
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

If you have sold or transferred all your shares in Powerwell Pacific Holdings Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 8265)

**SPECIAL DEAL AND MAJOR AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ASSETS
AND
PROPOSED DECLARATION OF SPECIAL DIVIDEND
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to
Powerwell Pacific Holdings Limited**



**大有融資有限公司
MESSIS CAPITAL LIMITED**

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

AmCap

Ample Capital Limited

豐盛融資有限公司

A letter from the Board is set out on pages 5 to 13 of this circular and a letter from the Independent Board Committee is set out on pages 14 and 15 of this circular. A letter from Ample Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 16 to 32 of this circular.

A notice convening the SGM to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on 18 August 2014 at 3:00 p.m. is set out on pages 40 and 41 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

31 July 2014

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the stock exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	14
Letter from Ample Capital	16
Appendix I — Financial information of the Group	33
Appendix II — General information	35
Notice of SGM	40

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day (excluding Saturdays, Sundays and public holidays and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted at any time between 9: 00 a.m. to 5: 00 p.m.) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“Company”	Powerwell Pacific Holdings Limited (stock code: 8265), a company incorporated in Bermuda with limited liability which Shares are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“DCL”/“Vendor”	Data Champion Limited, a company incorporated in BVI with limited liability and 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
“Director(s)”	the director(s) of the Company from time to time
“Disposal”	the proposed disposal to the Disposal Purchaser of the entire issued share capitals of, and the benefits of loans advanced to, Goldnet HK and Goldnet BVI for an aggregate cash consideration of HK\$23 million pursuant to the terms of the Disposal Agreements
“Disposal Agreements”	the two sale and purchase agreements both dated 27 June 2014 between the Company and the Disposal Purchaser in respect of the Disposal
“Disposal Completion”	completion of the Disposal Agreements
“Disposal Proposal”	the Disposal, the proposed termination of service agreements of executive Directors and the Distribution

DEFINITIONS

“Disposal Purchaser”	Golden Business Development Limited, a company incorporated in BVI and wholly owned by DCL
“Distribution”	a special dividend of HK\$0.24 per Share proposed to be distributed by the Company to the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, payment of which is conditional on the Disposal Completion
“Emperor Capital”	Emperor Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Goldnet BVI”	Goldnet Holdings Group Limited (金城控股集團有限公司), a company incorporated in BVI and a wholly owned subsidiary of the Company
“Goldnet Group”	Goldnet BVI, Goldnet HK and Tianhaiba
“Goldnet HK”	Goldnet Holdings Group Limited (金城控股集團有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFA” or “Ample Capital”	Ample Capital Limited, a licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Proposal and the Offer
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the terms of the Disposal Proposal and the Offer

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Disposal Purchaser, the Interested Directors, Ms. Tam, the Offeror, Mr. Fei and parties acting in concert with any of them and those who are interested in or involved in the Disposal and/or the Offer
“Interested Directors”	Mr. Liu, Mr. Lam and Mr. Wong
“Joint Announcement”	the announcement dated 10 July 2014 jointly issued by the Company and the Offeror in relation to, among others, the Share Purchase Agreement, the Offer and the Disposal Proposal
“Latest Practicable Date”	30 July 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Fei”	Mr. Fei Jie, the beneficial owner of the Offeror and the sole director of the Offeror
“Mr. Lam”	Mr. Lam Chi Wai, Peter, an executive Director
“Mr. Liu”	Mr. Liu Tin Chak, Arnold, the Chairman of the Company and an executive Director
“Mr. Wong”	Mr. Wong Yu Man, Elias, an executive Director
“Mr. Yang”	Mr. Yang Yijun, an executive Director
“Ms. Tam”	Ms. Tam Chiu Ming, Tammy, the general manager of the Company
“Offer”	subject to the Share Purchase Completion, the mandatory unconditional cash offer to be made by Emperor Capital on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Fei and parties acting in concert with any of them) in accordance with the Takeovers Code
“Offeror”/“Purchaser”	King Full Inc Limited, a company incorporated in Hong Kong with limited liability which is wholly and beneficially owned by Mr. Fei
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Record Date”	25 August 2014, the record date to determine entitlement to the Distribution

DEFINITIONS

“Remaining Group”	the Group excluding the Goldnet Group after the Disposal
“Sale Shares”	108,000,000 Shares, representing 72% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement, to be acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Share Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal Proposal and the respective transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Share Purchase”	the proposed sale and purchase of the Sale Shares between the Vendor and the Purchaser pursuant to the terms and conditions of the Share Purchase Agreement
“Share Purchase Agreement”	the sale and purchase agreement dated 27 June 2014 between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Share Purchase Completion”	completion of the Share Purchase
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Tianhaiba”	深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited*), a company established in the PRC and a wholly owned subsidiary of Goldnet HK
“%”	per cent.

* For identification purpose only



POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 8265)

Executive Directors:

Mr. Liu Tin Chak, Arnold (*Chairman*)
Mr. Lam Chi Wai, Peter
Mr. Wong Yu Man, Elias
Mr. Yang Yijun

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Cheung Chi Man, Dennis
Professor Lui Tai Lok
Mr. Yip Kwok Kwan

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

19/F., Henry Centre
131 Wo Yi Hop Road
Kwai Chung, New Territories
Hong Kong

31 July 2014

To the Shareholders

Dear Sir/Madam,

**SPECIAL DEAL AND MAJOR AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ASSETS
AND
PROPOSED DECLARATION OF SPECIAL DIVIDEND**

INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror and the Company jointly announced that Emperor Capital will, on behalf of the Offeror, subject to the declaration of Distribution, the Disposal Completion and the Share Purchase Completion, make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Fei and parties acting in concert with any of them). All references to the Offer in this circular are references to the possible Offer which will be made if and only if the Share Purchase is completed.

On 10 July 2014, it was announced that on 27 June 2014 (after trading hours), (i) the Vendor and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, being 108,000,000 Shares, representing 72% of the entire issued

LETTER FROM THE BOARD

Purchaser: Golden Business Development Limited, a company incorporated in BVI and wholly owned by DCL

Assets to be disposed of:

1. 100 shares of HK\$1 each (representing 100% of the issued share capital) of, and the benefits of all loans up to the date of the Disposal Completion advanced by the Company to Goldnet HK. As at 31 May 2014, the total amount of loans advanced by the Company to Goldnet HK was HK\$43,272,444, which are interest free and repayable on demand; and
2. 100 shares with no par value (representing 100% of the issued share capital) of, and the benefits of loans totalling HK\$189,410 advanced by the Company to Goldnet BVI.

Goldnet HK is a company incorporated in Hong Kong on 8 October 2009. It is principally engaged in investment holding. The major asset of Goldnet HK is its 100% equity interest in Tianhaiba, a company established in the PRC on 23 June 2009 and principally engaged in assembly and sales of watches in the PRC. For the two years ended 31 December 2013, Goldnet HK's audited consolidated losses before taxation were HK\$4,212,591 and HK\$5,779,173 respectively while its audited consolidated losses after taxation were HK\$4,212,591 and HK\$5,782,392 respectively. There was no extraordinary item during these years. The book value of Goldnet HK (with loans to be assigned) was about HK\$21,998,900 as at 31 March 2014.

Goldnet BVI is a company incorporated in BVI on 8 August 2008. It is principally engaged in investment holding. It holds the intellectual property rights of trademarks used by Tianhaiba in its operation. For the two years ended 31 December 2013, its audited losses both before and after taxation were HK\$696 and HK\$38,314 respectively. There was no extraordinary item during these years. The book value of Goldnet BVI (with loans to be assigned) was about HK\$121,800 as at 31 March 2014.

