
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed 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 (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.



POWERWELL PACIFIC HOLDINGS LIMITED
宏峰太平洋集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8265)

**I. MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
PROPOSED ACQUISITION OF SALE ASSETS INVOLVING THE
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
II. POSSIBLE CONTINUING CONNECTED TRANSACTIONS
AND
III. NOTICE OF SPECIAL GENERAL MEETING**

Financial Advisor to the Company



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

AMASSE CAPITAL
寶 積 資 本

A letter from the Independent Board Committee is set out on pages 45 to 46 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 74 of this circular.

A notice convening the SGM to be held at 10:30 a.m. on Wednesday, 3 February 2016 at Lavender, Level 3, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for seven days from the date of its posting and on the Company's website at <http://www.hklistco.com/8265/>.

18 January 2016

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.

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Assets pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 5 November 2015 entered into among the Purchaser, the Vendors and the Guarantors in respect of the Acquisition
“Announcements”	the announcements of the Company dated 9 November 2015, 20 November 2015 and 13 January 2016 relating to, among other things, the Acquisition and the Possible CCTs
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rule
“Authorised Products”	(i) batteries utilizing the technology under the Patent; and (ii) vehicles of 6 metres or longer (including buses and coaches) using such batteries, and their respective parts, fittings and accessories
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of Convertible Bond(s)
“Brighsun HK”	Brighsun Ev-tech Co., Limited, a company incorporated in Hong Kong
“Business Day”	means a day (other than Saturday, Sunday, public holidays in PRC and public holidays in Hong Kong or a day on which typhoon signal no. 8 or above or black rainstorm is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and Business Days shall be construed accordingly
“CCT Agreements”	collectively, the Patent Licence Agreement, the Trademark Licence Agreement and the Manufacturing Agreement, each as defined in the section headed “Conditions Precedent”
“Company”	Powerwell Pacific Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Assets in accordance with the terms and conditions of the Acquisition Agreement

DEFINITIONS

“Completion Date”	the third Business Day following the date on which the land title certificate and buildings certificate in respect of the Land and Buildings in the name of the Purchaser have been issued by the relevant PRC government authorities or such other date as the Parties may agree in writing on which the Acquisition Agreement shall be completed
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$110 million payable by the Purchaser for the acquisition of the Sale Assets under the Acquisition Agreement
“Conversion Period”	the period commencing on the expiry of 6 months from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date
“Conversion Price”	HK\$0.55 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be issued upon the exercise by the Bondholders of the rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$110 million to be issued in settlement of the Consideration under the Acquisition
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the Sale Assets
“Equipment”	has the meaning ascribed thereto in the paragraph headed “Assets to be acquired” in this circular
“EV Business”	production and sale of Authorized Products by the Group by utilizing the Sales Assets upon Completion
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, Mr. Huang and Mr. Zhang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board which comprises all the independent non-executive Directors to advise the Independent Shareholders on the Acquisition and the Manufacturing Transactions (including the annual caps thereof)
“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation under the SFO licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Manufacturing Transactions (including the annual caps thereof); and (ii) the Directors in respect of the length of term of the CCT Agreements for the purpose of Rule 20.50 of the GEM Listing Rules
“Independent Shareholder(s)”	Shareholders who are not required by the GEM Listing Rules to abstain from voting at the SGM
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules)
“Land and Buildings”	has the meaning ascribed thereto in the paragraph headed “Assets to be acquired” in this circular
“Latest Practicable Date”	14 January 2016, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Macau”	the Macau Special Administrative Region of the PRC
“Maturity Date”	the date falling two (2) years from the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day
“Mr. Huang”	Mr. Huang Kejun
“Mr. Zhang”	Mr. Zhang Genjiang
“Parties”	the parties of the Acquisition Agreement and “Party” means any of them
“Patent”	the patent registered in the State Intellectual Property Office of the PRC under patent number 201310128555X in relation to lithium ion battery related technology
“Possible CCTs”	the possible continuing connected transactions in respect of the transactions contemplated under the CCT Agreements

DEFINITIONS

“PRC”	the People’s Republic of China
“PRC Legal Adviser”	Shanghai Kangcheng Law Firm
“Purchaser”	湖州信成電動汽車有限公司# (for identification purpose, Huzhou Xincheng Electric Vehicle Co. Ltd.), an enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Sale Assets”	collectively, (i) Land and Buildings and (ii) Equipment
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other matters, the Acquisition Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, the allotment and issue of Conversion Shares under the Specific Mandate and the Manufacturing Transactions and the annual caps thereof
“Share(s)”	ordinary share(s) in the Company of HK\$0.1 each
“Shareholders”	holders of the Shares
“Specific Mandate ”	the specific mandate to be sought at the SGM for the issue and allotment of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Tong Yin”	浙江通銀貴金屬經營有限公司# (for identification purpose, Zhejiang Tong Yin Precious Metal Operation Company Limited), a company established in the PRC with limited liability and which is indirectly owned as to 51% by the Company
“Vendor 1”	湖州百成電池有限公司# (for identification purpose, Huzhou Brighsun Battery Co. Ltd), a company established in the PRC
“Vendor 2”	湖州百成客車有限公司# (for identification purpose, Huzhou Brighsun Automobile Co. Ltd), a company established in the PRC

DEFINITIONS

“Vendors” collectively, Vendor 1 and Vendor 2

“%” per cent

[#] *For ease of reference, the names of companies and entities established in the PRC have been included in this circular in both Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.*



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. Fei Jie (*Chairman*)
Mr. Fung Chi Kin

Independent Non-executive Directors:

Mr. Cheung Siu Wah
Mr. Jim Yiu Ming
Mr. Sit Sai Hung, Billy

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*

Units 610–611, Tower Two
Lippo Centre
89 Queensway
Hong Kong

18 January 2016

To the Shareholders

Dear Sir or Madam,

**I. MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
PROPOSED ACQUISITION OF SALE ASSETS INVOLVING THE
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
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INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Acquisition and the Possible CCTs.

The purpose of this circular is to provide the Shareholders, among other things, (i) further information of the Acquisition; (ii) valuation reports on the Sale Assets; (iii) a letter from the Independent Board Committee in respect of the Acquisition and the Manufacturing Transactions; (iv) a letter from the Independent Financial Adviser advising (a) the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the Manufacturing Transactions; and (b) the Directors in

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respect of the length of term of the CCT Agreements for the purpose of Rule 20.50 of the GEM Listing Rules; (v) unaudited pro forma statement of assets and liabilities of the Enlarged Group; and (vi) notice of the SGM.

THE ACQUISITION AGREEMENT

Date

5 November 2015 (after trading hours)

Parties

- Purchaser: 湖州信成電動汽車有限公司 (Huzhou Xincheng Electric Vehicle Co. Ltd.)
- Vendor 1: 湖州百成電池有限公司 (Huzhou Brighsun Battery Co. Ltd)
- Vendor 2: 湖州百成客車有限公司 (Huzhou Brighsun Automobile Co. Ltd)
- Guarantors: Mr. Huang and Mr. Zhang, the existing ultimate beneficial owners of Vendors, who have agreed to guarantee the obligations of Vendors under the Acquisition Agreement.

Vendor 1 is a company established in the PRC in June 2014 and principally engaged in manufacturing of lithium battery for buses and motor vehicles. Vendor 2 is a company established in PRC in May 2014 and principally engaged in manufacturing of lithium battery bus. Vendor 1 is ultimately owned as to effectively 62% by Mr. Huang and effectively 38% by Mr. Zhang whereas Vendor 2 is ultimately effectively owned as to 60% by Mr. Huang and 40% by Mr. Zhang. Mr. Huang is a business partner of Mr. Zhang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Mr. Huang is an Independent Third Party; and (ii) Mr. Huang and Mr. Zhang are independent and not connected with each other in other ways.

As announced by the Company on 15 October 2015, Mr. Huang together with Mr. Zhang holds 90% of Brighsun HK, a company in which the Group subscribed for a 10% interest. Save for the aforesaid, the Company does not have any relationship with Mr. Huang.

As at the Latest Practicable Date, Mr. Zhang, a director and the controlling shareholder of a company which holds the remaining 49% interest of Tong Yin, an indirect non wholly-owned subsidiary of the Company (indirectly owned as to 51% by the Company), indirectly owned 38% and 40% of the effective equity interest of Vendor 1 and Vendor 2 respectively. Therefore each of the Vendors is an associate of Mr. Zhang and a connected person of the Company as defined under the GEM Listing Rules.

Mr. Zhang graduated from 北京科技大學 (for identification purpose, University of Science and Technology Beijing), has obtained a doctorate degree in business administration from 中國人民大學 (for identification purpose, Renmin University of

LETTER FROM THE BOARD

China), has over 18 years managerial experience, and has obtained the qualification of 高級黃金投資分析師 (for identification purpose, senior gold investment analyst) in the PRC in 2007.

