28.4% when compared to that for FY2013. The downward trend in revenue of the Group since FY2013 was mainly attributed to the intense competition in the market, the loss of a major customer located in the United States for FY2014 and the decrease in the selling price of the Group's products to tackle with the relatively sluggish demand in order to maintain relationship with customers under stagnant economic situation for FY2015.

Gross profit and gross profit margin

For the period from FY2011 to FY2014, the gross profit of the Group was quite stable. However, it dropped for approximately 32.6% for FY2015 (approximately RMB75.2 million) when compared to that for FY2014 (approximately RMB111.5 million) due to the intense competition in the market, and the decrease in the selling price of the Group's products to tackle with the relatively sluggish demand and maintain relationship with customers under stagnant economic situation for FY2015.

The gross profit margin ratio of the Group dropped from approximately 30.6% for FY2011 to approximately 24.4% for FY2012. Such decrease was primarily due to an increase in production costs (including increase in cost of raw materials, direct labour costs and subcontracting charges) of the Group's products without significant increment in price of the Group's products in order to retain its existing customers for FY2012. The gross profit margin ratio remained stable for FY2013 (approximately 22.4%) and FY2014 (approximately 24.6%), and decreased to approximately 19.3% for FY2015 which was the lowest in the past five financial years. Such decrease was mainly due to the intense competition in the market, and the decrease in the selling price of the Group's products to tackle with the relatively sluggish demand and maintain relationship with customers under stagnant economic situation for FY2015. There was an overall downward trend in the Group's gross profit and gross profit margin in the past five financial years.

Profit and profit margin

The profit of the Group and the profit margin of the Group were quite stable for the period from FY2011 to FY2014. The profit of the Group dropped significantly to loss of approximately RMB7.0 million for FY2015 due to (i) the decrease in gross profit of approximately RMB36.3 million for FY2015 as discussed above; and (ii) the increase in loss from the change in fair value of derivative component of the convertible bonds of approximately RMB11.2 million for FY2015. Excluding the non-cash charge of approximately RMB11.2 million of the loss from change in fair value in respect of convertible bonds, the Group achieved net profit from operation of approximately RMB4.3 million in FY2015. For the six months ended 30 June 2016, the loss of the Group decreased to approximately RMB4.1 million (for the six months ended 30 June 2015: approximately RMB19.7 million). Such decrease in loss was mainly due to that there was no loss from change in fair value of the derivative component of the Group's convertible bonds during this period (for the six months ended 30 June 2015: approximately RMB13.8 million). Excluding the non-cash charge of approximately RMB13.8 million of loss from the change in fair value in respect of convertible bonds, the Group's loss would be approximately RMB5.9 million for the six months ended 30 June 2015.

Apart from the above, we also studied the segment performance of the Group as it represents the revenue generated and cost incurred directly related to that business segment. According to the information as stated in the paragraph headed "8. Segment information" of the notes to the consolidated financial statements of the Annual Reports and the paragraph headed "3. Segment information" of notes to the condensed consolidated financial statements of the Interim Results 2016, we noted that:

(i) the aggregate segment profit and segment profit margin of the Group's business decreased from approximately RMB74.5 million and approximately 17.9% respectively for FY2011 to approximately RMB65.5 million and approximately 13.8% respectively for FY2012, due to the increase in production costs of the Group's products without significant increment in price of the Group's products in order to retain its existing customers for FY2012;

(ii) the aggregate segment profit and segment profit margin of the Group's business decreased further to approximately RMB55.6 million and approximately 10.2% respectively for FY2013, which was primarily a result of the reduction in selling prices of the Group's products to retain its customers for FY2013; and

(iii) the aggregate segment profit and segment profit margin of the Group's business remained stable for FY2014 (approximately RMB51.8 million and approximately 11.4% respectively) and decreased subsequently for FY2015 (approximately RMB20.9 million and approximately 5.4% respectively) due to the decrease in the selling price of the Group's products to tackle with the relatively sluggish demand and maintain relationship with customers under stagnant economic situation for FY2015.

The segment profit and segment profit margin of the Group experienced a downward trend for the period from FY2011 to FY2015.

(ii) Financial positions

Set out below is the consolidated statement of financial positions of the Group as at 31 December 2011, 2012, 2013, 2014 and 2015, and 30 June 2016, respectively as extracted from the Annual Reports and the Interim Results 2016, respectively.