The assets to be sold under the Disposal Agreements had a total book value of about HK\$22,120,700 as at 31 March 2014.

After the Disposal, the Company will cease to have any shareholding in the Goldnet Group.

Consideration:

The consideration of the Disposal Agreements shall be HK\$23 million (in cash) in aggregate. The consideration was arrived at after arm's length negotiations and with reference to the book values of the assets to be disposed of as at 31 March 2014.

The Directors (excluding the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and in the interest of the Shareholders as a whole.

There is a gain of about HK\$879,300 over book value arising on the Disposal.

LETTER FROM THE BOARD

Payment terms:

The consideration of the Disposal is due in cash on the Disposal Completion.

Use of proceeds:

The proceeds of the Disposal will be used for the Distribution.

Conditions of the Disposal Agreements:

Completion of the Disposal Agreements are conditional upon:

- (a) the passing of a resolution to approve the Disposal Agreements by the Independent Shareholders at a special general meeting of the Company in accordance with the GEM Listing Rules and the Takeovers Code; and
- (b) the Share Purchase Agreement becoming unconditional (save for the condition for the Disposal Agreements to become unconditional).

If the conditions are not fulfilled or waived by the Disposal Purchaser (except item (a) thereof) on or before 30 September 2014 the Disposal Agreements will lapse.

The Share Purchase Completion is conditional upon:

- (a) the Shares remaining listed and traded on the GEM, and no notification or indication being received from the Stock Exchange or the SFC prior to the Share Purchase Completion that the listing of the Shares on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended for more than seven consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Stock Exchange for this joint announcement and other announcements relating to, among other things, the transactions contemplated thereunder);
- (b) completion of the legal and financial due diligence review of the business, affairs, operation and financial position of the Remaining Group and the due incorporation of, the valid existence of and the power and capacity to carry on its business by the Remaining Group to the reasonable satisfaction of the Purchaser;
- (c) the passing by the Independent Shareholders at the SGM resolutions approving any special deal in accordance with Rule 25 of the Takeovers Code as a result of the Disposal and obtaining consent from the Executive of the SFC in relation to such special deal;
- (d) all necessary approvals and consents in respect of the Share Purchase Agreement and the transactions contemplated thereunder have been obtained;

LETTER FROM THE BOARD

- (e) the warranties remaining true and accurate in all material respects and not misleading in any material respect as of the Share Purchase Completion by reference to the facts and circumstances subsisting as at the Share Purchase Completion;
- (f) each of the Disposal Agreements having become unconditional (save for the condition for the Share Purchase Agreement to become unconditional); and
- (g) the declaration of the Distribution having been made.

The Purchaser is entitled to waive conditions (a), (b) and (e). Condition (b) has been satisfied.

Completion date:

The Disposal Agreements will be completed simultaneously with the Share Purchase Agreement following their becoming unconditional.

TERMINATION OF SERVICE AGREEMENTS OF EXECUTIVE DIRECTORS

The Interested Directors and Mr. Yang (all of whom are executive Directors) have entered into service agreements with the Company for a term of 3 years from 25 March 2014. It is proposed that upon the Disposal Completion, these Directors will enter into termination deeds with the Company to terminate their respective service agreements. Pursuant to such termination deeds, the Company and these Directors agree to terminate these service agreements respectively and to release each other from all claims and obligations thereunder with effect from date of such termination deeds. In particular, except the restrictions in respect of (i) the business of costume jewellery and display and packaging products and other products of the same or a similar design, function or application (the “Remaining Businesses”); and (ii) confidential information of the Remaining Group, these Directors shall be released from all obligations and restrictions on them under the service agreements including the following restrictions which would otherwise continue to apply for 2 years after termination of their employment with the Group:

- (a) engagement in competing business with the Group (except for the Remaining Businesses);
- (b) taking employment or providing assistance to any business competing with the Group (except for the Remaining Businesses);
- (c) engagement or interest in any supplier or customer of the Group (except for the Remaining Businesses);
- (d) solicitation or employment of employees of the Group (except for the Remaining Businesses); and
- (e) solicitation of customers of the Group (except for the Remaining Businesses).

LETTER FROM THE BOARD

The termination deeds are necessary in order the Interested Directors and Mr. Yang can carry on the business of the Goldnet Group after the Disposal Completion without breaching the restrictions contained in their service agreements relating to retail of watch business. Mr. Yang will enter into the termination deed as he is responsible for the management of the Goldnet Group. Furthermore, in view that the Company intends to carry out the Remaining Businesses after the Disposal Completion and the employment of certain employees, in particular those are responsible for carrying out the PRC watch sales business, may not necessary for the Remaining Group, the Directors consider that the release of the restrictions for these Directors to solicit and employ employees of the Group after termination of their employment with the Group is in the interest of the Company and the Shareholders as a whole. Therefore the Company considers that the terms of the termination deeds are fair and reasonable and their execution is in the interest of the Shareholders as a whole.

Upon the termination deeds becoming effective, the services agreements of the Interested Directors and Mr. Yang will terminate but they shall remain as executive Directors until the earliest time their resignations are permitted under the Takeovers Code.

PROPOSED DISTRIBUTION

Conditional on the Disposal Completion, the Directors propose to pay a Distribution of HK\$0.24 per Share (totalling HK\$36 million on the basis of 150 million Shares in issue as at the Latest Practicable Date) for the year ending 31 December 2014 to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, which shall precede the date of the Share Purchase Completion.

Proposed timetable

Set out below is the proposed timetable in respect of the Distribution:

Events	Date (2014)
SGM	18 August
Last day of dealings in the Shares cum-entitlement to the Distribution	19 August
First day of dealings in the Shares ex-entitlement	20 August
Latest time for lodging transfers of the Shares with the branch share registrar in Hong Kong to qualify for the Distribution	4:30 p.m. on 21 August
Register of members closes (both dates inclusive)	22–25 August
Record date for the Distribution	25 August
Completion of the Disposal and the Share Purchase Agreement	26 August

REASONS FOR THE DISPOSAL PROPOSAL

The Goldnet Group has continuously suffered loss since its inception in 2010. Under the present economic environment, the Directors believe the Disposal would remove the Group's exposure to the loss-making PRC watch sales business and enable it to focus its management and financial resources on developing its sourcing business. The proposed

LETTER FROM THE BOARD

termination of the service agreements of the executive Directors is part and parcel of the Disposal to allow the executive Directors to carry on the business of the Goldnet Group after the Disposal Completion. The Group's sourcing business is relatively well established and has been self-sustainable in terms of working capital; following the Disposal, the Group will no longer require to reserve cash resources to finance the business development of the loss-making Goldnet Group. The Distribution is to distribute the net proceeds of the Disposal and surplus cash reserves to the Shareholders so that all Shareholders can benefit from the Disposal.

The Company intends to carry on the current business of the Remaining Group after the Disposal. Please refer to the paragraph headed "Outlook and prospects" in Appendix I to this circular for further information.

EFFECTS OF THE DISPOSAL ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Earnings

The Directors expect that the Disposal will not bring any adverse material impact on the earnings of the Remaining Group as the Goldnet Group was loss making in recent years. It is expected that the Remaining Group will realise a gain of approximately HK\$879,300 from the Disposal, which is calculated with reference to the difference between the consideration of HK\$23,000,000 and the aggregate unaudited adjusted net asset value of the Goldnet Group and the loans advanced by the Company to the Goldnet Group as at 31 March 2014 of approximately HK\$22,120,700.