Mr. Huang has over 20 years of operational experience in international trade and industrialization of patents. Mr. Huang is the founder of two companies established in the PRC which respectively engaged in bio-fertilizer industry and electric vehicles industry which cooperated with PRC universities for the research and development of lithium battery and electric vehicles system and have successfully established production and operating systems of electric buses.

To the best of the knowledge, information and belief of the Directors, each of Mr. Huang, Mr. Zhang and the Company's controlling Shareholder are independent and not connected with each other.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Assets.

The Sale Assets are utilized by the Vendors for manufacturing of lithium battery for buses and motor vehicles and manufacturing of lithium battery buses. Vendor 1 started lithium batteries production since May 2015 and produced over 2,000 pieces of finished batteries products. Vendor 2 started production of lithium battery buses since July 2015 and produced five 12 meter long prototypes electric buses. Given the Vendors are still in the early stage of business operation, there was no direct identifiable income stream in connection with sale of finished products as a result of utilization of the Sale Assets up to October 2015. As stated above, the Sale Assets together constitute revenue generating assets but without a complete full year record and direct identifiable income stream.

The Sale Assets comprise the following:

(i) Land and Building (the "Land and Buildings")

Land and various buildings thereon located at No. 89 Guomuyuan Road, Huzhou, Zhejiang Province, the PRC. The property comprises a parcel of land with a site area of approximately 53,945.80 sq.m. on which three buildings are erected and completed in about 2012. The total gross floor area of the buildings is approximately 40,922.14 sq.m. including one single storey factory, one 3-storey composite building and one 3-storey ancillary office building. The land use rights of the property are held for a term of 50 years expiring on 2 March 2061 for industrial use. The Land and Buildings are owned by Vendor 2 and was acquired by it in July 2014. The original acquisition cost of the Land and Buildings by Vendor 2 was approximately RMB44 million.

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(ii) *Equipment (the “Equipment”)*

The Equipment is located in Huzhou, Zhejiang Province, the PRC and comprises Dynamic Li-ion/Polymer Li-ion Battery Automatic Testing Device, electrode automatic molding machine, automatic lithium battery lamination machine, square film winding machine, double printing machine, sitting machine, vehicle body frame assemble equipment, heavy duty hydraulic press, vehicle spray painting room, office equipment, computer system, furniture and fixture, accessory and motor vehicles. The Equipment is utilized by Vendor 1 and Vendor 2 for manufacturing of lithium battery for buses and motor vehicles and manufacturing of lithium battery buses respectively. The Equipment is partly owned by Vendor 1 and the remaining part is owned by Vendor 2. The Equipment was acquired by Vendor 1 and Vendor 2 after their respective dates of establishment, namely in June 2014 and May 2014. The aggregate original acquisition cost of the Equipment by the Vendors was approximately RMB34.6 million.

Part of the Equipment, which is owned by Vendor 1, is utilized for manufacturing of lithium battery for buses and motor vehicles and is currently located in the factory buildings which are sub-leased rent-free by Vendor 1 for the period from 30 May 2014 to 30 May 2017 from a tenant. The Purchaser intends to negotiate and enter into a new rent-free tenancy agreement directly with the tenant before Completion. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the tenant is an Independent Third Party.

Consideration

The Consideration is HK\$110 million. Pursuant to the terms of the Acquisition Agreement, upon Completion, the Consideration of HK\$110 million shall be satisfied by the Purchaser to the Vendors in the following manner:

- (a) HK\$34,948,026 shall be paid to Vendor 1 by way of issue of Convertible Bonds in the same principal amount upon Completion; and
- (b) HK\$75,051,974 shall be paid to Vendor 2 by way of issue of Convertible Bonds in the same principal amount upon Completion.

The allocation of the total Consideration of HK\$110 million to Vendor 1 (in the amount of HK\$34,948,026) and Vendor 2 (in the amount of HK\$75,051,974) is arrived at based on arm’s length negotiation with reference to the preliminary valuation of those assets owned by them and total preliminary valuation of the Sale Assets with rounding adjustments made.

Further details of the Convertible Bonds are set out in the section headed “Convertible Bonds” below.

LETTER FROM THE BOARD

Basis of the Consideration

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendors and was determined after taking into account the following factors:

- (a) the preliminary valuation on Sale Assets (the "**Preliminary Valuation**") as at 31 October 2015 of approximately RMB58.5 million and approximately RMB31.8 million for the Land and Buildings and Equipment respectively, prepared by an independent professional valuer, Ascent Partners Valuation Service Limited ("**Ascent Partners**"). Ascent Partners adopted a combination of the open market and depreciated replacement cost approach in assessing the land portions of the properties and the buildings and structures standing on the land respectively and cost approach in assessing the Equipment;
- (b) the net book value of the Sale Assets of approximately RMB73.9 million as at 31 October 2015; and
- (c) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this circular.

The Board (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Acquisition Agreement is subject to the following conditions being fulfilled (or, as the case may be, waived):

- (a) the Purchaser and the holders of the Patent (being Mr. Huang and an independent third party) having entered into (to take effect on the Completion Date) a licence agreement in respect of the Patent (the "**Patent Licence Agreement**"), pursuant to which, inter alia, (1) the Patent holders grant a licence to the Purchaser, without further payment, to use the Patent for the manufacturing of batteries and vehicles using such batteries and to provide technical support to the Purchaser, for a term of not less than 5 years; (2) the Purchaser will have a first right of refusal to take up orders for batteries and electric vehicles placed on the Patent holders, their licencees and/or associates at a rate, on a cost plus basis, acceptable to the Purchaser; and (3) if the Patent holders shall have improvement in intellectual property in relation to the patented batteries or otherwise in relation to electric vehicles within 5 years of Completion, the Patent holders will provide the Purchaser with pre-emption rights in respect of such improvement, in such form and substance acceptable to the Purchaser;
- (b) the Purchaser and the holder of the trademark "**Brighsun**" (the "**Trademark Holder**") and its associated mark registered in the PRC having entered into (to take effect on the Completion Date) a licence agreement (the "**Trademark Licence**")

LETTER FROM THE BOARD

Agreement”) pursuant to which the Purchaser is granted a licence, without further payment, to use such trademarks for the duration of the Patent Licence Agreement, in such form and substance acceptable to the Purchaser;

- (c) the Purchaser and Brighsun HK having entered into a manufacturing agreement (the “**Manufacturing Agreement**”), in such form and substance acceptable to the Purchaser;
- (d) the warranties given by the Vendors in the Acquisition Agreement remaining true and accurate in all material respects and not misleading;
- (e) the Purchaser having obtained a legal opinion from its PRC legal advisers in respect to the Sale Assets, the business of the Vendors, the legality and enforceability of the Acquisition Agreement and the licence agreements referred to in paragraphs (a) and (b) above and such other matters relevant to the transactions contemplated under the Acquisition Agreement as the Purchaser may require, in form and substance satisfactory to the Purchaser;
- (f) the Shareholders (other than those who are required by the GEM Listing Rules or applicable laws and regulations to abstain from voting) having approved the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the Conversion Shares) at the SGM in compliance with all laws and regulations;
- (g) the Listing Committee having granted its consent to the listing of and permission to deal in the Conversion Shares;
- (h) if required, the Vendors and/or the Purchaser having obtained all requisite approvals and consents by the relevant PRC authorities in respect of the transfer of the Sale Assets;
- (i) the Purchaser and/or the Company having fulfilled all other matters required by the GEM Listing Rules, the Stock Exchange and/or other Hong Kong regulatory bodies in respect of the Acquisition Agreement and the transactions contemplated thereunder to be fulfilled before Completion;
- (j) the result of the due diligence review on the Sale Assets and other matters in relation to the Vendors to be conducted by the Purchaser being satisfactory to the Purchaser in all material aspects; and
- (k) no material adverse change on the Sale Assets and their prospects having occurred between the date of the Acquisition Agreement and the Completion Date.

The Purchaser has the absolute discretion to waive the above conditions (except (f), (g), (h) and (i)). The conditions under (f), (g), (h) and (i) cannot be waived by either the Purchaser or the Vendors.

LETTER FROM THE BOARD

If (i) the conditions in (a), (b) and (c) are not fulfilled within 20 Business Days (or such other later date as the parties to the Acquisition Agreement may agree) from the date of the Acquisition Agreement; (ii) any other of the above conditions are not fulfilled within 120 days from the date of the Acquisition Agreement; and/or (iii) the conditions in (d) and (k) do not remain satisfied on the Completion Date, and are not waived by the Purchaser, the Acquisition Agreement shall lapse and be of no further effect and the parties thereto shall have no further obligations or liabilities thereunder save in respect of any antecedent breaches.

