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POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8265)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARY AND LOAN

On 21 December 2012, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of Richmind, and the benefit of the Loan at an aggregate consideration of HK\$24,000,000. Upon Completion, Richmind will cease to be a subsidiary of the Company.

As certain relevant percentage ratios calculated in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Purchaser, a Controlling Shareholder of the Company, beneficially owns 108,000,000 Shares, representing 72% of the issued share capital of the Company. Thus, the Purchaser is a connected person of the Company and the transaction contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements thereunder. Mr. Liu, Mr. Lam and Mr. Wong, all being Directors, own 47.6%, 23.8% and 23.8% of the issued share capital of the Purchaser respectively. As such, the Purchaser, Mr. Liu, Mr. Lam, Mr. Wong and their respective associates will abstain from voting at the SGM to be convened to approve the Disposal and the transactions contemplated under the Agreement.

A circular containing, among other things, further particulars on the Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders, and a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated under the Agreement and a notice of the SGM will be despatched to the Shareholders on or before 31 January 2013 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

THE AGREEMENT

On 21 December 2012, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of Richmind, and the benefit of the Loan at an aggregate consideration of HK\$24,000,000.

Parties

The Vendor : Good Destination Co., Ltd., a direct wholly-owned subsidiary of the Company incorporated in BVI with limited liabilities

The Purchaser : Data Champion Limited, a company incorporated in BVI with limited liabilities and a Controlling Shareholder of the Company. The principal business of the Purchaser is investment holding

Connection between the parties

As at the date of this announcement, the Purchaser, a Controlling Shareholder of the Company, beneficially owns 108,000,000 Shares, representing 72% of the issued share capital of the Company. Mr. Liu, Mr. Lam and Mr. Wong, all Directors, own 47.6%, 23.8% and 23.8% of the issued share capital of the Purchaser respectively. Thus, the Purchaser is a connected person of the Company and the transaction contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

Assets to be disposed of

100,000 shares of HK\$1 each (representing of the entire issued share capital) of Richmind and the benefit of the Loan.

Richmind is a company incorporated in Hong Kong on 9 December 1998. It is principally engaged in property holding. For the two years ended 31 December 2011, its audited net profits before taxation were HK\$530,351 and HK\$660,516 respectively while its audited net profits after taxation were HK\$430,351 and HK\$540,516 respectively. There was no extraordinary item during the two years ended 31 December 2011. The unaudited net asset value of Richmind amounted to approximately HK\$3,568,000 as at 17 December 2012.

As at the date of this announcement, Richmind owns the Properties at Workshop A on 7th Floor, Workshop B on 12th Floor, Workshops A and B on 11th, 16th and 19th Floors, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong which comprise 8 industrial units within a 26-storey industrial building of reinforced concrete construction completed in 1992. The total gross floor area and saleable area of the Properties are approximately 12,000 square feet and 7,676 square feet respectively. As valued by the Valuer, the market value of the Properties as at 30 November 2012 were HK\$24,000,000.

Consideration and the payment terms

The aggregate consideration is HK\$24,000,000 which will be payable by the Purchaser to the Vendor in cash at Completion.

The Consideration was arrived at after arm's length negotiations and with reference to the valuation of the Properties by the Valuer.

Condition precedent

Completion of the Agreement will be conditional upon the approval of the Independent Shareholders at the SGM.

If the conditions is not satisfied by 31 May 2013 or such later date as may be agreed between the parties, the Agreement shall lapse and no party to the Agreement shall have any claim against the other party except in respect of any antecedent breach.

Completion

Completion will take place on or before 31 May 2013, or such other date as may be agreed between the parties, after the condition to the Agreement has been fulfilled.

Upon Completion, Richmind will cease to be a subsidiary of the Company.

Reasons for the Disposal

The Group is principally engaged in sourcing of watches, costume jewelries, and display and packaging products for customers and sale of watches in the PRC.

In view of the substantial increase in the value of the Properties over their book value and the uncertain global economic environment, the Directors consider that the Disposal presents a good opportunity to realise its investment in Richmind.

The Directors (other than the independent non-executive Directors who will form an opinion after taking into consideration of the recommendation of the independent financial adviser) consider that the Disposal is on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Use of proceeds

The net proceeds from the Disposal shall be distributed to the Shareholders by way of a special dividend of not more than HK\$0.15 per share and with any remaining balance applied towards general working capital of the Group. The Company is currently in the course of assessing the Group's financial position and business plan in 2013 and is expected to finalise the rate of the special dividend and further announcement will be made in this connection and in the circular to be despatched to the Shareholders on or before 31 January 2013.

Financial effects of the Disposal

The Company expects to realise from the Disposal a gain of approximately HK\$18.3 million, representing the Consideration received less the unaudited net asset value of Richmind as at 17 December 2012 and the amount of the Loan. The calculations above are only estimates provided for illustrative purposes. The actual gain that the Company is able to realise will depend on the relevant figures at Completion.

GEM Listing Rules implications

As certain relevant percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

The Purchaser (owned as to 47.6% by Mr. Liu, 23.8% by Mr. Lam, 23.8% by Mr. Wong and 4.8% by Ms. Tam respectively) is a Controlling Shareholder of the Company interested in 108,000,000 Shares, representing 72% of the issued share capital of the Company as at the date of this announcement. Thus, the Purchaser is a connected person of the Company and the transaction contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements thereunder. The Purchaser, Mr. Liu, Mr. Lam, Mr. Wong and their respective associates will abstain from voting at the SGM to be convened, among other things, to approve the Disposal and the transactions contemplated under the Agreement.