	As at 30 June	As at 31 December				
	2016	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Non-current assets	220,441	226,787	237,183	218,868	177,562	145,798
Current assets	258,870	258,097	216,206	186,477	155,369	188,405
Current liabilities	182,247	183,698	183,353	155,977	101,048	131,667
Net current assets	76,623	74,399	32,853	30,500	54,321	56,738
Net assets	296,492	300,614	270,036	244,370	231,883	196,536

As at 31 December 2012 compared to 31 December 2011

The increase of non-current assets of the Group from approximately RMB145.8 million as at 31 December 2011 to approximately RMB177.6 million as at 31 December 2012 was mainly due to the increase in property, plant and equipment of approximately RMB34.4 million for FY2012. Current assets of the Group amounted to approximately RMB155.4 million as at 31 December 2012, compared to approximately RMB188.4 million as at 31 December 2011. As stated in the annual report of the Company for FY2012 and according to the Management, such decrease was mainly attributed to the net effect of (i) the decrease in inventories of approximately RMB14.9 million; (ii) the increase in trade and bills receivables of approximately RMB29.8 million; and (iii) the decrease in cash and bank balances of approximately RMB39.6 million, for FY2012. The Group's current liabilities decreased to approximately RMB101.1 million as at 31 December 2012 from approximately RMB131.7 million as at 31 December 2011. Such decrease was mainly attributable to the decrease in interest-bearing borrowings of approximately RMB31.0 million for FY2012. The Group's net asset value amounted to approximately RMB231.9 million as at 31 December 2012 (as at 31 December 2011: approximately RMB196.5 million).

As at 31 December 2013 compared to 31 December 2012

As at 31 December 2013, the non-current assets of the Group increased to approximately RMB218.9 million from approximately RMB177.6 million as at 31 December 2012, mainly due to the increase in property, plant and equipment of approximately RMB37.1 million. Current assets of the Group also increased to approximately RMB186.5 million as at 31 December 2013 from approximately

RMB155.4 million as at 31 December 2012. As stated in the annual report of the Company for FY2013 and according to the Management, the increase was primarily attributed to the increase in inventories of approximately RMB15.4 million for FY2013. Current liabilities of the Group amounted to approximately RMB156.0 million as at 31 December 2013, compared to approximately RMB101.0 million as at 31 December 2012, which was mainly due to the increase in interest-bearing borrowings of approximately RMB36.2 million for FY2013. The Group's net assets amounted to approximately RMB244.4 million as at 31 December 2013 (as at 31 December 2012: approximately RMB231.9 million).

As at 31 December 2014 compared to 31 December 2013

The non-current assets and current assets of the Group increased from approximately RMB218.9 million and RMB186.5 million respectively as at 31 December 2013 to approximately RMB237.2 million and RMB216.2 million respectively as at 31 December 2014. As stated in the annual report of the Company for FY2014 and according to the Management, such increase was mainly attributed to (i) the increase in property, plant and equipment of approximately RMB24.1 million; (ii) the increase in trade and bills receivables of approximately RMB10.8 million; and (iii) the increase in cash and bank balances of approximately RMB21.0 million. The Group's current liabilities increased from approximately RMB156.0 million as at 31 December 2013 to approximately RMB183.4 million as at 31 December 2014. Such increase was mainly attributed to the increase in interest-bearing borrowings of approximately RMB20.4 million during FY2014. The Group's net asset value increased from approximately RMB244.4 million as at 31 December 2013 to approximately RMB270.0 million as at 31 December 2014.

As at 31 December 2015 compared to 31 December 2014

The non-current assets of the Group slightly decreased by approximately RMB10.4 million from approximately RMB237.2 million as at 31 December 2014 to approximately RMB226.8 million as at 31 December 2015. The current assets of the Group were valued at approximately RMB258.1 million as at 31 December 2015, representing an increase of approximately 19.4% from approximately RMB216.2 million as at 31 December 2014. As stated in the annual report of the Company for FY2015 and according to the Management, such increase was mainly attributed to (i) the increase in prepayments and other receivables of approximately RMB13.2 million; and (ii) the increase in cash and bank balances of approximately RMB24.3 million as a result of the issue of convertible bonds by the Group during FY2015. The Group's current liabilities amounted to approximately RMB183.7 million as at 31 December 2015, which was nearly the same as compared to that as at 31 December 2014. The Group's net asset value increased by approximately 11.3% from approximately RMB270.0 million as at 31 December 2014 to approximately RMB300.6 million as at 31 December 2015.

(iii) Our view

With reference to the financial data of the Group as stated above, the Annual Reports, the Interim Results 2016 and discussion with the Management, we noted the following:

(i) For the period from FY2011 to FY2015, the revenue of the Group experienced an upward trend from FY2011 (approximately RMB416.5 million) to FY2013 (approximately RMB543.8 million). After reaching the top in FY2013, the revenue of the Group started to drop and reached the lowest in FY2015 (approximately RMB389.3 million), which represented a decrease of approximately 28.4% when compared to that for FY2013. There was a downward trend in revenue of the Group since FY2013.

(ii) For the period from FY2011 to FY2014, the gross profit of the Group was quite stable. However, it dropped for approximately 32.6% for FY2015 (approximately RMB75.2 million) when compared to that for FY2014 (approximately RMB111.5 million). In addition, the gross profit margin ratio of the Group dropped from approximately 30.6% for FY2011 to approximately 24.4% for FY2012 and remained stable for FY2013 (approximately 22.4%) and FY2014 (approximately 24.6%), and decreased to approximately 19.3% for FY2015 which was the lowest in the past five financial years. There was an overall downward trend in the Group's gross profit margin in the past five financial years.