On 13 January 2016, the Patent Licence Agreement, Trademark Licence Agreement and Manufacturing Agreement have been entered into by the Purchaser with Patent holders, Trademark Holder and Brighsun HK respectively.

As at the Latest Practicable Date, the PRC Legal Adviser of the Company is in the process of conducting due diligence review on the Acquisition. Based on the preliminary due diligence review, no material adverse findings in relation to the Sales Assets have been identified.

As at the Latest Practicable Date, save for condition precedents (a), (b) and (c) which have been satisfied, no condition precedent has been fulfilled or waived.

Completion

Subject to the fulfilment or, as applicable, waiver of the conditions precedent set out above, Completion shall take place on the third Business Days following the date on which the land title certificate and buildings certificate in respect of the Land and Buildings in the name of the Purchaser have been issued by the relevant PRC government authorities.

CONVERTIBLE BONDS

The following summarises certain of the principal terms of the Convertible Bonds:

Issuer	:	The Company
Principal amount	:	HK\$110 million
Issue price	:	HK\$110 million, representing 100% of the principal amount of the Convertible Bonds
Interest	:	The Convertible Bonds do not carry any interest
Maturity Date	:	Two years from the date of issue or if such date is not a Business Day, the next Business Day

LETTER FROM THE BOARD

Conversion rights : The Bondholders will have the right during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bonds (if in part, in minimum amount of HK\$500,000 or whole multiple thereof) into Conversion Shares provided that no Convertible Bonds may be converted to the extent that following such exercise (a) the minimum public float requirement of the Company as required under the GEM Listing Rules cannot be satisfied; or (b) the Bondholder and parties acting in concert with it, taken together, will be interested in 29.9% or more of the then issued share capital of the Company (or such other percentage that will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code) or if the Bondholder would otherwise be obliged to make a mandatory general offer under the Takeovers Code

Conversion Shares : Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.55 per Conversion Share, a maximum of 200,000,000 Conversion Shares will be allotted and issued, representing:

- (i) approximately 65.2% of the entire issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 39.5% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares.

In view of the conversion restrictions mentioned above, the allotment and issue of the Conversion Shares will not result in a change of control of the Company.

Conversion Price : HK\$0.55 per Conversion Share, subject to adjustments under the anti-dilution provisions as summarized in the paragraph headed “Anti-dilution adjustments” below.

The Conversion Price represents:

- (i) a discount of approximately 64.3% to the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;

LETTER FROM THE BOARD

- (ii) a discount of approximately 57.6% to the average closing price of approximately HK\$1.30 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Acquisition Agreement;
- (iii) a discount of approximately 50.0% to the average closing price of approximately HK\$1.10 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to the date of the Acquisition Agreement; and
- (iv) a discount of approximately 86.25% to the closing price of HK\$4.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Vendors with reference to, among other factors, (i) the market price of the Shares under the prevailing market conditions at the time of negotiation of the Acquisition Agreement; (ii) the settlement method of the Consideration by way of issue of the Convertible Bonds will not result in any initial cash outlay by the Group; (iii) the low trading volume of the Shares; and (iv) the relatively large size of the Convertible Bonds.

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The Company has compared the Conversion Price with the historical highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 2 February 2015 (being 180 trading days immediately prior the date of the memorandum of understanding dated 30 October 2015 entered into between the Vendors and the Company in relation to the Acquisition (the “**MOU**”)) up to and including 29 October 2015 (being the date immediately prior to the date of the MOU) (the “**Reference Period**”). During the Reference Period, the closing prices of Shares ranged from the lowest of HK\$0.55 per Share on 8 July 2015 to the highest of HK\$1.233 per Share on 16 April 2015 with an average closing price of approximately HK\$0.921. The Conversion Price represents a discount of approximately 40.3% to the average closing price during the Reference Period. The Conversion Price is within the said historical price range of the Shares and not lower than the lowest price of the Shares during the Reference Period.

The Company has also reviewed the recent trading volume of the Shares and took into account the size of the Conversion Shares. During the Reference Period, the daily trading volume of the Shares ranged from nil Share to approximately 15 million Shares with average daily trading volume of approximately 1.15 million Shares (the “**Average Daily Trading Volume**”). The Average Daily Trading Volume represents less than 1% of the total issued share capital of the Company as at the date of the MOU. In addition, the number of Conversion Shares represents approximately 66.8% of the existing issued share capital of the Company as at the Latest Practicable Date. It should be noted that there is a relatively thin trading volume of the Shares as compared to the relatively significant number of the Conversion Shares, which will take approximately 173 days to dispose of the 200,000,000 Conversion Shares based on the Average Daily Trading Volume. Given the high risk to sell all the Conversion Shares under thin trading volume and uncertain market sentiment in the equity market, the Directors are of the view that the Conversion Price and the terms of the Convertible Bonds are fair and reasonable under current market conditions.

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- Maturity Redemption : At 100% of outstanding principal amount of the Convertible Bonds on the Maturity Date.
- Early Redemption : The Company shall be entitled at any time after 18 months of the date of issue to redeem the outstanding Convertible Bonds from the Bondholder(s) at 100% of the principal amount thereof by serving 7 days prior notice of redemption to the relevant Bondholder(s).
- Anti-dilution adjustments : The Conversion Price will be subject to adjustments upon the occurrence of the following events:
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
 - (ii) an issue (other than in lieu of a declared cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution being made by the Company to the Shareholders in their capacity as such;
 - (iv) an offer or grant being made by the Company to the Shareholders by way of rights or options or warrants to subscribe for new Shares at a price which is less than 90% of the market price of the Shares;
 - (v) an issue by the Company of securities convertible into or exchangeable for or carrying rights of subscription for Shares to the Shareholders in their capacity as such;
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if the total effective consideration per new Share receivable for such securities is less than 90% of the market price of the Shares or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 90% of the market price of the Shares; and

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(vii) an issue of Shares being made wholly for cash at a price less than 90% of the market price of the Shares.

- Transferability : The Convertible Bonds may be freely transferred by the holders thereof in whole amounts or multiple of principal amount of HK\$500,000 after 6 months from the date of issue of the Convertible Bonds to transferee who is not a restricted holder (as defined under the terms and conditions of the Convertible Bonds) and any transfer of the Convertible Bonds to any connected person shall be subject to prior written consent of the Company.
- Voting : The Bondholders shall not be entitled to attend or vote at any meetings of the Company by reason only of its being a Bondholder.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

- Ranking of Conversion Shares : The Conversion Shares will rank pari passu in all respects among themselves and with other Shares in issue on the conversion date of the Convertible Bonds.

MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be issued under the Specific Mandate to be sought at the SGM.

EV BUSINESS

Upon Completion, the Group will be engaged in EV Business by utilizing the Sale Assets. EV Business will involve production and sale of Authorised Products.

Revenue model and business model

Upon Completion, the Purchaser will utilize the Sale Assets for the production of Authorised Products which will involve use of Patent and the Trademark (as defined below) in such manufacturing process. Apart from Authorised Products, the Sale Assets may also be used for production of other electric vehicles and related products which do not involve

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use of Patent and the Trademark (the “**Other Products**”). The Group anticipates that as an initial start, majority of the revenue of the EV Business will be derived from sale of Authorised Products.

Pursuant to the CCT Agreements, the Purchaser has the first right of refusal to take up orders for Authorised Products placed on the Patent holders, the Authorised Agents (as defined below) (including Brighsun HK) and/or their associates (“**Distributors**”). Business opportunities for the Purchaser arise when Distributors notify the Purchaser of purchase orders. The Purchaser will negotiate the terms of the purchase orders with the Distributor based on the provisions of the Patent Licence Agreement and/or the Manufacturing Agreement. If the terms of a purchase order has been agreed with the Distributors and the required deposit is received by the Purchaser, the Purchaser will begin the manufacturing process. The Purchaser will conduct various tests on the finished products to ensure the finished products are in compliance with the relevant specifications. Subject to satisfactory results of various tests, the finished products will be ready for delivery.

The table below sets out the annual maximum production capacity of batteries and electric vehicles for Authorised Products deriving from utilization of the Sale Assets for the period from the Completion Date to 31 December 2016 and for each of the years ending 31 December 2017, 2018, 2019 and 2020 respectively:

	Completion Date to 31 December 2016 (units)	Year ending 31 December 2017 (units)	Year ending 31 December 2018 (units)	Year ending 31 December 2019 (units)	Year ending 31 December 2020 (units)
Annual production capacity of batteries for Authorised Products (<i>Note 1</i>)	180,000	336,000	336,000	336,000	336,000
Annual production capacity of electric vehicles for Authorised Products (<i>Note 2</i>)	<u>1,500</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>

Notes:

1. The Vendors have formulated the expansion plans to develop new production lines for the Authorised Products, those production facilities are included in the Sale Assets and installation of relevant production facilities will be completed by year ending 31 December 2016. Starting from 2017, the annual production capacity of batteries will be increased to 336,000 units.
2. Estimation based on the assumption that 120 units of batteries will be required for production of an electric vehicle.