Assets and liabilities

Based on the unaudited financial information of the Group as at 31 March 2014, the total assets and total liabilities of the Remaining Group are expected to decrease immediately upon the Disposal Completion. The expected decrease in total assets is mainly due to the deconsolidation of the assets held by the Goldnet Group, net of the proceeds from the Disposal of HK\$23 million, and the expected decrease in total liabilities is mainly due to the deconsolidation of the liabilities held by the Goldnet Group. There will be an increase in the net assets of the Remaining Group of about HK\$879,300 before the Distribution. Cash and cash equivalents of the Remaining Group will increase by approximately HK\$22 million.

CONNECTION BETWEEN THE PARTIES

The Disposal Purchaser is a company wholly owned by DCL, 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 Latest Practicable Date. DCL is owned by Mr. Liu, Mr. Lam, Mr. Wong and Ms. Tam as to 47.6%, 23.8%, 23.8% and 4.8% respectively.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY

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.

The Disposal Purchaser is principally engaged in investment holding.

GEM LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Disposal together constitutes a major and connected transaction under the GEM Listing Rules and a special deal on the part of the Company under Note 4 to Rule 25 of the Takeovers Code which requires the approval of the Independent Shareholders by way of poll and the consent of the Executive. The Executive will normally require, as a condition of his consent, the IFA publicly states that in its opinion the terms of the Disposal are fair and reasonable. The Group does not have any transaction with the Disposal Purchaser which is required to be aggregated with the Disposal under Rules 19.22 or 20.79 of the GEM Listing Rules. The Company has made an application to the Executive for his consent under Note 4 to Rule 25 of the Takeovers Code in relation to the special deal. The Interested Directors (who are interested in the Disposal) have abstained from voting on the board resolutions approving the Disposal Proposal. DCL, the interested Directors, Ms. Tam and their respective associates and those who are involved in or interested in the Disposal and/or the Offer will abstain from voting on the proposed resolution in respect of the Disposal Proposal at the SGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2014 to 25 August 2014, both dates inclusive. To qualify for the Distribution, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2014.

THE SGM

A notice convening the SGM is set out on pages 40 and 41 of this circular. The SGM will be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on 18 August 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, approving, by way of poll the Disposal Proposal and the respective transactions contemplated thereunder.

A proxy form for use at the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from

LETTER FROM THE BOARD

attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to have been revoked.

RECOMMENDATION

The Board (including independent non-executive Directors after taking into account the advice of the IFA) is of the view that the Disposal Proposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

You are advised to read carefully (i) the letter from the Independent Board Committee set out on pages 14 and 15 of this circular; and (ii) the letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders in connection with the Disposal Proposal set out on pages 16 to 32 of this circular before deciding whether or not to vote in favour of the ordinary resolution to be proposed at the SGM.

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

By order of the Board
Powerwell Pacific Holdings Limited
Liu Tin Chak, Arnold
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Proposal prepared for the purpose of inclusion in this circular.



POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 8265)

31 July 2014

To the Independent Shareholders

Dear Sir/Madam,

**SPECIAL DEAL AND MAJOR AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ASSETS
AND
PROPOSED DECLARATION OF SPECIAL DIVIDEND**

We refer to the circular of the Company to the Shareholders dated 31 July 2014 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Disposal Proposal, details of which are set out in the “Letter from the Board” in the Circular. We wish to draw your attention to the letter of advice from Ample Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Proposal set out on pages 16 to 32 of the Circular, and the letter from the Board set out on pages 5 to 13 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among others, the terms of the Disposal Proposal, the factors and reasons considered by, and the advice given by Ample Capital, we consider that the terms and conditions of the Disposal Proposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Disposal Proposal and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Powerwell Pacific Holdings Limited

Cheung Chi Man, Dennis

Independent

non-executive Director

Lui Tai Lok

Independent

non-executive Director

Yip Kwok Kwan

Independent

non-executive Director

LETTER FROM AMPLE CAPITAL

The following is the full text of the letter of advice from Ample Capital in respect of the Disposal Proposal, and is prepared for the purpose of incorporation into this circular.

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

31 July 2014

*To the Independent Board Committee and
the Independent Shareholders of Powerwell Pacific Holdings Limited*

Dear Sirs,

**SPECIAL DEAL AND MAJOR AND CONNECTED
TRANSACTION IN RELATION TO DISPOSAL OF ASSETS
AND
PROPOSED DECLARATION OF SPECIAL DIVIDEND**

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Proposal, which comprises the Disposal, the proposed termination of service agreements of executive Directors (the “**Termination**”) and the Distribution, particulars of which have been set out in a circular to the Shareholders dated 31 July 2014 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Disposal Proposal are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms and the Disposal Proposal is in the ordinary and usual course of business of the Group; (ii) give our recommendation as to whether the Disposal Proposal is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the SGM. Details of the reasons for the Disposal Proposal are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM AMPLE CAPITAL

On 27 June 2014, the Vendor and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, being 108,000,000 Shares, representing 72% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement at an aggregate consideration of HK\$151,200,000 (equivalent to HK\$1.40 per Sale Share).

In addition, the Company entered into the Disposal Agreements on 27 June 2014 for the disposal to the Disposal Purchaser of the entire issued share capitals of, and the benefit of loans advanced to, Goldnet HK and Goldnet BVI for an aggregate consideration of HK\$23 million in cash. The Disposal Purchaser is a company wholly owned by DCL, a Controlling Shareholder of the Company. The Disposal Agreements will be completed simultaneously with the Share Purchase Agreement following their becoming unconditional.

The Disposal together constitutes a major and connected transaction for the Company under the GEM Listing Rules and a special deal on the part of the Company under Note 4 to Rule 25 of the Takeovers Code, which requires the approval of the Independent Shareholders by way of poll and the consent of the Executive and such consent, if granted will be conditional upon Ample Capital, as the independent financial adviser to the Independent Board Committee, publicly stating that in its opinion, the terms of the Disposal are fair and reasonable.

The Interested Directors and Mr. Yang (all of whom are executive Directors) have entered into service agreements with the Company for a term of 3 years from 25 March 2014 (the “**Service Agreements**”). On top of the Disposal, it is proposed that upon the completion of the Disposal Agreements, these Directors will enter into termination deeds (the “**Termination Deeds**”) with the Company to terminate their respective Service Agreements. Pursuant to the Termination Deeds, the Company and these Directors agree to terminate the Service Agreements respectively and to release each other from all claims and obligations thereunder with effect from date of the Termination Deeds.

Conditional on the Disposal Completion, the Directors propose to pay Distribution of HK\$0.24 per Share (totalling HK\$36 million on the basis of 150 million Shares in issue as at the Latest Practicable Date) for the year ending 31 December 2014 to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, which shall precede the date of the Share Purchase Completion.

DCL, the Interested Directors, Ms. Tam, and their respective associates and those who are involved in or interested in the Disposal and/or the Offer shall abstain from voting on the proposed resolution in respect of the Disposal Proposal at the SGM.

The Independent Board Committee, comprising Messrs. Cheung Chi Man, Dennis, Lui Tai Lok and Yip Kwok Kwan (all of whom are independent non-executive Directors), has been formed to advise the Independent Shareholders in respect of the Disposal Proposal. The Independent Board Committee has approved our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal Proposal.

LETTER FROM AMPLE CAPITAL

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information and facts supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the Latest Practicable Date, and should there be any material changes thereof which may affect our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in the Circular 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 in the Circular or the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Offer and the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular misleading.