(iii) The profit of the Group were quite stable for the period from FY2011 to FY2014 and dropped significantly to loss of approximately RMB7.0 million for FY2015 due to (i) the decrease in gross profit of approximately RMB36.3 million for FY2015; and (ii) the increase in loss from the change in fair value of derivative component of the convertible bonds of approximately RMB11.2 million for FY2015. Excluding the non-cash charge of approximately RMB11.2 million of the loss from change in fair value in respect of convertible bonds, the Group achieved net profit from operation of approximately RMB4.3 million in FY2015.

(iv) The segment profit and segment profit margin of the Group experienced a downward trend for the period from FY2011 to FY2015.

(v) The return on equity of the Group, (i.e. the amount of net income returned as a percentage of Shareholders' equity, which measures a company's profitability by revealing how much profit a company generates with the amount shareholders have invested and calculated as profit/shareholder's equity) experienced a downward trend from approximately 14.9% for FY2011, to approximately 15.3% for FY2012; to approximately 10.0% for FY2013; to approximately 9.5% for FY2014 and to approximately 1.4% for FY2015.

(excluding the non-cash charge of approximately RMB11.2 million of the changes in fair value in respect of convertible bonds, the Group achieved net profit from operation of approximately RMB4.3 million in FY2015).

(vi) The financial performance of the Group for the six months ended 30 June 2016 was similar to that for the six months ended 30 June 2015 (excluding the non-cash charge of approximately RMB13.8 million of loss from the change in fair value in respect of convertible bonds, the Group's loss would be approximately RMB5.9 million for the six months ended 30 June 2015).

Based on the above and having considered that the Offeror intends to continue the existing principal businesses of the Group and it has no intention to inject any assets or businesses into the Group, redeploy any of the fixed assets of the Group or dispose of any existing assets or businesses of the Group as stated in the paragraph headed "(b) Intentions of the Offeror in relation to the Group" under the section headed "2. Information on the Offeror and intentions of the Offeror in relation to the Group" below, we are of the view that the financial performance of the Group should not improve significantly in the near future.

(b) Overview of the Group's market of its principal business

(i) Historical economic performance of the Group's market

As shown in the Annual Reports and advised by the Management, the Group's products are (i) knitted fabrics (which are mainly sold to customers for manufacturing clothing in the PRC) and (ii) innerwear products (which are mainly sold to customers in Japan). We further noted from the Management that the production facilities of the Group are based at the PRC and Myanmar. As we noted from the Management that over 98% of the revenue of the Group for the six months ended 30 June 2016 was generated from the production base at the PRC, we consider that the revenue generated from Myanmar was insignificant to the Group. The PRC and Japan were the principal markets of the Group, which accounted for approximately 53.9% and 38.7% respectively of the revenue of the Group for FY2015 and in aggregate represent over 92% of the revenue of the Group for FY2015.

Since the PRC and Japan are the principal markets of the Group as stated above, we have studied the income and the expenditure on clothing of the aforesaid markets.

Income

With reference to the "China Statistical Yearbook 2015", the latest published official statistics available on the website of National Bureau of Statistics of the PRC ("**NBS**"), which is within the State Council of the PRC charged with the collection and publication of statistics related to the economy, population and society of the PRC at national level, the average urban household annual disposable income per capita in the PRC amounted to RMB24,564.7 in 2012, which continued to increase thereafter, and attained the highest at RMB28,843.9 in 2014.

As stated in the "Japan Statistical Yearbook 2016", the latest published official statistics available on the website of Statistics Bureau of the Ministry of Internal Affairs and Communications ("**SB**"), which is a government department responsible for Japan's fundamental censuses and statistical surveys, the average annual income per household in Japan amounted to 5,613,288 Japanese Yen in 2012, which remained at a similar level thereafter, and recoded 5,620,404 Japanese Yen in 2014.

Expenditure on clothing

We attempted to study the amount of (i) knitted fabrics which are sold to customers for manufacturing clothing in the PRC and (ii) innerwear products which are sold to customers in Japan. However, no relevant statistics could be found in NBS and SB. Therefore, we studied the expenditure on clothing in the PRC and Japan.

According to "China Statistical Yearbook 2015", the latest published official statistics available on the website of NBS, the urban household annual expenditure on clothing per capita in the PRC decreased significantly from RMB1,823.4 in 2012 to RMB1,553.7 in 2013, and rose slightly to RMB1,627.2 in 2014.

According to "Japan Statistical Yearbook 2016", the latest published official statistics available on the website of SB, the monthly expenditure on clothing per household increased slightly from 13,552 Japanese Yen in 2012 to 13,715 Japanese Yen in 2013, and remained at similar level at 13,730 in 2014.

(ii) Prospect

After discussed with the Management and based on the fact that

(i) the financial performance of the Group for the six months ended 30 June 2016 was similar to that for the six months ended 30 June 2015 as stated above (excluding the non-cash charge of approximately RMB13.8 million of loss from the change in fair value in respect of convertible bonds, the Group's loss would be approximately RMB5.9 million for the six months ended 30 June 2015);

(ii) the revenue of the Group has decreased since FY2013;

(iii) the gross profit, gross profit margin, segment profit and segment profit margin of the Group and return on equity of the Group experienced an overall downward trend for the period from FY2011 to FY2015; and

(iv) the Offeror intends to continue the existing principal businesses of the Group and it has no intention to inject any assets or businesses into the Group, redeploy any of the fixed assets of the Group or dispose of any existing assets or businesses of the Group as stated in the paragraph headed "(b) Intentions of the Offeror in relation to the Group" under the section headed "2. Information on the Offeror and intentions of the Offeror in relation to the Group" below,

we consider that the financial performance of the Group should not improve significantly in the near future.