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Major suppliers

The Purchaser will purchase its raw materials mainly from the PRC. The Purchaser intends to purchase initially from suppliers who have stable business relationships with Vendors comprising mainly suppliers of parts for chassis, interior materials and electric appliances etc. The Purchaser will not rely on any single supplier for any given type of raw materials and components and intend to continue to broaden the number of new suppliers which meet the quality requirements.

Target customers

In the initial stage, it is expected that Brighsun HK will be the largest customer of the Purchaser for the Authorised Products. Brighsun HK in turn plans to promote to end users which mainly comprise of bus transportation companies and travel agencies in the Greater China Region for 7 meters to 9 meters long buses and Australia for 11-12 meters long city buses and luxury coaches. Based on the preliminary business plan, the estimated portion for the domestic sales in the PRC and export sales are approximately 40% and 60% respectively in the early stage. The portion of domestic sales in the PRC is expected to increase to approximately 55% gradually in 2020. Brighsun HK plans to strengthen the presence of the Authorised Products worldwide, especially in the PRC.

Sales and marketing

As an initial start, the Group will leverage on the marketing efforts and expertise of Brighsun HK in market development of the Authorised Products. Brighsun HK's marketing strategy is to strengthen its distribution network and coverage in the Greater China Region through e-commerce, appointment of sales agents and distributors and establishment of retail shops and sales teams. Brighsun HK plans to recruit marketing and technical sales personnel and expects the number of sales personnel in the Hong Kong and PRC sales offices to increase to not less than 25 staff tentatively by mid 2017. Brighsun HK will tentatively increase the headcount of its sales team to 3 in 2016 and set up sales offices in Shanghai, Beijing and Melbourne depending on the market conditions at that time and growth in the electric vehicle industry worldwide. In order to expand the PRC market, Brighsun HK plans to strengthen its distribution network by appointing not less than 12 distributors in various provinces and cities in the PRC, such as in the Eastern China Region, Northern China Region and Southern China Region to promote and distribute the Authorised Products in the PRC.

Upon the EV Business becoming mature at a later stage, the Group may expand into Other Products.

Management and staff for EV Business operation

For the initial development stage of the EV Business, the Purchaser plans to recruit skilled and experienced technical and managerial personnel.

In addition, the Purchaser also plans to set up a research and development team to innovate and design new products to increase the Group's products diversity.

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Competitive landscape

The major competitors of the EV Business are electric vehicles manufacturers. The Purchaser will compete with other players in the market on various aspects including product quality and performance, product safety and pricing.

As at the Latest Practicable Date, to the best of the knowledge and as far as the Directors are aware of, the key competitors identified by the Directors for the EV Business are as follows:

i. BYD Company Limited (stock code: 1211)

It is a company listed in Hong Kong and one of the leading market players in the electric vehicles market. It offers new energy automobiles, such as plug-in hybrid vehicles and pure electric buses and electric taxis. It offers 12-metre long electric buses in various cities in the PRC, such as Shenzhen, Nanjing, Da Lian and Hangzhou etc.

ii. Nanjing Golden Dragon Coach Manufacturing Co., Ltd

It is an enterprise established in the PRC with production base located at Nanjing City. It mainly engages in manufacturing of 6 to 12-metre long city buses, tourist coaches, private buses, long-distance coaches, school buses, hybrid coaches and new energy coaches. It also offers various pure electric coaches with maximum mileage for each recharge for those coaches ranging from 180 to 300 kilometers.

iii. FDG Electric Vehicles Limited (stock code: 729) (“FDG”)

It is a company listed in Hong Kong and one of the leading market players in the electric vehicles market. FDG engages in the research and development, production, distribution and sale of lithium-ion batteries as well as the provision of leasing service of electric vehicles which also engages in independent R&D, design and production of electric vehicles such as public buses, mid-size and mini buses, commercial vehicles, trucks, passenger vehicles and other models.

FDG has two production bases located in Hangzhou and Kunming. The electric vehicle production plant in Kunming has an annual production capacity of 10,000 units of electric public buses and mid-size buses/commercial vehicles. The FDG's production plant in Hangzhou is one of the biggest pure electric vehicles production plants in the PRC which mainly focuses on manufacturing of electric mid-size buses, commercial vehicles and passenger vehicles with an annual production capacity of 100,000 units.

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iv. *Zhongtong Bus Holding Co. Ltd (stock code: 000957.SZ)*

It is an enterprise established in the PRC and listed in Shenzhen stock exchange with its production base located at Shandong. In respect of new energy vehicles product offering, it mainly offers 6 to 12-metre long hybrid and pure electric buses which can be adapted in country, medium and small size cities and cover public transportation, hospitality and other business segments.

v. *Zhengzhou Yutong Group Co., Ltd (stock code: 600066.SH) (“Yutong”)*

It is an enterprise established in the PRC and listed in Shanghai stock exchange with production base located in Zhengzhou, Henan province. It is one of the leading market players in the electric vehicles market. Currently, Yutong offers various types of new energy buses, ranging from 10–18 meter long plug-in hybrid buses to 6–12 meter long full electric buses. The majority of Yutong full electric buses are capable of driving over 200 kilometers per charge.

Competitive advantage of the Authorised Products

The Authorised Products comprise of full electric buses ranging from high range capacity route service passenger buses to touring coaches. The electric buses deliver clean and sustainable public transport options.

Under a road-test in Australia last year, the prototype electric buses which were produced by utilizing the Sale Assets and the Patent technologies under the Trademark were launched and tested to drive over 1,000 kilometers with a single charge. The electric buses combine a high performance lithium-ion battery proprietary motor, battery management and a regenerative braking system.

Based on information provided by the Vendors, the Authorised Products have competitive advantages against the other competitors in terms of (i) battery life of up to 10 years for the Authorised Products; and (ii) currently, the maximum mileage of lithium buses produced by other competitors mainly can only run around 200 to 460 kilometers distance with a single charge as compared with the lithium buses produced by the advanced technology under the Patent which can run 800 to 1,000 kilometers with a single charge. Such advanced technology is the most important competitive advantage of the Authorised Products and for the EV Business.

Financing plan

The Group believes that upon Completion, the EV Business will be mainly financed by the internal resources of the Group at the initial development stage. The Group anticipates that the technical expertise and production capabilities of the Purchaser will be strengthened from experience obtained in the manufacturing of the Authorised Products. In this connection, the Group estimates that the production efficiency and effectiveness for the EV Business could be demonstrated by relatively short production cycles. Taking into account the manufacturing capabilities and efficiencies of the Purchaser and riding on the growing demand on electric vehicles, it is expected that the EV Business will contribute

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recurring cash flow and favourable returns to the Group. The Group also envisages that internally generated fund arising from the EV Business will be sufficient for financing its operations.

Government policies and regulations governing the EV Business

As advised by the PRC Legal Adviser, the following government policies and regulations relate to certain aspects of the operation and business of the EV Business:

- (i) Decision to Create Administrative Permissions for Certain Approval-required Items, by State Council (《國務院對確需保留的行政審批項目設定行政許可的決定》) (the “**Decisions**”)

The Decisions was promulgated by State Council on 29 June 2004, to make full clean-up of all approval-required items and create 500 administrative permissions as necessary. The 4th item of the exhibit thereto requires administrative permission for the announcement of automobile production enterprises and their products, which will be administered by National Development and Reform Commission (the “**NDRC**”) and General Administration of Quality Supervision, Inspection and Quarantine, and now administered by the Ministry of Industry and Information Technology (“**MIIT**”).

- (ii) Automotive Industry Development Policies (《汽車產業發展政策》) (the “**Policies**”)

The Policies was promulgated by NDRC on 21 May 2004 and came into force at the same day, for the administration of enterprises of automobiles, agricultural trucks (low velocity trucks and tricycles), motorcycles and related parts and their products.

The Policies require implementation of unified administration of admission system for automobile production enterprises and their products. The automobile products, in compliance with the administrative rules of admission and mandatory requirements of relevant laws and regulations and technical specifications and with compulsory certifications, will be listed in the Notification of Automobile Production Enterprises and Products. The traffic police department will process registration of automobiles in accordance with such notification and the compulsory certificates of China. Relevant government agencies will establish conditions of admission for enterprises of automobiles, agricultural trucks and motorcycles, and perform dynamic supervision over the enterprises and their products; and any non-conforming enterprise or product shall be removed from the notification. And the Policies set forth two processes for the approval and administration of automobile production investment projects: registration process and approval process.