The Group does not have any transaction with the Purchaser which is required to be aggregated with the Agreement under Rules 19.22 or 20.25 of the GEM Listing Rules.

The Company has established an independent board committee comprising Messrs. Cheung Chi Man, Dennis, Lui Tai Lok and Yip Kwok Kwan (all independent non-executive Directors) to advise the Independent Shareholders about the Agreement. It will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further particulars on the Agreement, the recommendations of the Independent Board Committee, and a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated under the Agreement and a notice of the SGM, will be despatched to the Shareholders on or before 31 January 2013 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Properties are currently leased to the Tenants on a monthly basis at a total rent of HK\$80,000 per month, exclusive of rates and management fees, for use as workshop, ancillary office and warehouse. Particulars of the Existing Tenancies are as follows:

Tenants	Unit(s) of the Properties	Monthly rent
Ampress Merchandising Limited	Workshop A on 7th Floor	HK\$10,000
Ampress Packaging Asia Limited	Workshops A and B on 11th Floor	HK\$20,000
Ampress Merchandising Limited	Workshop B on 12th Floor	HK\$10,000
Ampress Merchandising Limited	Workshops A and B on 16th Floor	HK\$20,000
EC Pacific Limited	Workshops A and B on 19th Floor	HK\$20,000

Under the terms of the Agreement, on Completion, the Tenants and Richmind will enter into the Tenancy Agreements in relation to the respective units of the Properties for a term of three years from the 1st day of the month following the Completion at the same rents under the Existing Tenancies (totally HK\$80,000 per month), exclusive of rates and management fees, with an option to the Tenants to renew the tenancy for another three years at the then prevailing market rent and otherwise on the same terms of the Tenancy Agreements (except the option unless otherwise agreed) and on such other normal commercial terms as may be agreed between the Tenants and Richmind. The Existing Tenancies will be terminated on the commencement of the term of the Tenancy Agreements. The rents under the Tenancy Agreements are the same as the market rentals of the Properties valued by the Valuer as at 30 November 2012. The Tenancy Agreements will allow the Group to continue its use of the Properties and ensure that the ordinary business operation of the Group will not be affected after Completion.

Since the Purchaser is a connected person of the Company, the Tenancy Agreements will constitute continuing connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules upon signing on Completion. As the total annual consideration of the Tenancy Agreements is less than HK\$1,000,000, they are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 20.33(3) of the GEM Listing Rules.

In the event that the annual consideration of the Tenancy Agreements is materially varied or amended in the future, the Company will be obligated to comply in full, at that time, with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the sales and purchase agreement entered into between the Vendor and the Purchaser on 21 December 2012 in respect of the Disposal
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Powerwell Pacific Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM
“Completion”	the completion of the Agreement
“Consideration”	HK\$24,000,000, being the consideration for the Disposal
“Controlling Shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the proposed disposal of the entire issued share capital of Richmind and the benefit of the Loan to the Purchaser at an aggregate consideration of HK\$24,000,000 pursuant to the terms of the Agreement
“Existing Tenancies”	the existing tenancies in relation to the Properties whereby Richmind leases the Properties to the Tenants on a monthly basis at a total rent of HK\$80,000 per month, exclusive of rates and management fees
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the terms of the Agreement
“Independent Shareholders”	Shareholders other than the Purchaser and its associates
“Loan”	the loan of HK\$2,119,580 advanced by the Vendor to Richmind as interest free unsecured loan
“Mr. Lam”	Mr. Lam Chi Wai, Peter, an executive Director, a Controlling Shareholder and a core management member of the Company
“Mr. Liu”	Mr. Liu Tin Chak, Arnold, the Chairman of the Company, an executive Director, a Controlling Shareholder and a core management member of the Company
“Mr. Wong”	Mr. Wong Yu Man, Elias, an executive Director, a Controlling Shareholder and a core management member of the Company
“Ms. Tam”	Ms. Tam Chiu Ming, Tammy, the general manager of the Company and a core management member of the Company
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Properties”	the properties owned by Richmind and consist of Workshop A on 7th Floor, Workshop B on 12th Floor, Workshops A and B on 11th, 16th and 19th Floors, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong

“Purchaser”	Data Champion Limited, a company incorporated in BVI on 6 August 2010, which is owned as to 47.6% by Mr. Liu, 23.8% by Mr. Lam, 23.8% by Mr. Wong and 4.8% by Ms. Tam respectively, and a Controlling Shareholder of the Company
“Richmind”	Richmind International Investment Limited, a indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liabilities
“SGM”	a special general meeting to be convened by the Company to consider and approve the Disposal and the transactions contemplated under the Agreement
“Share(s)”	ordinary share(s) of nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	the tenancy agreements to be entered into by the Tenants and Richmind in respect of the Properties as mentioned in the section headed “Exempt Continuing Connected Transactions” of this announcement
“Tenants”	EC Pacific Limited, Ampress Merchandising Limited and Ampress Packaging Asia Limited, all being wholly-owned subsidiaries of the Company and the tenants of which rent the Properties under the Existing Tenancies
“Valuer”	Asset Appraisal Limited, an independent valuer
“Vendor”	Good Destination Co., Ltd., a direct wholly-owned subsidiary of the Company incorporated in BVI with limited liabilities
“%”	per cent.

By order of the Board
Powerwell Pacific Holdings Limited
Chan Sun Kwong
Company Secretary

Hong Kong, 21 December 2012

As at the date of this announcement, the executive Directors are Liu Tin Chak, Arnold, Lam Chi Wai, Peter, Wong Yu Man, Elias and Yang Yijun and the independent non-executive Directors are Cheung Chi Man, Dennis, Lui Tai Lok and Yip Kwok Kwan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information

contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.hklistco.com/8265.