(iii) Our view

Based on the information as stated in paragraphs headed "(a) Financial information of the Group for the last five financial years ended 31 December 2015 and the six months ended 30 June 2015 and 2016" and "(b) Overview of the Group's market of its principal business" under this section, we noted that although (i) the average urban household annual disposable income per capita in the PRC experienced an increasing trend for the period from 2012 to 2014; (ii) the average annual income per household of Japan was stable for the period from 2012 to 2014; (iii) the urban household annual expenditure on clothing per capita in the PRC increased in 2014; and (iv) the monthly expenditure on clothing per household in Japan remained stable for the period from 2012 to 2014, and the financial performance of the Company for the same period was not satisfactory (e.g. the revenue has decreased since FY2013, and the gross profit, gross profit margin, segment profit and segment profit margin of the Group and return on equity of the Group experienced an overall downward trend for the period from FY2011 to FY2015) as stated in paragraph headed "(a) Financial information of the Group for the last five financial years ended 31 December 2015 and the six months ended 30 June 2015 and 2016" under this section. Given that the Management expected that the financial performance of the Group should not improve significantly in the near future and the Offeror intends to continue the existing principal businesses of the Group and it has no intention to inject any assets or businesses into the Group, redeploy any of the fixed assets of the Group or dispose of any existing assets or businesses of the Group as stated in the paragraph headed "(b) Intentions of the Offeror in relation to the Group" under the section headed "2. Information on the Offeror and intentions of the Offeror in relation to the Group" below in this letter, we remain cautious about the business prospect of the Group.

2. Information on the Offeror and intentions of the Offeror in relation to the Group

(a) Information on the Offeror

As disclosed in "Letter from CCBI" in the Composite Document, the Offeror is an exempted company incorporated in the Cayman Islands with limited liability and is an investment holding company. The entire issued share capital of the Offeror is held by Joint Full International. The entire issued share capital of Joint Full International is held by Wintime Holding, which in turn is beneficially owned by Wintime Technology as to 98.48%, Jiangsu Hongyu as to 1.29% and Mr. Yuan Guoping (袁國平) as to 0.23%. The equity interest of Wintime Technology is directly and wholly owned by Mr. Wang. The equity interest of Jiangsu Hongyu is directly held by Mr. Cui Zhenhua (崔震華) as to 80% and Ms. Yin Xiuyuan (殷秀媛) as to 20%. The principal business of each of Joint Full International, Wintime Holding and Wintime Technology is investment holding.

As disclosed in the Composite Document, as at the Latest Practicable Date, (i) the directors of the Offeror comprise Ms. Tian Ying, Ms. Chen Xiaojuan and Mr. Zhang Yanlin; (ii) the directors of Joint Full International comprise Ms. Tian Ying, Ms. Chen Xiaojuan and Mr. Zhang Yanlin; (iii) the directors of Wintime Holding comprise Mr. Wang Guangxi, Mr. Wang Jinyu, Mr. Pu Jianping, Mr. Xu Peizhong and Mr. Guo Huaibao; and (iv) the directors of Wintime Technology comprise Ms. Guo Jinling, Ms. Tang Ying and Mr. Wang Guangxi.

Mr. Wang holds a master's degree in Finance from the Zhongnan University of Economics and Law. Mr. Wang has been serving as the chairman of the board of directors of Wintime Holding since 2003. Mr. Wang, through Wintime Technology and Wintime Holding, has been investing in various types of projects and companies with focuses in energy and clean energy, logistics, petrochemicals, and asset management. Furthermore, Wintime Holding is the controlling shareholder of Wintime Energy, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600157). Wintime Energy, through its subsidiaries, is principally engaged in the exploitation, operation, washing, selection and processing of coals, and has a diverse portfolio of energy power stations including electric power plants in the PRC. The Offeror expects that, through its investment in the Company, it will be able to further diversify its existing business scope, client base, asset portfolios and sources of revenue.

As at the Latest Practicable Date, the Offeror owns 241,836,000 Shares, being the Sale Shares under the Sale and Purchase Agreement. As at the Latest Practicable Date, save for the Sale Shares under the Sale and Purchase Agreement, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them did not hold, own or control any Shares, options, derivatives, warrants or other securities convertible into Shares. Save for the purchase of the Sale Shares under the Sale and Purchase Agreement, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them had not dealt in nor did they have any shareholding interest in or control of any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

(b) Intentions of the Offeror in relation to the Group

After Completion, the Offeror became the controlling shareholder of the Company. As stated in "Letter from CCBI" in the Composite Document, the Offeror intends to continue the existing principal businesses of the Group and it has no intention to inject any assets or businesses into the Group, redeploy any of the fixed assets of the Group or dispose of any existing assets or businesses of the Group. The Offeror also intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at such time as permitted under the Listing Rules, the Takeovers Code or other Applicable Laws (whichever is later)).