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- (iii) Administrative Rules of Admission of Enterprises of New Energy Vehicles and their products (《新能源汽車生產企業及產品准入管理規則》) (the “**Rules**”)

Admission rules set forth therein for enterprises of new energy vehicles are: in compliance with relevant laws, regulations and automobile industry development policies and relevant policies on macroscopic adjustment; listed as enterprise of complete vehicles or assembled commercial vehicles in the notification; for the production of complete vehicles of new energy of other category by new or existing automobile enterprises, it is required to complete registration or approval process for the investment project; ability and conditions necessary to produce new energy vehicles; with capabilities of design and development of new energy vehicles; ability to ensure consistency of vehicles; ability of marketing and after-sale services; establishment of parts purchasing system in relation to the production; the vehicles produced satisfy relevant state standards and industry norms, technical specifications, type test protocols, special new energy technology and inspection rules.

Admission rules set forth therein for the products of new energy vehicles are: compliance with relevant standards and provisions regarding safety, environment protection, energy reservation and anti-theft; approved by testing institutions designated by MIIT; and no infringement of others’ intellectual property rights.

- (iv) Standard Conditions of Lithium Ion Battery Industry (《鋰離子電池行業規範》) (the “**Li-ion Conditions**”)

The Li-ion Conditions was promulgated by MIIT on 31 August 2015, to implement administration of admission on lithium ion battery production, and to raise the threshold and regulate the development by setting conditions such as capacity of li-ion batteries no less than 0.1 billion Wh.

The Li-ion Conditions classifies the lithium ion battery production as a “hazardous chemicals” production, and provides specific requirements on battery enterprises in respect of project start-up, production capacity and processes, quality and performance, resources and environment protection, safety management, health and social responsibilities and supervision. In particular, it demands that the lithium ion battery enterprises (1) have in place organic solvent reclaiming system; (2) are capable of detecting detrimental admixture in the cathode active metal materials; (3) satisfy the tests under paragraph 38.3 of Section III of UN Recommendations on Transport of Dangerous Goods — Manual of Tests and Criteria; (4) have in place well organized in-house environment protection organization, and keep records of environment protection events; (5) obtain and comply with legal permission of pollution discharge.

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- (v) Standard conditions of Automobile Battery Industry (《汽車動力蓄電池行業規範條件》) (the “**Battery Conditions**”)

The Battery Conditions was promulgated by MIIT on 24 March 2015, and are applicable to all enterprises in PRC that produce and supply automobile batteries for automotive products. It intends to guide the healthy development of the automobile battery industry, and also implement administration of notification on automobile battery production enterprises, for which the enterprises may apply at their own option. The Battery Conditions set forth quantitative requirements on the production capacity of the enterprises to be listed in the notification, and provides specific percentage of technical and research staff to be employed by applicable enterprise.

- (vi) Policies to limit automobile license plates/purchasing of automobiles of new energy vehicles

The Energy-saving and New Energy Automobile Industry Development Plan (2012–2020) (《節能與新能源汽車產業發展規劃(2012–2020年)》) promulgated by State Council specifically states that, new energy vehicles must enjoy differentiated treatment when local governments implement measures such as limitations on use of vehicles, license plate auction and vehicle purchasing quota systems.

On 29 September 2015, the Standing Committee of State Council clearly dictated that no local government shall put limitations on the usage and purchasing of new energy vehicles, and all such limitations (if any) shall be abolished.

The current policies of allowances and that of no limitations on purchasing automobiles of new energy vehicles and license plates of automobiles of new energy vehicles are only applicable to those new energy vehicles listed in the List of Recommended Vehicles of Model Energy-saving and New Energy Vehicles Promotion Program (《節能與新能源汽車示範推廣應用工程推薦車型目錄》).

- (vii) Recall of defective automobiles

On 22 October 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on 1 January 2013. In accordance with the Administrative Regulations on Defective Automotive Product Recalls, the manufacturers of automobile products shall take measures to eliminate defects in products that are sold by them. Defects refer to instances where a design, manufacturing or identifying flaw is found in a certain batch, model or class of the automobile products that do not meet the national standards and industrial standards that protect human life or property or impose an unreasonable danger to human life or property. For defective automobile products, manufacturers shall recall all products. If manufacturers fail to recall products, the quality supervisory authority of the State Council will order them to recall products. Operators who are informed about the defects of automobile products shall cease to sell, lease or

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use the relevant automobile products and assist manufacturers in the recall of those products. Manufacturers shall recall their products through channels that are available for the public and shall announce the defects of these products as the precaution to avoid losses and eliminate defects. For recalled defective automobile products, manufacturers shall take measures to eliminate defects, including rectification, identification, modification, replacement or returning. Manufacturers who attempt to conceal the defects of their products or do not recall defective automobile products in accordance with regulations shall face legal action.

On 21 December 2015, the Central Administration of Quality Supervision, Inspection and Quarantine promulgated the Implementation Rules of the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例實施細則), which shall take effect on 1 January 2016, to further specify the obligations of manufacturers to recall, impose obligations on parts producers to report defects and cooperate with investigations, and set forth detailed provisions for implementation of recall and procedures of relevant investigations.

According to the PRC Legal Adviser, based on its preliminary assessment, upon Completion and within the scope of new energy business associated with the Sale Assets as carried out by the Vendors, it is of the view that the Purchaser will not encounter any material legal impediment in obtaining all the requisite licenses and permits that are material for the EV Business under the relevant PRC laws and regulations.

RISK FACTORS IN RELATION TO THE ACQUISITION AND THE EV BUSINESS

Ability in catching up with the latest technological development

Upon Completion, the utilization of the Sale Assets by the Group for production of Authorised Products will enable the Group to engage in the EV Business. The EV Business will become a new business and a new income stream of the Group. The EV Business relies on the lithium-ion battery technology. The batteries technologies are changing rapidly. The Group's future success of the EV Business will depend on its ability to adapt to such rapidly changing technology and market trends and to provide up-to-date products at low cost to gain an edge in the market. The failure of the Purchaser to catch up with development in technology would adversely affect the operating results of the Group.

Pursuant to the Patent Licence Agreement, the Patent holders agree to provide technical support to the Purchaser for a term of not less than 5 years from Completion. In addition, the Group intends to set up a team for research and development to catch up with the latest technological development.

Given the reliance on the grant of the Patent and Trademark licence at the initial development stage and in order to protect the Group from the unnecessary risks of reliance on the rights to use the Patent and Trademark, the Directors (including the independent non-executive Directors) consider that the term of five years of the Patent Licence Agreement and Trademark Licence Agreement to be fair and reasonable so that the Group

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will have reasonable time to develop its own technologies and production facilities to produce and promote the Other Products. The Group will carry out its research and development through its own team which will aim at (i) the exploration of solutions for and development of new technology of electric batteries and electric vehicles; (ii) improving the existing production process; (iii) improving the charging efficiency of the batteries; (iv) minimizing the time of batteries charging for the electric vehicles; (v) increasing the flexibility of the production facilities for producing the Other Products. The Group plans to recruit about 6 core technical staff and several assistants for research and development to enhance its research and development ability in 2016–2017.

Products subject to quality and safety standards and failure to comply with these standards may adversely affect the business

The lithium-ion batteries products and vehicles are subject to quality and safety standards in various jurisdictions where the end customers are located. The Purchaser will supply products based on the standards required and in the event that the Purchaser fails to do so, the Purchaser may incur significant costs to remedy the same and/or be subject to damages claims and/or fines and hence will have material negative impact on its sales and profits.

The Group intends to maintain an effective quality control system, in particular, quality checks on production process and safety standards of the products.

Ability to adjust production volume in a timely or cost-efficient manner in response to changes in demand

Production capacity in the utilization of the Sale Assets is limited at a certain level. In the event that the demand exceeds the production capacity, the Purchaser may not be able to respond to the increase in demand for its products. As such, the Purchaser may lose further purchase orders.

The Group considers that the estimated maximum production capacity in the utilization of the Sale Assets is able to satisfy the estimated growth of demand for the Authorized Products in the coming 5 years.

Ability to renew the Patent and Trademark that are licensed for 5 years from Completion

Pursuant to the Patent Licence Agreement and Trademark Licence Agreement, the Purchaser will be able to use the Patent and Trademark for the manufacture of Authorized Products for 5 years from Completion. There can be no assurance that the Purchaser will be able to obtain renewal of the aforesaid licences on commercially reasonable terms or at all. The Purchaser's inability to obtain renewal of the Patent licence and Trademark licence on commercially reasonable terms or at all could have a material adverse impact on the Group's EV Business, results of operations, financial condition or prospects.

