



(incorporated in Bermuda with limited liability)

(Stock Code: 1768)

Independent Non-executive Directors:

John Jeffrey YING (*Chairman*)

Jeffrey LAM Kin Fung

David YU Hon To

LIM Ah Doo

LOW Weng Keong

Armin MEYER

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business in Hong Kong:

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29 Queen's Road Central

Central

Hong Kong

Executive Director:

TEY Wei Lin (*Chief Executive Officer*)

30 August 2016

To the Shareholders and the RSU Holders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
BRACELL LIMITED
BY BHL LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
BRACELL LIMITED**

1. INTRODUCTION

On 17 June 2016, the respective boards of directors of the Offeror and the Company jointly announced that, on 15 June 2016, the Offeror requested that the Board put forward to the Scheme Shareholders a proposal to privatise the Company by way of a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of all the Scheme Shares for a cancellation consideration of HK\$1.78 for each Scheme Share and the allotment and issue of new Shares to the Offeror.

On 3 August 2016, the respective boards of directors of the Offeror and the Company jointly announced that the Offeror proposed to revise the terms of the Proposal. Under the terms of the revised Proposal, each Scheme Shareholder will receive a Cancellation Consideration of HK\$2.28 for each Scheme Share. The revised Cancellation Consideration of HK\$2.28 for each Scheme Share represents a premium of approximately 28.1% to the original cancellation consideration of HK\$1.78 for each Scheme Share. It was subsequently jointly announced on 22 August 2016 that the revised Cancellation Consideration would not be increased by the Offeror and the Offeror does not reserve the right to do so and accordingly, the Cancellation Consideration will remain at HK\$2.28 for each Scheme Share.

Shareholders and potential investors of the Company should be aware that, following the making of the statement that the Cancellation Consideration would not be increased, the Offeror will not be allowed to increase the Cancellation Consideration and the RSU Offer Price except in wholly exceptional circumstances in accordance with Rule 18.3 of the Takeovers Code.

On completion of the Proposal, (a) the Offeror and Gold Silk will own 100% of the Shares and (b) the listing of the Shares on the Stock Exchange will be withdrawn.

The Offeror is making the RSU Offer to the RSU Holders to cancel all outstanding RSUs. The RSU Offer is conditional upon the Scheme becoming effective.

The Offeror has appointed Credit Suisse and Anglo Chinese as its joint financial advisers in respect of the Proposal and the RSU Offer.

The Board has established the Independent Board Committee, comprising John Jeffrey YING, Jeffrey LAM Kin Fung, David YU Hon To, LIM Ah Doo, LOW Weng Keong and Armin MEYER, all of whom are independent non-executive Directors, to make recommendations to the Scheme Shareholders and the RSU Holders in respect of the Proposal and the RSU Offer.

The Company has appointed Morgan Stanley as its financial adviser in respect of the Proposal and the RSU Offer. Rothschild has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Proposal and the RSU Offer.

The purpose of this document is to provide you with further information regarding the Proposal, the Scheme and the RSU Offer and to give you notices of the Court Meeting and the SGM, respectively.

2. THE PROPOSAL

It is proposed that, subject to the satisfaction or valid waiver (as applicable) of the Conditions as set out in “*Conditions Precedent to the Proposal*” in the Explanatory Statement on pages 41 to 45 of this document, the Proposal will be implemented by way of a scheme of arrangement of the Company under Section 99 of the Companies Act, pursuant to which all of the Scheme Shares will be cancelled and, in consideration for such cancellation, each Scheme Shareholder whose name appears in the register of members of the Company as at the Record Time will receive a Cancellation Consideration of HK\$2.28 for each Scheme Share held as at the Record Time.

Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by the cancellation and extinguishment of the Scheme Shares, and immediately upon such reduction of capital taking effect, the share capital of the Company will be restored to its former amount by the issuance to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the books of account of the Company as a result of such capital reduction will be applied by the Company in paying up in full the newly created Shares, which will be allotted and issued to the Offeror.

The aggregate Cancellation Consideration payable for all Scheme Shares under the Proposal is HK\$1,272,065,580. The total cash consideration required for the Proposal and the RSU Offer (assuming 100% acceptance by the RSU Holders) is HK\$1,273,262,580.

The Offeror intends to finance the cash required for the Proposal and the RSU Offer by its own internal cash resources. Credit Suisse and Anglo Chinese are satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal and the RSU Offer in accordance with their respective terms.