The information contained in the Circular relating to the Offer and the Offeror has been extracted or derived from the Joint Announcement or provided by the Offeror. The Directors accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the GEM Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Disposal Proposal.

LETTER FROM AMPLE CAPITAL

PRINCIPAL FACTORS CONSIDERED

A. The Disposal and the Distribution

In arriving at our opinion in relation to the Disposal and the Distribution, we have taken into consideration the following factors:

1. Information on the Group

The Company is a company incorporated in Bermuda with limited liability and has been listed on GEM since 26 January 2011. The Group is principally engaged in (i) provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “**Sourcing Business**”); and (ii) design, manufacturing and distribution of watches of its own brands in the PRC (the “**PRC Watch Business**”). Set out below is certain summary financial information as extracted from the Group’s annual report for the year ended 31 December 2013 (the “**2013 Annual Report**”):

	Year ended 31 December	
	2012	2013
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	197,655	172,640
Profit attributable to owners of the Company	2,307	15,564

	As at 31 December	
	2012	2013
	HK\$'000	HK\$'000
	(audited)	(audited)
Total assets	116,482	113,979
Total liabilities	58,676	60,024
Net assets attributable to owners of the Company	57,806	53,955

We note that the Group recorded a revenue of approximately HK\$172.6 million for the year ended 31 December 2013, representing an approximately 12.7% decrease when compared with the revenue of approximately HK\$197.7 million recorded during the year ended 31 December 2012. The 2013 Annual Report attributed such decrease to the global market instability and slow recovery in the western economy, which affected the revenue of the Group generated from the Sourcing Business. Despite the decrease in revenue, the Group recorded increases in its selling and distribution costs and administrative expenses, which were principally resulted from the expenses spent on expansion of the PRC Watch Business. During the year ended 31 December 2013, the Group generated profit attributable to owners of approximately HK\$15.6 million compared with profit attributable to owners of approximately HK\$2.3 million recorded during the year ended 31 December 2012. The profit for the year ended 31

LETTER FROM AMPLE CAPITAL

December 2013 was resulted from the recognition of a gain on disposal of a subsidiary of approximately HK\$18.0 million. As at 31 December 2013, the Group had total assets, total liabilities and net assets attributable to owners of the Company of approximately HK\$114.0 million, HK\$60.0 million and HK\$54.0 million respectively.

2. Information on the Goldnet Group

2.1 Principal business of the Goldnet Group

The Goldnet Group comprises Goldnet HK, Tianhaiba and Goldnet BVI. The Goldnet Group is engaged in the PRC Watch Business.

As stated in the Board Letter, Goldnet HK is a company incorporated in Hong Kong on 8 October 2009. It is principally engaged in investment holding. The major asset of Goldnet HK is its 100% equity interest in Tianhaiba, a company established in the PRC on 23 June 2009 and principally engaged in assembly and sales of watches in the PRC.

Goldnet BVI is a company incorporated in BVI on 8 August 2008. It is principally engaged in investment holding. It holds the intellectual property rights of trademarks used by Tianhaiba in its operation.

According to the prospectus of the Company issued on 29 December 2010, Tianhaiba and Goldnet HK only became members of the Group in late 2009 and the PRC Watch Business was then commenced in early 2010.

2.2 Financial performance of the Goldnet Group

Selected summary financial information of Goldnet HK and Goldnet BVI for the two years ended 31 December 2012 and 2013 as extracted from the audited financial statements of Goldnet HK and Goldnet BVI respectively is set out below:

Goldnet HK	Year ended 31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	29,634	44,831
Loss attributable to owners	4,213	5,782

Goldnet BVI	Year ended 31 December	
	2012	2013
	<i>HK\$</i>	<i>HK\$</i>
Revenue	—	—
Loss attributable to owners	696	38,314

As set out in above table, both Goldnet HK and Goldnet BVI have suffered loss in the past two years. We notice that the business of the Goldnet Group has been presented in the financial reports of the Company as the “**PRC Watch Business**” and the segment information in the financial reports regarding the business segment of the PRC Watch Business reflects the financial performance of the Goldnet Group. According to the segment information of the annual reports of the Company, the segment revenue of the PRC Watch Business was approximately HK\$7.9 million, HK\$20.0 million, HK\$29.6 million and HK\$44.8 million respectively and the segment loss of the PRC watch business was approximately HK\$6.9 million, HK\$3.8 million, HK\$4.2 million and HK\$5.8 million respectively for the four years ended 31 December 2013. The revenue generated from the PRC Watch Business accounted for approximately 3.8%, 8.3%, 15.0% and 25.9% of the Group’s total revenue for the four years ended 31 December 2013 respectively. We understand from the Company that the turnover of the PRC Watch Business showed continuous growth principally due to the expansion of its distribution network and resources spent on brand building and marketing. According to the annual reports of the Company, although the PRC Watch Business continued to record growth in its revenue, it still continued to record loss as considerable amount of expenses have been incurred for brand building and marketing campaign for market development. According to the quarterly report of the Company for the three months ended 31 March 2014, the loss position remained unchanged. We understand from the Company that the revenue of the PRC Watch Business might not sustain at the current level without the resources spent. Therefore, the timing when the PRC Watch Business can turnaround to profit is uncertain. In addition, as a result of its loss-making position, the Goldnet Group requires the Group to spend resources on its operations and business expansion. As at 31 May 2014, the total amount of loans advanced by the Group to Goldnet HK was approximately HK\$43.3 million.

2.3 The PRC market

We understand from the Company that the business of the Goldnet Group mainly focuses on the PRC market, with less than 20% of its turnover generated from export sale. An analysis of the operating environment of the PRC related to the PRC Watch Business is set out below:

2.3.1 Gross domestic product in the PRC

Although the PRC’s economy has maintained growth since the 1980s, the growth rate has been slowing down in recent years. According to the National Bureau of Statistics of China, the growth rate of the nominal gross domestic product (the “**GDP**”) in the PRC for 2011, 2012 and 2013 were 17.8%, 9.8% and 9.5% respectively. The decreasing growth rate reflected the slowing down of the PRC’s economy development which may affect consumers’ confidence.

2.3.2 Per capita annual disposable income of urban households in the PRC

Along with the slowdown of nominal GDP's growth in the PRC, the increase in the per capita annual disposable income of urban households also showed similar trend in recent years. According to the National Bureau of Statistics of China, the per capita annual disposable income of urban households for 2011, 2012 and 2013 were RMB21,809.8, RMB24,565.0 and RMB26,955.0 respectively, representing an annual growth rate of 14.1%, 12.6% and 9.7% respectively.

2.3.3 Total retail sales of consumer goods in the PRC

Similar to 2.3.1 and 2.3.2 above, the growth of total sales of consumer goods in the PRC also slowed down in recent years. According to the National Bureau of Statistics of China, the annual growth rate of total retail sales of consumer goods for 2011, 2012 and 2013 were 17.1%, 14.3% and 13.1% respectively.

2.3.4 Total import of watch of the PRC

The import of watch of the PRC experienced fluctuations in the past three years. According to China Customs, in 2011, the total import of watch of the PRC reached US\$3.3 billion, representing annual growth rate of 49.2%, and then further increased to US\$4.1 billion, representing annual growth rate of 27.1%. However, in 2013, the total import of watch of the PRC dropped by 5.9% to US\$3.9 billion. Although in 2011 and 2012 the total import of watch of the PRC recorded strong growth, the drop in 2013 may indicate uncertainties on the prospect of the retail sales market of watch in the PRC.