The Group intends to set up a team for research and development to catch up with the latest technological development.

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Investment in new business sector for the Group

The Acquisition constitutes an investment in a new business sector, being the EV Business, in which the Group has no previous involvement. The new business may pose significant challenges to the Group's administrative, financial and operational resources and expose the Group to a risk profile which may be different from that of its existing business.

The Group intends to enter into service agreements with the existing key management of the Vendors to ensure smooth operation of the EV Business after Completion.

Risks of concentration of customers

As an initial start, the Purchaser will rely on the orders from Brighsun HK for the sale of the Authorised Products. As such, a substantial portion of the revenue of the EV Business will be derived from Brighsun HK. The Purchaser anticipates that its dependence on Brighsun HK will continue in the foreseeable future. Any failure to maintain existing customer relationships or to expand customer base of the Purchaser will materially and adversely affect results of operations and financial condition of the EV Business.

However, it should be noted that the Purchaser has entered into the Manufacturing Agreement with Brighsun HK which shall take effect on the Completion Date for a term of 5 years. Pursuant to the Manufacturing Agreement, the Purchaser is granted first right of refusal to take up orders for the Authorised Products on Brighsun HK and/or Brighsun HK Authorised Agents (as defined below) and/or Brighsun HK's associates. Given the arrangement under the Manufacturing Agreement, it will create an obligation on Brighsun HK to grant the Purchaser the first right of refusal, while the Purchaser will be provided with the discretion to decide whether to take up those orders taken up by Brighsun HK for the Authorised Products. In this connection, for at least a period of 5 years from the Completion Date, the Purchaser will benefit from the business development of Brighsun HK and lead to Manufacturing Transactions (as defined below) while the Purchaser will still be able to take up sales order from other customers and for the Other Products.

In addition, it is anticipated that the Purchaser will have established years of business relationship with Brighsun HK after expiration of the Manufacturing Agreement. Leveraging on the then established business relationship with Brighsun HK, the Purchaser will differentiate itself from other potential manufacturers to Brighsun HK given its familiarity of the specific requirements for the Authorised Products. In addition, leveraging on the manufacturing experience of the Purchaser in the EV Business, the Purchaser will gradually be equipped with technical knowledge and understanding about customers' requirement which will allow it to response to changing customers' preference and requirements for electric vehicles in a later stage of development.

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Competition

The Group's EV Business is expected to compete with both PRC and international companies, which may have competitive advantages over the Group in terms of, for example, resources, technical capability, customer base, brand name and distribution power. In view of these factors, the Group's competitors may be able to adapt to rapid changes in technology and customers' preference and needs, to take advantage of business opportunities more readily and adopt more aggressive pricing policies than the Group. However, the competition in the electric vehicle market is uncertain as no information in respect of the competition is publicly available.

In respect of the Patent, as at the Latest Practicable Date, to the best knowledge of the Directors, save for the Purchaser, no other parties have been granted the use of the Patent for the manufacturing of Authorized Products by the Licensors.

In respect of the Trademark, as at the Latest Practicable Date, to the best knowledge of the Directors, save for Brighsun HK and the Purchaser, no other parties have been granted the use of the Trademark by the Trademark Holder.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the "**Sourcing Business**"), as well as the retail of luxury brand silverware and silver utensils in PRC (the "**Silverware Business**").

Sourcing Business contributed approximately HK\$158.1 million and approximately HK\$79.3 million, representing approximately 78.1% and 83.1% of the total revenue of the Group for the year ended 31 December 2014 and six months ended 30 June 2015 respectively. According to the interim report for the six months ended 30 June 2015, even though the watch sourcing business demonstrated some improvement for the period, the market condition of Sourcing Business generally remained mixed and uncertain as there is indication of slowing down of the retail distribution markets in Europe and US.

On the other hand, the Group completed the acquisition of 51% indirect equity interest in Tong Yin in February 2015. Tong Yin is principally engaged in retail of luxury brand silverware and silver utensils in the PRC. Silverware Business is the first-time contributed to the Group's revenue, representing approximately 16.9% of the Group's revenue and generating an operating profit of approximately HK\$5.7 million for the six months ended 30 June 2015. The acquisition of Tong Yin earmarks an important strategic step of the Group to diversify its business.

Upon Completion, the Sale Assets will be used for EV Business. EV Business will become a new business and a new income stream of the Group and it will involve production and sale of lithium-ion batteries for electric vehicles and manufacturing of lithium battery buses and coaches and their respective parts, fittings and accessories. In recent years, the awareness of environmental protection and energy conservation has gradually shifted the customers' behavior, and the developments and improvements on the

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technology of electric vehicles contributed to its emerging recognition. In China, as a result of urbanization and upgrade in consumption, automobiles are still in demand. According to the data from the China Association of Automobile Manufacturers (CAAM), sales of new energy vehicles in 2014 and the first seven months in 2015 are approximately 75,000 units and 90,000 units respectively and representing a year-on-year increase of around 3.2 times and 2.6 times respectively. Given that the new energy vehicles became more commercialized in China, the Directors consider that the demand for downstream lithium-ion batteries will be driven by the demand of electric vehicles.

Pursuant to the Patent Licence Agreement the Patent holders have agreed to provide technical support to the Purchaser for a term of not less than 5 years from Completion. The Company intends to appoint additional suitable candidates to ensure efficient operation and utilization of the Sale Assets for the production of the Authorised Products.

The Directors believe that there will be a growing popularity of new energy vehicles using batteries and therefore there will also be an increase in demand of lithium-ion batteries. The Directors envisage that the prospect of the EV Business will be promising.

Apart from the existing businesses, the Group is actively searching for other suitable business opportunities so as to diversify the Group's business to other new lines of business with growth potential and to broaden its source of income that can bring return to the Shareholders so that it will not unduly rely on the Sourcing Business and the Silverware Business, thus the business risk of the Group in the event of market downturn can be reduced. The Directors consider the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to further expand and diversify its business portfolio and tap into the lithium-ion battery and lithium bus industry and to generate diversified income and additional cashflow. Upon Completion, the Group will continue to develop its existing businesses.

The Directors (including the independent non-executive Directors) have approved the entering into of the Acquisition Agreement and the transactions contemplated thereunder and are of the view that the respective terms of the Acquisition Agreement and the Convertible Bonds are normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (for illustration purpose only): (a) as at the Latest Practicable Date; and (b) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (Note 2)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Substantial Shareholders:				
King Full Inc Limited <i>(Note 1)</i>	156,390,000	50.99%	156,390,000	30.86%
Vendor 1	—	0.00%	63,541,865	12.54%
Vendor 2	—	0.00%	136,458,135	26.93%
Public Shareholders	<u>150,310,000</u>	<u>49.01%</u>	<u>150,310,000</u>	<u>29.67%</u>
	<u><u>306,700,000</u></u>	<u><u>100%</u></u>	<u><u>506,700,000</u></u>	<u><u>100%</u></u>

Notes:

- King Full Inc Limited is a company incorporated in Hong Kong which is wholly and beneficially owned by Mr. Fei Jie.
- Pursuant to the conversion restriction in relation to the Convertible Bonds, the Company will not issue any Conversion Shares if (i) upon such issue, any holder(s) of the Convertible Bonds and parties acting in concert with it/them will be obligated to carry out a mandatory general offer under the Takeovers Code, or (ii) upon such issue, the shareholding by the public in the Company will be less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules from time to time for maintaining public float. Therefore, the shareholding structure set out in this column is shown for illustrative purpose only.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
15 July 2015	Placing of new shares under general mandate	HK\$25.0 million	General working capital of the Group	(i) Approximately HK\$2.2 million was utilized as general and administrative expenditures of the Group; (ii) the remaining balance of the approximately HK\$22.8 million is maintained at bank.
31 March 2015	Open offer on the basis of one offer share for every two shares at the subscription price at HK\$0.70 per offer share which was completed in May 2015	HK\$59.3 million	Financing future investment activities if and when suitable opportunities arise and business development and working capital requirement of the Group	(i) Approximately HK\$29 million was utilized as expansion of silverware retail business and related investment development; (ii) Approximately HK\$9 million was utilized as investment in the business of electric vehicles; (iii) Approximately HK\$21.3 million is maintained at bank and earmarked for potential investment projects and general working capital of the Group.