The Offeror will, following the closing of the Offer, conduct a review of the operations of the Group in order to formulate a long-term strategy for the Group to enhance its future development. Depending on the results of the review, the Offeror may also explore other business or investment opportunities which will strengthen the revenue bases of the Group and further enhance Shareholders' value. As at the Latest Practicable Date, the Offeror has not identified any such business or investment opportunities.

(c) Proposed change of the Board composition

With reference to the "Letter from CCBI" in the Composite Document, the Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror may determine. Any change to the Board will be made in compliance with the requirements of the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

As advised by the Offeror, the Offeror intends to continue the employment of the existing management of the Group. It is expected that the Board with the new Directors will continue to be primarily responsible for the Group's corporate policy formulation, business strategies planning, business development and other significant management, operational and financial matters, whereas the day-to-day operation of the businesses of the Company will continue to be delegated to and implemented by the existing senior management and employees of the Group. As there will not be any change to the management of the Group, this will ensure that the day-to-day operation of the businesses of the Company will continue to be run by management with sufficient experience and expertise.

Please refer to the sub-section headed "Biographies of new Directors to be nominated by the Offeror" under the section headed "4. Intention of the Offeror in relation to the Group" as stated in "Letter from CCBI" in the Composite Document for details of the new Directors to be nominated by the Offeror.

Based on the information regarding the new Directors provided by the Offeror, our internet search regarding the new Directors and as disclosed in the Composite Document, we noted that:

(1) each of the proposed executive Director has over 10 years of financial and/or corporate management experience in sizable corporations in various industries, and hold a master's or higher degree in business, accounting or finance;

(2) the proposed non-executive Director has over 15 years of financial and/or corporate management experience in sizable corporations in the PRC and holds a bachelor's degree in economics; and

(3) each of the proposed independent non-executive Director has considerable experience and education in economics and/or accounting, two of which have the relevant professional qualifications or accounting or relating financial management expertise and one of which is a certified public accountant in the PRC.

Having considered that (i) the day-to-day operation of the businesses of the Company will continue to be delegated to and implemented by the existing senior management and employees of the Group; and (ii) the academic background and management experience of the new Directors, we are of the view that future management (including the new Directors and existing management) of the Group has sufficient and experiences to operate the Company.

(d) Maintaining the listing status of the Company

As stated in the "Letter from CCBI" in the 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 issued 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.

3. The Offer Price

The Offer Price of HK$1.592 per Offer Share represents:

(a) a premium of approximately 29.43% over the closing price of HK$1.23 per Share as quoted on the Stock Exchange as at 19 May 2016, being the last trading day prior to the commencement of the Offer Period;

(b) a premium of approximately 4.74% over the closing price of HK$1.520 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 6.70% over the average closing price of approximately HK$1.492 per Share for the last five trading days up to and including the Last Trading Day;

(d) a premium of approximately 6.99% over the average closing price of approximately HK$1.488 per Share for the last ten trading days up to and including the Last Trading Day;

(e) a premium of approximately 14.86% over the average closing price of approximately HK$1.386 per Share for the last thirty trading days up to and including the Last Trading Day;

(f) a premium of approximately 0.13% over the closing price of HK$1.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

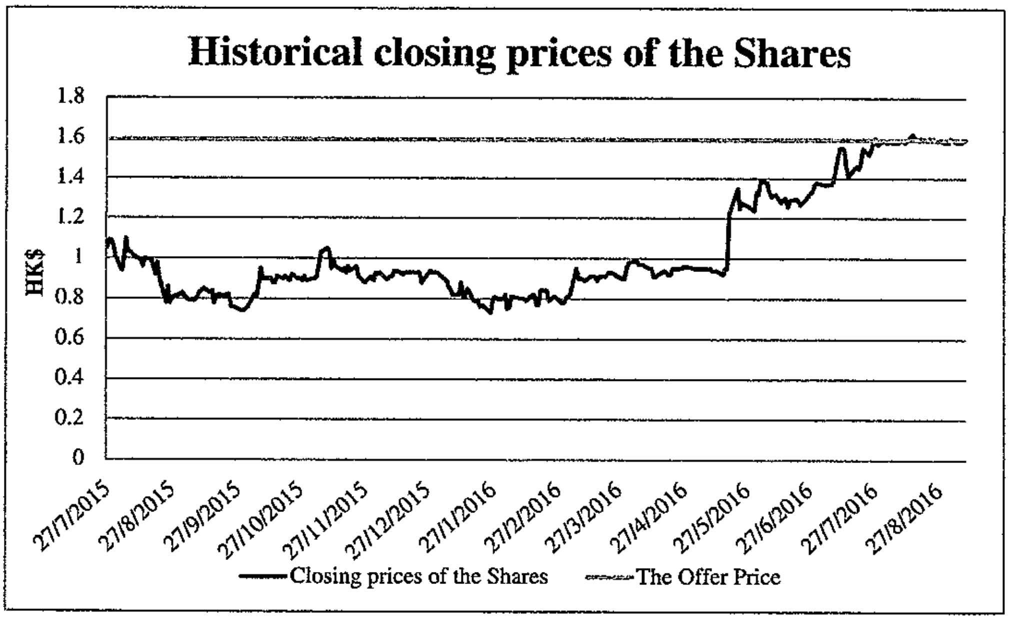
(g) a premium of approximately 84.88% over the audited net asset value of the Group of approximately HK$0.861 per Share as at 31 December 2015; and

(h) a premium of approximately 87.47% over the unaudited net asset value of the Group of approximately HK$0.850 per Share as at 30 June 2016.