Having considered the above analysis, we are of the view that, despite there had been growth in the economy in the PRC in recent years, there are still uncertainties on the future prospect of the Goldnet Group taking into account the slower growth rates of various economic parameters applicable to the retail watch business in the PRC; and the unsatisfactory track record of the Goldnet Group.

3. *Information on the Remaining Group*

3.1 Principal business of the Remaining Group

After the Disposal, the business of the Remaining Group will be the Sourcing Business which provides sourcing and procurement solutions to the customers who are mainly brand owners and importers. The Group sources a variety of products to its customers which include watches, costume jewelries, and display and packaging products, and provides its customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing. The principal markets of the Sourcing

Business, unlike the Goldnet Group which focuses on the PRC market, are relatively more diversified and include the United States of America, Hong Kong and various European countries. Compared with the PRC Watch Business which faces the potential risks of reliance on single product category (being watch) and the PRC market, we consider that the business risk of the Sourcing Business is relatively lower in view that it can diversify its risk over different countries and products. As different countries have different business operating environment and different products have different factors affecting their demands, the risk of a business with diversified geographical markets and products is generally lower.

3.2 Financial performance of the Remaining Group

We notice that the business of the Remaining Group has been presented in the financial reports of the Company as the “**Sourcing Business**” and the segment information in the financial reports regarding the business segment of the Sourcing Business reflects the financial performance of the Remaining Group. According to the segment information of the annual reports of the Company, the segment revenue of the Sourcing Business was approximately HK\$200.3 million, HK\$220.3 million, HK\$168.0 million and HK\$127.8 million respectively and the segment profit of the Sourcing Business was approximately HK\$22.1 million, HK\$26.1 million, HK\$16.3 million and HK\$11.4 million respectively for the four years ended 31 December 2013. The revenue generated from the Sourcing Business accounted for approximately 96.2%, 91.7%, 85.0% and 74.1% of the Group’s total revenue for the four years ended 31 December 2013 and accordingly the Sourcing Business has been the Group’s major source of revenue. As stated in the annual reports of the Company for the two years ended 31 December 2013, the financial performance of the Sourcing Business deteriorated for these two years mainly as a result of poor economy of the western counties where the main source of revenue for the Sourcing Business is. According to the quarterly report of the Company for the three months ended 31 March 2014, the revenue of the Sourcing Business picked up and recorded an increase of approximately 10.4% compared with the same period of last year, mainly due to increasing orders from the Group’s brand owner customer in watch business as the western market is recovering. We understand from the Company that (i) the principal markets of the Sourcing Business, unlike the Goldnet Group which focuses on the PRC market, are relatively more diversified and include the United States of America, Hong Kong and various European countries; and (ii) the Sourcing Business only derives a minority portion (less than 0.1% for the year ended 31 December 2013) of its revenue from the PRC market. Therefore, we consider that the slower growth rates of various economic parameters applicable to the retail watch business in the PRC as mentioned in the paragraph headed “2.3 The PRC market” would not have any material adverse impact on the Sourcing Business. Despite the decrease in sales for the Sourcing Business for the two years ended 31 December 2013, it remained profitable in such years. Although the percentage of the Group’s revenue attributable to the Sourcing Business was on a decreasing trend in recent years as a result of (i) the Group’s resources spent on expansion of the PRC Watch Business such that the revenue generated from the PRC Watch Business

LETTER FROM AMPLE CAPITAL

recorded continuous growth; and (ii) deteriorating results of the Sourcing Business for these two years mainly as a result of poor economy of the western counties, the Sourcing Business remains the key profit generator of the Group.

4. Reasons for and benefits of the Disposal and the Distribution

It is stated in the Board Letter that the Goldnet Group has continuously suffered loss since its inception in 2010. Under the present economic environment, the Directors believe the Disposal would remove the Group's exposure to the loss-making PRC Watch Business and enable it to focus its management and financial resources on developing its Sourcing Business.

According to the Board Letter, the Group's Sourcing Business is relatively well established and has been self-sustainable in terms of working capital; following the Disposal, the Group will no longer require to reserve cash resources to finance the business development of the loss-making Goldnet Group. The Distribution is to distribute the net proceeds of the Disposal and surplus cash reserves to the Shareholders so that all Shareholders can benefit from the Disposal.

In view of (i) the uncertainty of the future prospects of the PRC Watch Business as discussed in the paragraph headed "2. Information on the Goldnet Group" above and it may continuously requires the Group to spend resources on its loss-making operations; (ii) the Sourcing Business has been the major source of the Group's revenue and remains profitable and the key profit generator of the Group; (iii) the business risk of the Sourcing Business is relatively lower than the PRC Watch Business as set out in the paragraph headed "3.1 Principal Business of the Remaining Group" above, we concur with the Directors that it is a commercially sensible move to dispose of the PRC Watch Business to focus the Group's resources on its Sourcing Business.

Conditional on the Disposal Completion, the Directors propose to pay Distribution of HK\$0.24 per Share for the year ending 31 December 2014 to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, which shall precede the date of the Share Purchase Completion.

In view that the (i) the Group will no longer require to reserve cash resources to finance the business development of the loss-making Goldnet Group; and (ii) the Distribution is to distribute the net proceeds of the Disposal and surplus cash reserves to the Shareholders so that all Shareholders can benefit from the Disposal, we consider that the Disposal provides an opportunity to the Shareholders to realise part of their investments in the Company by receiving the Distribution. Moreover, as noticed from the Board Letter, the Share Purchase Agreement and the Disposal Agreements are inter-conditional on each other. If the Disposal is not approved by the Independent Shareholders, the Share Purchase Agreement will not complete and accordingly the Offer will not proceed. Therefore, the Disposal is one of the conditions leading to not only the Distribution but also the Offer. After receiving the Distribution of HK\$0.24 per Share, Shareholders will also have the option to (i) continue holding the Shares which value will depend on the then prevailing market prices of the Shares; or (ii)

LETTER FROM AMPLE CAPITAL

accept the Offer at the offer price of HK\$1.4 per Share. In case the Shareholders accept the Offer, the aggregate benefit receivable by the Shareholders through receiving the Distribution and accepting the Offer will be HK\$1.64 per Share. Shareholders are advised that an analysis on the Offer, including whether the terms of the Offer are fair and reasonable and a recommendation on whether to accept or reject the Offer, will be set out in the offer document to be dispatched to Shareholders.

In light of the aforesaid, and in particular (i) it is commercially sensible to dispose the Goldnet Group to focus the Group's resources on its Sourcing Business in view of the uncertainty of the future prospects of the PRC Watch Business; and (ii) the Disposal is one of the conditions leading to the Distribution and accordingly the Disposal, together with the Distribution, provides an opportunity to the Shareholders to realise part of their investments in the Company, we are of the view that the Disposal, together with the Distribution, is in the interest of the Company and the Shareholders as a whole.

5. *Terms of the Disposal*

5.1 *The Disposal Consideration*

The consideration of the Disposal Agreements (the “**Disposal Consideration**”) shall be HK\$23 million (in cash) in aggregate, which is payable upon the Disposal Completion. As stated in the Board Letter, the Disposal Consideration was arrived at after arm's length negotiations and with reference to the book values of the assets to be disposed of as at 31 March 2014 of about HK\$22,120,700. There is a gain of about HK\$879,300 over book value arising on the Disposal.