FINANCIAL IMPACT OF THE ACQUISITION

Based on the pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such pro forma statement of assets and liabilities, the Group's total assets and total liabilities would be increased by approximately HK\$114.2 million and approximately HK\$100.0 million respectively as a result of the Acquisition. The Directors believe that there will be a growing popularity of new energy vehicles using lithium ion batteries and therefore envisage that the prospect of the EV Business will be promising. The Directors consider that the Acquisition will enrich the Group's business diversity and have a positive impact on the future earnings of the Enlarged Group. The details of the financial effect of the Acquisition on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma statement of assets and liabilities are set out, for illustration purpose only, in Appendix IV to this circular.

LETTER FROM THE BOARD

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

According to the Acquisition Agreement, it is pre-requisite for the CCT Agreements, namely, the Patent Licence Agreement, the Trademark Licence Agreement and the Manufacturing Agreement to be entered into by the Purchaser for Completion to take place.

Information of the counterparty of the CCT Agreements

In respect of the Patent Licence Agreement, the Purchaser is a party and Mr. Huang and an individual (the “**Individual A**”) are the counterparties for such agreement. As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Huang and Individual A are both Independent Third Parties and co-holders of the Patent.

In respect of the Trademark Licence Agreement, the Purchaser is a party while the Trademark Holder, being a company controlled by Mr. Huang, is the counterparty which is principally engaged in provision of investment management consultancy and investment management services. As at the Latest Practicable Date, the Trademark Holder is wholly owned by Mr. Huang.

In respect of the Manufacturing Agreement, the Purchaser is a party and Brighsun HK is the counterparty of such agreement. As at the Latest Practicable Date, Brighsun HK is beneficially owned as to 36% and 54% by Mr. Zhang and Mr. Huang respectively. As such, Brighsun HK is an associate of Mr. Zhang and connected person of the Company at subsidiary level as defined under the GEM Listing Rules. As such, the Manufacturing Agreement and transactions contemplated thereunder constitute continuing connected transactions of the Company.

Upon Completion, in the event that the Vendors exercise their respective conversion rights under the Convertible Bonds to the extent that any of them becomes a substantial Shareholder while Mr. Huang remains able to exercise majority control over such Vendor at that time (the “**Conditions**”), Mr. Huang will be considered as a connected person of the Company. In this connection, assuming the Conditions occur, transactions contemplated under the CCT Agreements will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Upon Completion and in the event that the Conditions occur, given that Brighsun HK, the Trademark Holder and the Vendors are under common majority control of Mr. Huang, Brighsun HK and the Trademark Holder will become a fellow subsidiary of the Vendors, hence they will be regarded as connected persons of the Company. Brighsun HK will then cease to be a connected person of the Company at subsidiary level only.

LETTER FROM THE BOARD

The principal terms of the CCT Agreements are set out below.

1. Patent Licence Agreement

Date : 13 January 2016

Parties : Licensors: Mr. Huang and Individual A, being an Independent Third Party, co-holders of the Patent (collectively, the “**Licensors**”)

Licensee: the Purchaser

Term : The Patent Licence Agreement shall be for a term of 5 years from the Completion Date.

The Patent Licence Agreement may be terminated by the Licensors if the following occurs:

- (1) if the Purchaser becomes insolvent, commences dissolution proceedings, files a petition for its winding up; or
- (2) a receiver, trustee or similar officer is appointed for the business or property of the Purchaser; or
- (3) the Purchaser defaults in the performance of any of its material obligations or duties under the Patent Licence Agreement, and such default is not remedied within (60) sixty days after written notice given by the Licensors to the Purchaser.

Nature of transaction : (i) the Licensors grant to the Purchaser a non-exclusive licence to use the Patent for the manufacturing of the Authorised Products (the “**Grant of Manufacturing Licence**”) and undertake to provide technical support to the Purchaser (the “**Technical Support Provision**”);

- (ii) the Licensors grant to the Purchaser first right of refusal to take up orders for the Authorised Products placed on the Licensors, their authorized licencees for distribution of Authorised Products (the “**Authorised Agents**”) and/or associates of any Licensors (excluding the Manufacturing Transactions, the “**Sales Transactions**”); and

LETTER FROM THE BOARD

(iii) the Licensors grant to the Purchaser pre-emption right in respect of improvements of the technology under the Patent occurring within 5 years of Completion (the “**Patent Improvement Pre-emption Right**”) (*Note*)

Pricing

: No consideration or other fee is payable by the Purchaser for the Grant of Manufacturing Licence and the Patent Improvement Pre-emption Right.

In respect of the Technical Support Provision, no consideration or other fee is payable by the Purchaser except for travelling expenses pre-approved by the Purchaser.

In respect of the Sales Transactions, pricing of products to be supplied by the Purchaser under each order shall be determined on a costs plus basis (FOB) calculated in accordance with the following formula:

$$\text{Price} = \text{Costs} + \text{Profit Margin}$$

where Costs means the costs of producing the relevant Authorized Product, including:

- (1) direct labour costs;
- (2) direct material costs; and
- (3) other costs directly attributable to production (such as utilities, depreciation of equipment and machineries and production facilities, molding and design costs) with amortisation of fixed costs and depreciation to be determined by the Purchaser at its full discretion based on the number of products produced and/or estimated to be produced for the relevant month/year;

and Profit Margin means 20% for Authorised Products for sales in the PRC (excluding Hong Kong and Macau) and 40% for those for export (including Hong Kong and Macau) sale.

LETTER FROM THE BOARD

The Profit Margin is determined after arm's length negotiation between the Purchaser and Brighsun HK based on normal commercial practice with reference to (i) the estimated selling price of the Authorised Products to be charged by Brighsun HK to end users; and (ii) estimated costs of producing the Authorised Products.

Based on the foregoing, the Directors consider that the method and procedures in determining the pricing of each individual Sales Transaction can ensure that the transactions will be conducted on normal commercial terms and will not be prejudicial to the interest of the Company and its Shareholders as a whole.

Payment Term : For the Technical Support Provision, payment will be made by the Purchaser for those pre-approved travelling expenses incurred by the Licensors within 30 days from the issue of invoice by the Licensors.

An order placed on the Purchaser only forms a binding contract if accepted by the Purchaser. The payment for the price under each Sales Transaction shall be paid to the Purchaser as follows:

- (i) 40% upon the Purchaser accepting an order; and
- (ii) the remaining 60% to be paid upon delivery of the product.

Others : Other than the price of the products, each Sales Transaction will be entered into based on arm's length negotiation between the party placing the order and the Purchaser from time to time on normal commercial terms no less favourable to the Group than those offered by Independent Third Parties.

Note:

Upon Completion and assuming the Conditions occur, the exercise of the Patent Improvement Pre-emption Right by the Purchaser at its discretion will be a one-off transaction, no annual caps will be set for the purpose of the GEM Listing Rules. Given the nature of the Patent Improvement Pre-emption Right, the timing for its occurrence and the estimated amount cannot be ascertained at the time being, the Company will make further announcement as and when appropriate for any exercise by the Purchaser of the Patent Improvement Pre-emption Right and comply with relevant requirement under the GEM Listing Rules.

LETTER FROM THE BOARD

Fees payable in respect of the Technical Support Provision will be reimbursed based on actual amount incurred, including but not limited to travelling, food, accommodation and other expenses in connection with the Technical Support Provision. It is estimated that the annual amount thereof will be less than HK\$3,000,000.

The Licensors confirmed that as at the Latest Practicable Date, (i) save for Brighsun HK (with whom the Purchaser has entered into the Manufacturing Agreement to govern transactions between them), the Licensors have not appointed any Authorised Agents for distribution of Authorised Products; and (ii) apart from Brighsun HK, each of the Licensors does not have any associates whose principal business activities involve taking up sales order for the Authorised Products. In view of the aforesaid, currently, it will be impractical to estimate the annual caps for the Sales Transaction given that (i) each of the Licensors is a natural person, as such, it will be unlikely for them to take up any orders for the Authorised Products directly and then place such orders to the Purchaser; (ii) no Authorised Agents (save for Brighsun HK) have been appointed, it will be infeasible to estimate the potential orders from them; (iii) in view of the reasons stated in (i) and (ii) above, as at the Latest Practicable Date, Brighsun HK is the only available Authorised Agent for taking up orders for the Authorised Products. Having considered that Brighsun HK does not possess any manufacturing capabilities, it has to procure supply of Authorised Products from the Purchaser as stipulated under the Manufacturing Agreement. Furthermore, it has been the Licensors' intention to promote and establish market presence of Authorised Products in the Greater China Region, where Brighsun HK is the exclusive distributor in such region, as initial focus. In view of the above, no annual caps are estimated for the Sales Transaction. In the event that the Sales Transactions occur in the future and constitute continuing connected transactions, the Company will comply with relevant requirements under Chapter 20 of the GEM Listing Rules as and when appropriate.