In order to assess the reasonableness and fairness of the Offer Price of HK$1.592 per Offer Share, our analysis made reference to (i) the historical closing prices of the Shares; (ii) historical trading volume of the Shares; and (iii) the trading price of the shares of other companies that listed on the Stock Exchange with similar business of the Group.

(i) Historical closing prices of the Shares

The following chart sets out the closing prices of the Shares as quoted on the Stock Exchange during the period from 26 July 2015 to 25 July 2016, i.e. the Last Trading Day, for a period of twelve complete calendar months prior to the Last Trading Day, and up to the Latest Practicable Date (the "**Review Period**"). We consider that the length of the Review Period is reasonably long enough to illustrate the relationship between the recent trend of the closing price of the Shares and the Offer Price.



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

Note: During the Review Period, trading of Shares was suspended (i) from 20 May 2016 to 23 May 2016 pending the release of the Company's announcement dated 23 May 2016 made pursuant to Rule 3.7 of the Takeovers Code; (ii) from 26 May 2016 to 30 May 2016 pending the release of the Company's announcement dated 30 May 2016 in relation to, among other things, the MOU; and (iii) on 26 July 2016 pending the release of the Joint Announcements.

As illustrated by the above chart, during the Review Period, the closing prices of the Shares fluctuated between HK$0.73 and HK$1.09 per Share until 18 May 2016. On 19 May 2016, the closing price of the Shares surged to approximately HK$1.23 per Share before trading of the Shares halted on 20 May 2015, pending release of the announcement of the Company in relation to the possible disposal of Shares by the controlling Shareholder made pursuant to Rule 3.7 of the Takeovers Code. Trading in the Shares was resumed on 23 May 2016 after publication of the aforementioned announcement. The trading of Shares was halted for the period from 26 May 2016 to 30 May 2016 and 26 July 2016 and resumed on 31 May 2016 and 27 July 2016 respectively after release of the announcement in relation to, among other things, the MOU and the release of the Joint Announcements respectively. The closing prices of the Shares moved with an increasing trend in the range of HK$1.23 to HK$1.62 per Share from late May and remained stable at around the Offer Price up to the Latest Practicable Date. The closing prices of the Shares were below the Offer Price for 266 trading days out of 274 trading days during the Review Period.

During the Review Period, the highest and lowest closing price of the Shares during the Review Period were HK$0.73 per Share recorded on 26 January 2016 (the "**Lowest Price**") and HK$1.62 per Share recorded on 15 August 2016 (the "**Highest Price**") respectively, with an average closing price during the Review Period of approximately HK$1.046 (the "**Average Price**"). The Offer Price represents (i) a premium of approximately 118.1% over the Lowest Price; (ii) a discount of approximately 1.7% to the Highest Price; and (iii) a premium of approximately 52.2% over the Average Price.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares, may increase or decrease from its closing price after the Latest Practicable Date.

(ii) Historical trading volume of the Shares

The table below sets out (i) the total trading volume of the Shares for each month/period; (ii) the approximate average daily trading volume of the Shares; and (iii) the approximate percentage of average daily trading volume of the Shares to the total number of issued Shares as at the end of the month/period during the Review Period.

Month/period	**Total trading volume of the Shares**	**Approximate average daily trading volume of the Shares**	**Approximate percentage of average daily trading volume to the total number of issued Shares as at the end of the month/period** *(Note 1)*
2015			
July	32,024,000	1,455,636	0.35%
August	4,544,000	216,381	0.05%
September	5,621,402	281,070	0.07%
October	4,344,000	217,200	0.05%
November	4,817,501	229,405	0.06%
December	1,428,000	64,909	0.02%
2016			
January	1,800,000	90,000	0.02%
February	1,924,000	106,889	0.03%
March	3,007,900	143,233	0.03%
April	5,928,000	296,400	0.07%
May *(Note 2)*	32,944,000	1,937,882	0.47%
June	19,028,658	906,127	0.22%
July	90,914,003	4,784,948	1.16%
August	31,123,757	1,414,716	0.34%
September (up to the Latest Practicable Date)	6,168,000	881,143	0.21%
Review Period	**245,617,221**	**844,045**	**0.20%**

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

Notes:

1. Based on the number of 411,947,330 Shares in issue as at the Latest Practicable Date as the Company did not issue any Shares during the Review Period.