We have reviewed the unaudited balance sheets of the Goldnet Group as at 31 March 2014 and noticed that the Goldnet Group recorded net liabilities. The book values of the assets to be disposed of as mentioned above of about HK\$22,120,700 had been arrived at after adding back the loans advanced by the Company to Goldnet HK and Goldnet BVI as the assets to be disposed of include the relevant loans. According to the unaudited balance sheets of the Goldnet Group as at 31 March 2014, the principal assets of the Goldnet Group included inventories, trade receivables, intangible assets (being trademarks), and property, plant and equipment while the liabilities were trade and other payables, and the loans advanced by the Company. We have discussed with the Company and reviewed the nature of the assets of the Goldnet Group and concur with the Company's view that the Goldnet Group does not possess any assets that have upward revaluation potential. In particular, we note from the 2013 Annual Report that impairment assessments have been conducted on relevant assets to determine if impairment was needed and as a result, impairment loss was recognised for goodwill, other intangible assets i.e. trademarks, and property, plant and equipment of the Goldnet Group by HK\$230,000, HK\$220,000 and HK\$150,000 respectively. In view that (i) the Group's assets have no upward revaluation potential; (ii) impairment losses have been recognised for those assets with decrease in fair value; and (iii) the Goldnet Group has been in loss-making

LETTER FROM AMPLE CAPITAL

position, we consider that the book value of the assets to be disposed of under the Disposal Agreements represents the fair value of such assets and it is fair and reasonable to adopt the book value of the assets as a base to determine the Disposal Consideration.

5.2 Market Comparables

As discussed in the paragraph headed “2.2 Financial performance of the Goldnet Group” above, the Goldnet Group has been loss-making for the past few years. As the Goldnet Group recorded a loss for the year ended 31 December 2013, in order to assess the fairness and reasonableness of the Disposal Consideration, the price-to-earnings ratio (the “**P/E Ratio**”) is considered not applicable and the price to book ratio (the “**P/B Ratio**”) has been used instead in our analysis. We have identified 6 companies (the “**Comparable(s)**”) listed in Hong Kong which (i) are principally engaged in sale of watches; and (ii) have revenue from sale of watch products represented not less than 60% of the total revenue for the latest financial year. The Comparables represent an exhaustive list of all comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. For the purpose of our letter, we have conducted an analysis on the P/B Ratios on the Comparables, and compared the P/B Ratios of the Comparables to the P/B Ratio of the Goldnet Group represented by the Disposal Consideration. Our analysis on the Comparables is set out below. For information only, the P/E Ratios of the Comparables are also set out below.

LETTER FROM AMPLE CAPITAL

Name of company (stock code)	Principal activities	Major geographic location of the Group's revenue from external customers	Closing price as at the date of the Disposal Agreements HK\$'	Market capitalisation/ valuation of company ¹ HK\$'000	Net asset value ("NAV") ² HK\$'000	P/B Ratio ³ times	P/E Ratio ⁴ times
Asia Commercial Holdings Ltd. (104)	Trading and retailing of watches and property leasing.	PRC	0.165	225,533	396,679	0.57	N/A ⁵
Citychamp Watch & Jewellery Group Ltd. (formerly known as China Haidian Holdings Limited) (256)	Manufacture and distribution of watches and timepieces, property investments and distribution of yachts.	PRC	0.94	4,143,215	4,315,079	0.96	7.33
Ming Fung Jewellery Group Limited (860)	Export of manufactured jewellery products and writing instruments; trading of jewellery products and watches; mining, exploration and sale of gold resources.	PRC	0.088	576,316	1,986,763	0.29	N/A ⁵
Ernest Borel Holdings Ltd. (1856)	Design, manufacture, market and sell, Swiss made mechanical and quartz premium watches for men and women.	PRC	3.10 ⁶	1,075,700	621,704 ⁷	1.73	11.56
Time Watch Investments Ltd. (2033)	Design and development, assembling, marketing and sales of watches.	PRC	1.16	2,412,737	1,286,488	1.88	11.30
Hengdeli Holdings Ltd. (3389)	Retail and distribution of middle to high-end consumer goods including internationally renowned watch brands, the related after-sale service and manufacturing of packaging and display products.	PRC	1.34	6,430,835	6,999,043 ⁸	0.92	12.85
					Minimum	0.29	7.33
					Maximum	1.88	12.85
					Average	1.06	10.76
Goldnet Group				23,000⁹	22,121	1.04	N/A⁵

Sources: <http://www.hkex.com.hk> and <http://www.hkexnews.hk>

Notes:

- The market capitalisation of the Comparables was calculated based on their respective closing price per share as quoted on the Stock Exchange on the date of the Disposal Agreements and their issued share capital.
- The NAV of the Comparables was based on their respective latest published net assets attributable to owners as at the date of the Disposal Agreements.
- The P/B Ratios of the Comparables were calculated based on their respective closing prices as at the date of the Disposal Agreements and the NAV of the Comparables as extracted from their respective latest published balance sheet divided by the total number of issued shares.

LETTER FROM AMPLE CAPITAL

4. The P/E Ratios of the Comparables were calculated based on their respective closing prices as at the date of the Disposal Agreements and the net profit of the Comparables as extracted from their respective latest published annual reports divided by the total number of issued shares.
5. Each of the Comparable/Goldnet Group was loss-making and therefore no P/E was available.
6. This Comparable was listed recently on 11 July 2014. The closing price of this Comparable was based on its relevant closing price closest to the date of the Disposal Agreements (i.e. its date of listing).
7. The NAV of this Comparable was based on its latest published net assets attributable to owners plus its net proceeds from its listing which took place on 11 July 2014.
8. The NAV or share price of this Comparable was quoted in RMB. For illustrative purpose only, translation of RMB into HK\$ has been made at the exchange rate of approximately RMB1 = HK\$1.25.
9. The valuation of the Goldnet Group is based on the Disposal Consideration.

As illustrated in the analysis above, the P/B Ratios of the Comparables range from a low end of approximately 0.29 times to a high end of approximately 1.88 times with the average figure being approximately 1.06 times. Accordingly, the P/B Ratio of the Goldnet Group of approximately 1.04 times is within the range of the Comparables' P/B Ratios and just slightly below the average figure.

The Goldnet Group has been loss-making for the past few years. As set out in the table above, 4 out of 6 of the Comparables were profit-making and the average P/E ratio of the Comparables is approximately 10.76 times. We notice that the two loss-making Comparables had a P/B ratio of only 0.57 times and 0.29 times respectively, which is much lower than the P/B ratio of the Goldnet Group.

Having considered:

- (i) the consideration of the Disposal Agreements represents a premium of about HK\$879,300 over the book value of the assets to be disposed of under the Disposal;
- (ii) the P/B ratio of the Goldnet Group is (a) within the range of the Comparables' P/B ratios; (b) just slightly below the average figure of the Comparables' P/B ratio; and (c) higher than the P/B ratios of the two loss-making Comparables; and
- (iii) the historical performance of the Goldnet Group was unsatisfactory on its own and as compared to four of the Comparables, which were profit-making,

we consider the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. *Financial effects of the Disposal and the Distribution*

As confirmed by the Directors, upon the Disposal Completion, the Goldnet Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the Group's financial statements.

6.1 Effect on earnings

With reference to the Board Letter, the Directors expect that the Disposal will not bring any adverse material impact on the earnings of the Remaining Group as the Goldnet Group was loss-making in recent years. It is expected that the Remaining Group will realise a gain of approximately HK\$879,300 from the Disposal, which is calculated with reference to the difference between the Disposal Consideration of HK\$23,000,000 and the sum of the aggregate unaudited adjusted net assets value of the Goldnet Group and the loans advanced by the Company to the Goldnet Group as at 31 March 2014 of approximately HK\$22,120,700. In view of the disposal of a loss-making business and the estimated gain on disposal from the Disposal, we consider that the earnings of the Remaining Group would improve as a result of the Disposal.