Completion of the Proposal is subject to the satisfaction or valid waiver (as applicable) of the Conditions as set out in “*Conditions Precedent to the Proposal*” in the Explanatory Statement on pages 41 to 45 of this document. All of the Conditions have to be satisfied or validly waived (as applicable) on or before Thursday, 29 December 2016 (which is the date falling 90 days after the date scheduled for the Court Meeting and the SGM) or such later date as may be proposed by the Offeror and permitted by the Court and the Executive, otherwise the Scheme will lapse and the Proposal will not proceed. As at the Latest Practicable Date, none of the Conditions have been satisfied or validly waived.

3. RSU OFFER

Your attention is drawn to “*RSU Offer*” in the Explanatory Statement on pages 48 and 49 of this document for details of the RSU Offer.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to “*Reasons for and Benefits of the Proposal*” in the Explanatory Statement on pages 45 and 46 of this document.

5. INFORMATION ON THE OFFEROR AND THE GROUP

Information on the Offeror and the Group is set out in Appendices I and II to this document, respectively. Your attention is drawn to these Appendices. This information is provided solely to assist the Scheme Shareholders and the RSU Holders in their consideration of the Proposal and the RSU Offer.

6. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to “*Intentions of the Offeror with Regard to the Group*” in the Explanatory Statement on page 46 of this document.

7. RECOMMENDATIONS

The Independent Board Committee, having considered (a) the reasons for, and benefits of, the Proposal and the RSU Offer and their effects as set out in this document and (b) the terms of the Proposal and the RSU Offer and having taken into account the advice of Rothschild, the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in “*Letter from Rothschild*” on pages 8 to 37 of this document, considers that the terms of the Proposal and the RSU Offer are fair and reasonable so far as the Scheme Shareholders and the RSU Holders are concerned.

Accordingly, the Independent Board Committee recommends that:

- (a) the Scheme Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (b) the Shareholders vote in favour of the special resolution to approve the implementation of the Scheme at the SGM; and
- (c) the RSU Holders accept the RSU Offer.

The attention of the Scheme Shareholders and the RSU Holders is drawn to “*Letter from Rothschild*”, which sets out the factors and reasons taken into account by Rothschild in arriving at its advice to the Independent Board Committee.

TEY Wei Lin, the sole Director who is not on the Independent Board Committee, holds positions in various companies controlled by the Ultimate Controlling Shareholder. As the Ultimate Controlling Shareholder is the sole shareholder of the Offeror, TEY Wei Lin has voluntarily abstained from providing a recommendation to the Scheme Shareholders and the RSU Holders on the terms of the Proposal and the RSU Offer.

8. COURT MEETING AND SGM

A notice convening the Court Meeting to be held at Regus Business Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 30 September 2016 at 11:00 a.m. is set out on pages N-1 and N-2 of this document. A notice convening the SGM to be held at the same venue on the same date at 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) is set out on pages N-3 and N-4 of this document.

The Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in “*Conditions Precedent to the Proposal*” in the Explanatory Statement on pages 41 to 45 of this document.

Following the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Scheme.

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code and will include (a) the number of votes cast in favour of the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast and (b) the number of votes cast against the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast.

9. ACTIONS TO BE TAKEN

Your attention is drawn to “*Actions to be Taken*” in the Explanatory Statement on pages 56 to 59 of this document for details of the actions which you should take as a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner or deposited in CCASS in relation to the Court Meeting and the SGM or as a RSU Holder.

If you are an Overseas Shareholder or a RSU Holder, your attention is drawn to “*Overseas Shareholders and RSU Holders*” in the Explanatory Statement on pages 52 and 53 of this document.

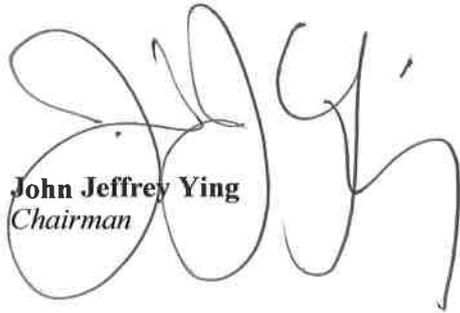
10. FURTHER INFORMATION

You are encouraged to read carefully (1) the letter from the Independent Board Committee set out on pages 6 and 7 of this document, (2) the letter from Rothschild, the Independent Financial Adviser, set out on pages 8 to 37 of this document, (3) the Explanatory Statement set out on pages 38 to 60 of this document and (4) the Appendices. In addition, a copy of the Scheme is set out on pages S-1 to S-7 of this document.

Shareholders and/or potential investors should be aware that the Proposal will only become effective upon all the Conditions being satisfied or validly waived (as applicable) and therefore the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the Shares.

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional adviser.

Yours faithfully,
For and on behalf of the Board of
Bracell Limited



John Jeffrey Ying
Chairman