2. During the Review Period, trading of Shares was suspended (i) from 20 May 2016 to 23 May 2016 pending the release of the Company's announcement dated 23 May 2016 made pursuant to Rule 3.7 of the Takeovers Code; (ii) from 26 May 2016 to 30 May 2016 pending the release of the Company's announcement dated 30 May 2016 in relation to, among other things, the MOU; and (iii) on 26 July 2016 pending the release of the Joint Announcements.

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period recorded the lowest of approximately 64,909 Shares in December 2015 and highest of approximately 4,784,948 Shares in July 2016, representing approximately 0.02% and 1.16% respectively of the total number of issued Shares as at the end of the relevant month/period. The average of the daily trading volume of the Shares during the Review Period was approximately 844,045 Shares, representing approximately 0.20% of the total number of issued Shares as at the Latest Practicable Date.

We noted from the above that (i) most of the monthly/period average daily trading volume of the Shares during the Review Period were below 1% and (ii) the average daily trading volume of the Shares throughout the Review Period were approximately 0.20%. Given the thin historical trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessary reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market.

Taking into account that (i) disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares; and (ii) there is no guarantee that the Share price will sustain at a level close to the Offer Price during and after the close of the Offer, we are of the view that Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price, in particular when they are going to dispose of their entire holdings. We, therefore, consider that the Offer may represents an assured opportunity for the Independent Shareholders, particular for those who hold a large number of the Shares, to dispose of some or all of them at the Offer Price if they so wish, without creating a significant downside pressure on the trading price of the Shares.

(iii) Comparison with other comparable companies

In order to assess the fairness and reasonableness of the terms of the Offer, we have also considered price-to-earnings ratio ("**P/E Ratio**") and price-to-book ratio ("**P/B Ratio**"), which are the most commonly adopted valuation tools for evaluating the value of a company. However, as the Group is loss making for the latest financial year, P/E Ratio is not applicable. Therefore, we considered P/B Ratio would be the most appropriate and relevant.

With reference to the annual report of the Company for FY2015, the revenue generated from fabrics products and innerwear products represents approximately 38.8% and 61.2% respectively of the aggregated revenue of the Group for FY2015. We have conducted research for Hong Kong listed companies which are engaged in similar line of businesses as the Group, being manufacturing of both fabrics and innerwear products. However, as we cannot identify a Hong Kong listed company which is engaged in the manufacturing of both fabrics and innerwear products, our comparisons are separately made with companies generated over 50% of their revenue from (i) manufacturing of fabrics products (the "**Fabrics Comparables**") and (ii) manufacturing of innerwear products (the "**Innerwear Comparables**") for their latest financial year, and still continuing such businesses in current financial year.

To the best of our knowledge and as far as we are aware, we have identified a complete and exhaustive list of 11 Fabrics Comparables and 3 Innerwear Comparables which fulfill the abovementioned criteria. As the Company, the Fabric Comparables and the Innerwear Comparables are not very similar in terms of, among others, financial performance, financial position market capitalisation and the supply and demand of products, but the fundamentals of such companies are in general affected by similar macroeconomic factors including, but not limited to, global economy and outlook and prices of raw materials, we consider the Fabric Comparables and Innerwear Comparables are fair and representative comparables and can provide additional reference for Independent Shareholders to consider the fairness and reasonableness of the Offer Price.

Set out below are the details of the Fabric Comparables.

No.	Company	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date *(Note 1)* *HK$'million*	P/B Ratio *(Notes 2 and 3)* *times*
1	Texwinca Holdings Limited	321	Production, dyeing and sale of knitted fabric and yarn; retailing and distribution of casual apparel and accessory; provision of franchise services; provision of repair and maintenance services for motor vehicles and properties investment.	8,152.0	1.33
2	Fountain Set (Holdings) Limited	420	Production and sales of dyed fabrics, sewing threads, yarns and garments.	1,277.3	0.39
3	Victory City International Holdings Limited	539	Production and sale of knitted fabric and dyed yarn, garment products and resin.	1,039.6	0.19
4	Jilin Qifeng Chemical Fiber Company Limited	549	Manufacturing and sales of acrylic fibre products.	187.1	0.22
5	Co-Prosperity Holdings Limited	707	Processing, printing and sales of finished fabrics; and trading of fabrics and clothing.	698.8	1.20
6	Pacific Textiles Holdings Limited	1382	Manufacturing and trading of textile products.	15,361.0	4.57

No.	Company	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date	P/B Ratio
				(Note 1)	*(Notes 2 and 3)*
				HK$'million	*times*
7	Wang Tai Holdings Limited	1400	Design, manufacturing and sales of fabrics and yarns in the PRC.	697.5	0.67
8	Silverman Holdings Limited	1616	Manufacturing and sales of textile products and provision of related processing service, and the production and distribution of television drama series.	1,171.2	0.93
9	Best Pacific International Holdings Limited	2111	Manufacture and trading of elastic fabric, elastic webbing and lace.	6,653.6	3.67
10	Kam Hing International Holdings Limited	2307	Production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services, provision of air and ocean freight services and mining.	469.8	0.23
11	Zhejiang Yonglong Enterprises Company Limited	8211	Research and development, manufacture and sale of woven fabrics.	221.1	2.20
			Highest		4.57
			Lowest		0.19
			Average		1.42
	The Company			655.8	1.88 *(Notes 3 and 4)*

Notes:

1. Calculated based on the product of the closing price of the shares and number of issued shares of the respective company as at the Latest Practicable Date.