6.2 Effect on assets and liabilities

With reference also to the Board Letter, based on the unaudited financial information of the Group as at 31 March 2014, the total assets and total liabilities of the Remaining Group are expected to decrease immediately upon the Disposal Completion. The expected decrease in total assets is mainly due to the deconsolidation of the assets held by the Goldnet Group, net of the proceeds from the Disposal of HK\$23 million, and the expected decrease in total liabilities is mainly due to the deconsolidation of the liabilities held by the Goldnet Group. In view that the Disposal would only result in a gain on disposal of immaterial amount, we consider that the net asset value will not have material change upon the Disposal Completion. However, after the Distribution, the net asset value is expected to be decreased by the amount of the Distribution.

6.3 Effect on working capital

According to the 2013 Annual Report, the Group had cash and cash equivalents of approximately HK\$37.3 million. We have reviewed the audited financial statements of the Goldnet Group and noticed that its cash balance was relatively immaterial. Accordingly, it is expected that the cash and cash equivalents of the Remaining Group would increase upon the Disposal Completion despite the deconsolidation of the assets held by the Goldnet Group. However, as the amount in relation to the Distribution (HK\$36 million) exceeds the Disposal Consideration, the cash and cash equivalents would decrease after the Disposal and the Distribution.

LETTER FROM AMPLE CAPITAL

We have discussed with the Directors with regard to the aforementioned analysis and are of the view that they were made on a reasonable basis. Nonetheless, it should be noted that the aforementioned analysis are for illustrative purpose only and do not purport to represent how the financial position of the Remaining Group will be upon completion of the Disposal and the Distribution.

B. The Termination

On top of the Disposal, it is proposed that upon the completion of the Disposal Agreements, the Interested Directors and Mr. Yang (all of whom are executive Directors) will enter into the Termination Deeds with the Company to terminate their respective Service Agreements. Pursuant to the Termination Deeds, the Company and these Directors agree to terminate the Service Agreements respectively and to release each other from all claims and obligations thereunder with effect from date of the Termination Deeds. We understand from the Directors that Mr. Yang, though does not have interest in the Goldnet Group, will continue to be involved in the management of the Goldnet Group after the Disposal.

After the Disposal, the Interested Directors and Mr. Yang will resign as executive Directors from the earliest time their resignations are permitted under the Takeovers Code. In view that they will no longer be the executive Directors, it is reasonable that their Service Agreements with the Company will be ceased.

We notice that a major term of the Termination Deeds to be entered into between the Company and the abovementioned executive Directors that except the restrictions in respect of (i) the business of costume jewellerys and display and packaging products and other products of the same or a similar design, function or application (the “**Remaining Businesses**”); and (ii) confidential information of the Remaining Group, these Directors shall be released from all obligations and restrictions on them under the Service Agreements including the following restrictions which would otherwise continue to apply for 2 years after termination of their employment with the Group: (a) engagement in competing business with the Group (except the Remaining Businesses); (b) taking employment or providing assistance to any business competing with the Group (except the Remaining Businesses); (c) engagement or interest in any supplier or customer of the Group (except for the Remaining Businesses); (d) solicitation or employment of employees of the Group (except for the Remaining Businesses); and (e) solicitation of customers of the Group (except for the Remaining Businesses). As stated in the Board Letter, the Termination is part and parcel of the Disposal to allow the executive Directors (including Mr. Yang, though does not have interest in the Goldnet Group, will continue to be involved in the management of the Goldnet Group after the Disposal) to carry on the business of the Goldnet Group after the Disposal Completion. Taking into consideration that (i) after the Disposal, the Interested Directors and Mr. Yang will resign as executive Directors; (ii) if the Termination Deeds are not entered into to remove certain restrictions as regards engagement in the business of watch products developed by the Group during their employment, the executive Directors will be in breach of the terms of the Service Agreements as the Goldnet Group is engaged in the business of watch products; (iii) we consider that the business of the Goldnet Group and the Remaining Group of watch

LETTER FROM AMPLE CAPITAL

products are not in direct competition in view that their customer natures and the principal geographical markets are different as the Goldnet Group is principally engaged in the assembly and retail sales of watches in the PRC to public customers while the Remaining Group is principally engaged in providing sourcing and procurement solutions to watch brand owners outside of the PRC; and (iv) the terms of the Termination Deeds contain protection to the business of the Remaining Group as the restrictions on the executive Directors in respect of (a) the Remaining Businesses; (b) confidential information of the Remaining Group are not removed by the Termination Deeds, we consider that the Termination, which is part and parcel of the Disposal, is commercially sensible and the terms of the Termination are fair and reasonable.

CONCLUSION

In arriving at our recommendation in respect of the Disposal Proposal, we have considered the principal factors and reasons as discussed above and as summarised below:

- (i) the uncertainty in the future prospects of the PRC Watch Business as a result of its unsatisfactory track record result;
- (ii) it is commercially sensible to dispose of the Goldnet Group to focus the Group's resources on its Sourcing Business in view of the uncertainty of the future prospects of the PRC Watch Business;
- (iii) the Disposal is one of the conditions leading to the Distribution and accordingly the Disposal, together with the Distribution, provides an opportunity to the Shareholders to realise part of their investments in the Company by receiving the Distribution;
- (iv) the P/B ratio of the Goldnet Group of approximately 1.04 times is within the range of the Comparables' P/B ratios and just slightly below the average figure; and
- (v) the Termination, which is part and parcel of the Disposal, is commercially sensible and the terms of the Termination are fair and reasonable.

LETTER FROM AMPLE CAPITAL

Based on the above, we are of the opinion that (i) the terms of the Disposal Proposal are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned but the Disposal Proposal is not in the ordinary and usual course of business of the Group due to its “one-off” nature; and (ii) the Disposal Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Disposal Proposal at the SGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

Yours faithfully,
For and on behalf of
Ample Capital Limited
Thomas Leung
Senior Vice President

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013

Financial information of the Group for each of the three years ended 31 December 2013 are disclosed on pages 35 to 99 of the Company's annual report for the year ended 31 December 2011, pages 38 to 95 of the Company's annual report for the year ended 31 December 2012, and pages 35 to 95 of the Company's annual report for the year ended 31 December 2013, respectively, all of which are published on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hklistco.com/8265>) and which can be accessed by the direct hyperlinks below:

- (i) the annual report of the Company for the year ended 31 December 2011:

<http://www.hkexnews.hk/listedco/listconews/GEM/2012/0316/GLN20120316008.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2012:

<http://www.hkexnews.hk/listedco/listconews/GEM/2013/0325/GLN20130325007.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2013:

<http://www.hkexnews.hk/listedco/listconews/GEM/2014/0331/GLN20140331039.pdf>

2. INDEBTEDNESS

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had outstanding borrowings from independent third parties to Tianhaiba of approximately HK\$10,500,000 which were unsecured and non-interest bearing.

Save as aforesaid and apart from the intra-group liabilities, the Group did not have, at the close of business on 30 June 2014, any outstanding borrowings, mortgages, charges, debentures, loan capital or overdraft, debt securities or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Group since 30 June 2014.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 30 June 2014.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effects of completion of the Disposal Proposal (including the Distribution) and the financial resources expected to be available to the Group, including the net proceeds from the Disposal and the internal resources

of the Group, the Group has sufficient working capital to meet its present requirements in the absence of unforeseen circumstances for at least the next twelve (12) months from the date of this circular.