2. Calculated based on the market capitalisation as at the Latest Practicable Date and the net assets value attributable to owners of the company as extracted from their respective latest published financial results.

3. For company's net assets value denominated in RMB, the value is converted to HK$ based on the exchange rate of RMB0.85: HK$1.

4. The Offer Price of HK$1.592 per Offer Share, the total number of Shares in issue of 411,947,330 Shares and the unaudited net asset value attributable to owners of the Company of RMB296,492,000 as at 30 June 2016 are adopted for calculating the implied P/B Ratio of the Offer Price.

As shown in the above table, the P/B Ratio of the Fabrics Comparables ranged from approximately 0.19 times to 4.57 times, with an average of approximately 1.42 times and eight out of eleven of the Fabric Comparables are below the aforesaid average. The implied P/B Ratio of the Offer Price of approximately 1.88 times is within the range of and above the average of that of the Fabrics Comparables.

Set out below are the details of the Innerwear Comparables.

No.	Company	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date *(Note 1)* *HK$'million*	P/B Ratio *(Note 2)* *times*
1	Top Form International Limited	333	Design, manufacture and distribution of ladies' intimate apparel, principally brassieres.	382.8	0.69
2	Embry Holdings Limited	1388	Manufacture and sale of ladies' brassieres, panties, swimwears and sleepwears.	1,495.8	0.82
3	Regina Miracle International (Holdings) Ltd.	2199	Offering of a range of intimate wear products, including bras, sports bras, bra pads, panties and shape wear, and functional sports products, including sports footwear, functional seamless sportswear and wearable related sports products.	11,789.5	4.42
			Highest		4.42
			Lowest		0.69
			Average		1.98
	The Company			655.8	1.88 *(Notes 3 and 4)*

Notes:

1. Calculated based on the product of the closing price of the shares and number of issued shares of the respective company as at the Latest Practicable Date.

2. Calculated based on the market capitalisation as at the Latest Practicable Date and the net assets value attributable to owners of the company as extracted from their respective latest published financial results.

3. For company's net assets value denominated in RMB, the value is converted to HK$ based on the exchange rate of RMB0.85: HK$1.

4. The Offer Price of HK$1.592 per Offer Share, the total number of Shares in issue of 411,947,330 Shares and the unaudited net asset value attributable to owners of the Company of RMB296,492,000 as at 30 June 2016 are adopted for calculating the implied P/B Ratio of the Offer Price.

As shown in the above table, the P/B Ratio of the Innerwear Comparables ranged from approximately 0.69 times to 4.42 times, with an average of approximately 1.98 times and two out of three of the Innerwear Comparables are below the aforesaid average. The implied P/B Ratio of the Offer Price of approximately 1.88 times is within the range of and close to the average of that of the Innerwear Comparables.

Based on the analysis as stated above, i.e. the implied P/B Ratio of the Offer Price of approximately 1.88 times is (i) within the range of and above the average of that of the Fabrics Comparables and (ii) within the range of and close to the average of that of the Innerwear Comparables, we are of the view that the Offer Price is fair and reasonable. However, as stated above, since the Company, the Fabric Comparables and the Innerwear Comparables are not very similar in terms of, among others, financial performance, financial position market capitalisation and the supply and demand of products, but the fundamentals of such companies are in general affected by similar macroeconomic factors including, but not limited to, global economy and outlook and prices of raw materials, it only provide additional reference for Independent Shareholders to consider the fairness and reasonableness of the Offer Price.

RECOMMENDATION

Taking into consideration the abovementioned principal factors and reasons, in particular, the following:

(i) the financial performance of the Group should not improve significantly in the near future as stated in paragraph headed "(a) Financial information of the Group for the last five financial years ended 31 December 2015 and the six months ended 30 June 2015 and 2016" under the section headed "1. Overview of financial information of the Group and the Group's market of its principal business" above in this letter;

(ii) we remain cautious about the business prospect of the Group as stated in the paragraph headed "(b) Overview of the Group's market of its principal business" under the section headed "1. Overview of financial information of the Group and the Group's market of its principal business" above in this letter;

(iii) the Offer Price represents (a) a premium over the closing prices of the Shares during the Review Period; (b) a premium of approximately 0.126% over the closing price of HK$1.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (c) a premium of approximately 84.882% over the audited net asset value of the Group of approximately HK$0.861 per Share as at 31 December 2015; and (d) a premium of approximately 87.47% over the unaudited net asset value of the Group of approximately HK$0.850 per Share as at 30 June 2016; and

(iv) given the thin historical trading volume of the Shares, the disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares and there is no guarantee that the Share price will sustain at a level close to the Offer Price during and after the close of the Offer.

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable as far as the Independent Shareholders' are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, the Independent Shareholders who would like to realise part or all of their investments, are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer.

As different Independent Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

Kevin Wong
Vice President

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 12 years of experience in corporate finance industry.