4. MATERIAL CHANGE

Save as disclosed in the first quarter report of the Company for the three months ended 31 March 2014 and in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which its latest published audited financial statements were made up.

5. OUTLOOK AND PROSPECTS

The Group will continue to be cautious in cost control and to uphold quality assurance of products in its sourcing business in order to remain competitive for its valuable customers. The Group will also keep developing new brand customers and enhance new business relationship to stimulate growth. It will continue to maintain the overall costing level until signs of recovery is noticed in its sourcing business. Under the present economic environment, it is expected that the Disposal would remove the Group's exposure to the loss-making PRC watch sales business and enable it to focus its management and financial resources on developing its sourcing business. The Group's sourcing business is relatively well established and has been self-sustainable in terms of working capital. After the Disposal, the Group will no longer require to reserve cash resources to finance the business development of the loss-making Goldnet Group.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Offer and the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading.

The information contained in this circular relating to the Offer and the Offeror has been extracted or derived from the Joint Announcement or provided by the Offeror. The Directors accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Liu	108,000,000	Corporate (<i>Note</i>)	72%

Note: These Shares are held by DCL. Mr. Liu, Mr. Lam, Mr. Wong and Ms. Tam have 47.6%, 23.8%, 23.8% and 4.8% interests in DCL respectively. DCL, being the holding company of the Company, is an associated corporation of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Mr. Liu, Mr. Lam and Mr. Wong are directors of DCL, a Shareholder whose interest in Shares has been disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of expert in the Group

Ample Capital does not have any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Interests in assets

Save for the interest of the Interested Directors in the Disposal disclosed in this circular, none of the Directors or Ample Capital has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

Interests in contracts or arrangements

None of the Directors has any material interests in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

Service contracts

Each of Mr. Liu, Mr. Lam, Mr. Wong and Mr. Yang has entered into a service contract with the Company for a term of three years from 25 March 2014 with monthly remuneration at the rate of HK\$88,000. Under the service contracts, after each completed year of service, they will each be entitled to payment of a sum equal to one month's salary and a discretionary bonus as may be decided by the Board.

Each of Mr. Cheung Chi Man, Dennis, Professor Lui Tai Lok and Mr. Yip Kwok Kwan, the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years commencing from 25 March 2014 with remuneration of HK\$264,000 per year.

Competing business

None of the Directors, Controlling Shareholders or any of their respective close associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business. As at the Latest Practicable Date, there was no proposed Director.

LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

QUALIFICATIONS OF EXPERT

The qualifications of the expert who has given opinion in this circular are as follows:

Name	Qualifications
Ample Capital Limited	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

CONSENT

Ample Capital has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the references to its name included herein in the form and context in which they are included.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years before the date of this circular and are or may be material:

- (a) the sale and purchase agreement dated 21 December 2012 between Good Destination Co., Limited, a wholly owned subsidiary of the Company, and DCL in respect of the disposal to DCL of the entire issued share capital of, and the benefit of the loan to, Richmind International Investment Limited for an aggregate cash consideration of HK\$24,000,000; and
- (b) the Disposal Agreements.

GENERAL

- (a) The secretary of the Company is Mr. Chan Sun Kwong. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.
- (b) The compliance officer of the Company is Mr. Liu Tin Chak, Arnold, who is also an executive Director and the Chairman of the Company. He obtained a Diploma in Management Studies jointly from Hong Kong Management Association and Hong Kong Polytechnic and a Master Degree in Business Administration from Macau University of Science and Technology.
- (c) The primary duties of the audit committee of the Company are to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and render advice in respect of financial reporting; and oversee internal control procedures of our Group. At present, the audit committee consists of three members, namely Mr. Cheung Chi Man, Dennis, Professor Lui Tai Lok and Mr. Yip Kwok Kwan. Mr. Cheung Chi Man, Dennis is the chairman of the audit committee.

Mr. Cheung Chi Man, Dennis is the company secretary of Peace Map Holding Limited (stock code 402). Mr. Cheung has over 20 years of experience in accounting and financial management. He obtained a bachelor degree in mechanical engineering from the University of London, a master degree in commerce from the University of New South Wales, Australia and is a Fellow member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.

Professor Lui Tai Lok is currently the Head of Department and a professor at the Sociology Department at the University of Hong Kong. Professor Lui obtained a doctor of philosophy in sociology from the University of Oxford, a master degree of philosophy in sociology from the University of Oxford, a master degree in philosophy from the University of Hong Kong and a bachelor degree in arts from the University of Hong Kong respectively.

Mr. Yip Kwok Kwan has over 34 years of experience in equity and debt market in Asia. He has been the Managing Director, Investment Banking Department of Guosen Securities (Hong Kong) Capital Limited since 2011. Mr. Yip is also an independent non-executive director of Hop Fung Group Holdings Limited (stock code 2320). He obtained a bachelor's degree in Business Administration (Honours) from the University of Singapore (now National University of Singapore).

- (d) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (e) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal offices of the Company at 19th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) up to and including 14 August 2014:

- (a) the Memorandum of Association and the Bye laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2013;
- (c) the letter from Ample Capital;
- (d) the service contracts referred to in the paragraph headed “Disclosure of interests” in this appendix;
- (e) the material contracts referred to in the paragraph headed “Material contracts” in this appendix; and
- (f) the written consent referred to in the paragraph headed “Consent” in this appendix.



POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 8265)

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the “Company”) will be held at 3:00 p.m. on 18 August 2014 at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the two agreements both dated 27 June 2014 between (1) the Company and (2) Golden Business Development Limited (the “Purchaser”) whereby the Company has agreed to sell to the Purchaser the entire issued share capitals of, and the benefits of shareholder’s loans advanced by the Company to, Goldnet Holdings Group Limited (a company incorporated in Hong Kong) and Goldnet Holdings Group Limited (a company incorporated in the British Virgin Islands) for a total consideration of HK\$23 million in cash (the “Disposal Agreements”) (a copy each of which is tabled at the meeting marked “A” and “B” respectively and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved and the directors of the Company be and are hereby authorised to implement the transactions contemplated by the Disposal Agreements (with any amendments to the terms of such agreements which are not inconsistent with the purpose thereof as may be approved by the directors of the Company);
- (b) the execution of deeds between the Company and Messrs. Liu Tin Chak, Arnold, Lam Chi Wai, Peter, Wong Yu Man, Elias and Yang Yijun (the “Executive Directors”) relating to termination of the Executive Directors’ service agreements with the Company respectively on completion of the Disposal Agreements (the “Termination Deeds”) (a form of which is tabled at the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved and the directors of the Company be and are hereby authorised to implement the transactions contemplated by the Termination Deeds (with any amendments to the terms of such deeds which are not inconsistent with the purpose thereof as may be approved by the directors of the Company); and
- (c) conditional on completion of the Disposal Agreements and upon the recommendation of the directors of the Company, a special dividend for the year ending 31 December 2014 of HK\$0.24 per share of HK\$0.10 each of the

NOTICE OF SGM

Company be paid to the holders of shares in the capital of the Company on the register of members of the Company at the close of business on 25 August 2014 and that the directors of the Company be and are hereby authorised to implement the same.”

By Order of the Board
Chan Sun Kwong
Company Secretary

Hong Kong, 31 July 2014

Principal office:

19th Floor, Henry Centre
131 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.