2. Trademark Licence Agreement

Date	:	13 January 2016
Parties	:	Licensor: the Trademark Holder, a company wholly-owned by Mr. Huang Licensee: the Purchaser
Term	:	The Trademark Licence Agreement shall be for a term of 5 years from the Completion Date provided that it may be terminated by the Licensor without further notice if the Patent Licence Agreement is terminated pursuant to the terms thereof.

LETTER FROM THE BOARD

- Nature of transaction** : The Trademark Holder grants the Purchaser the non-exclusive right to use the trademark “Brighsun” and its associated mark registered in the PRC (collectively, the “**Trademark**”) in the manufacturing of and on the Authorised Products manufactured or produced by the Purchaser.
- Fee** : No consideration or fee is payable by the Purchaser for such use of the Trademark.

3. Manufacturing Agreement

- Date** : 13 January 2016
- Parties** : Brighsun HK
the Purchaser
- Term** : The Manufacturing Agreement shall be for a term of 5 years from the Completion Date.

The Manufacturing Agreement may be terminated by Brighsun HK if the following occurs:

- (1) if the Purchaser becomes insolvent, commences dissolution proceedings, files a petition for its winding up; or
- (2) a receiver, trustee or similar officer is appointed for the business or property of the Purchaser; or
- (3) the Purchaser defaults in the performance of any of its material obligations or duties under the Manufacturing Agreement, and such default is not remedied within (60) sixty days after written notice given by Brighsun HK to the Purchaser.

- Nature of transaction** : Pursuant to the Manufacturing Agreement, Brighsun HK will appoint the Purchaser as the manufacturer and supplier for the Authorised Products where the Purchaser will be granted first right of refusal to take up orders for the Authorised Products placed on Brighsun HK, its authorized licencees for distribution of Authorised Products (the “**Brighsun HK Authorised Agents**”) and/or Brighsun HK’s associates (the “**Manufacturing Transactions**”).

LETTER FROM THE BOARD

Pricing : In respect of the Manufacturing Transactions, pricing of the products to be supplied by the Purchaser under each order shall be determined on a costs plus basis (FOB) calculated in accordance with the following formula:

$$\text{Price} = \text{Costs} + \text{Profit Margin}$$

where Costs means the costs of producing the relevant Authorized Product, including:

- (1) direct labour costs;
- (2) direct material costs; and
- (3) other costs directly attributable to production (such as utilities, depreciation of equipment and machineries and production facilities, molding and design costs) with amortisation of fixed costs and depreciation to be determined by the Purchaser at its full discretion based on the number of products produced and/or estimated to be produced for the relevant month/year;

and Profit Margin means 20% for Authorised Products for sale in the PRC (excluding Hong Kong and Macau) and 40% for those for export (including Hong Kong and Macau) sale.

Payment term : An order placed on the Purchaser only forms a binding contract if accepted by the Purchaser. The payment for the price under each Manufacturing Transaction shall be paid to the Purchaser as follows:

- (i) 40% upon the Purchaser accepting an order; and
- (ii) the remaining 60% to be paid upon delivery of the product.

Other : Other than the price of the products, each Manufacturing Transaction will be entered into based on arm's length negotiation between the party placing the order and the Purchaser from time to time on normal commercial terms no less favourable to the Group than those offered by Independent Third Parties.

LETTER FROM THE BOARD

Proposed annual caps and basis of calculation for the Manufacturing Agreement

The table below sets out the proposed annual caps of the transactions contemplated under the Manufacturing Agreement for the period from the Completion Date to 31 December 2016, 2017, 2018, 2019 and 2020 respectively.

Transactions	Completion	Year ending	Year ending	Year ending	Year ending
	Date to 31 December	31 December	31 December	31 December	31 December
	2016	2017	2018	2019	2020
	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Manufacturing Transactions	1,500	3,000	5,000	5,500	6,000

The above proposed annual caps are determined based on a number of factors including (i) the prospects of the Authorised Products in the Greater China Region and in Australia; (ii) the projected sales order of Authorised Products based on the annual sales targets of Brighsun HK; (iii) anticipated total production costs and predetermined profit margin; (iv) production capacity of the Purchaser; and (v) buffer for potential changes in the market conditions.

Reasons for and benefits of entering into the CCT Agreements

The right to use the Patent and the Trademark for manufacturing of the Authorised Products are part and parcel of the Acquisition. As such, no consideration is payable by the Purchaser for the entering into of the Patent Licence Agreement and the Trademark Licence Agreement for the Grant of Manufacturing Licence and Technical Support Provision and the Trademark.

The grant of first right of refusal to take up orders for the Authorised Products placed on the Patent holders, the Authorised Agents (including Brighsun HK) and/or their associates at prices calculated on a cost plus basis allows the Purchaser to benefit from their current and future sales and distribution network and efforts, as well as their expertise to help promote, market and distribute the Authorised Products, especially in Greater China Region as the initial start. At present, the Purchaser intends to leverage on proposed marketing efforts and expertise of Brighsun HK in market development of the Authorised Products. Brighsun HK's marketing strategy is to expand its distribution network and coverage in the Greater China Region through e-commerce, appointment of sales agents and distributors and establishment of retail shops and sales team. Furthermore, upon future appointment of Authorised Agents, the Purchaser will also be able to benefit from the expanded scale of sales network and relevant expertise of those Authorised Agents appointed. The Board believes that such strategic alliance will enable the Purchaser to achieve synergies in collaboration with the Patent holders, Trademark Holder and Brighsun HK and the Group will benefit from the sales and marketing network of the Patent holders and/or their distributors. Furthermore, the Purchaser will be allowed to exercise the Patent

LETTER FROM THE BOARD

Improvement Pre-emption Right at its discretion. At present, Brighsun HK possesses exclusive distribution rights granted by the Patent holders of Authorized Products in Greater China Region.

As such, the entering into of the CCT Agreements is in line with the Group's strategy in tapping into the electric vehicles industry and to seize the market share from electric vehicles manufacturers by equipping the Group with immediate production capabilities and access to potential customers. The transactions contemplated under the CCT Agreements are as a whole, beneficial and favorable to the Group. The Directors, including the independent non-executive Directors, believe that the terms of the CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

The Acquisition

As at the Latest Practicable Date, Mr. Zhang, a director of and a beneficial owner of the remaining 49% interest of Tong Yin, an indirect non-wholly owned subsidiary of the Company (indirectly owned as to 51% by the Company), indirectly owns 38% and 40% of the effective equity interest of Vendor 1 and the Vendor 2 respectively, therefore each of the Vendors is an associate of Mr. Zhang and a connected person of the Company as defined under the GEM Listing Rules. By virtue of this, both Mr. Zhang and the Vendors are connected persons of the Company at the subsidiary level under the GEM Listing Rules. As such, the Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

The Directors (including the independent non-executive Directors) have approved the entering into of the Acquisition Agreement and the transactions contemplated thereunder and are of the view that the respective terms of the Acquisition Agreement and the Convertible Bonds are normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Pursuant to Rule 20.99 of the GEM Listing Rules, the Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company will be subject to reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

However, issuance of Convertible Bonds to the Vendors does not fall within the exemptions under Rule 20.99 of the GEM Listing Rules. As such, issuance of Convertible Bonds to the Vendors is not exempt from independent financial advice and shareholders' approval under Rule 20.99 of GEM Listing Rules. Therefore, independent financial advice

LETTER FROM THE BOARD

and shareholders' approval in connection with the Acquisition Agreement and the transactions contemplated thereunder are required under Chapter 20 of the GEM Listing Rules.

Taking into account the requirements under Chapters 19 and 20 of the GEM Listing Rules as stated above, the Acquisition Agreement and the transactions contemplated thereunder will be subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

The Possible CCTs

Status as at the Latest Practicable Date

As at the Latest Practicable Date, each of Mr. Huang and the Trademark Holder is an Independent Third Party, as such, each of the Patent Licence Agreement and the Trademark Licence Agreement does not constitute continuing connected transactions for the Company.

As at the Latest Practicable Date, Brighsun HK is an associate of Mr. Zhang and hence it is regarded as a connected person of the Company at subsidiary level as defined under the GEM Listing Rules. Therefore, the Manufacturing Agreement and transactions contemplated thereunder constitute continuing connected transactions of the Company. However, by virtue of Rule 20.99 of the GEM Listing Rules, the Manufacturing Agreement and transactions contemplated thereunder will only be subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Status upon Completion and assuming the Conditions occur

Upon Completion and assuming the Conditions occur, Mr. Huang will be considered as a connected person of the Company. As such, transactions contemplated under the Patent Licence Agreement will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Upon Completion and assuming the Conditions occur, the Trademark Holder will become a connected person of the Company. As such, transactions contemplated under the Trademark Licence Agreement will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Upon Completion and assuming the Conditions occur, Brighsun HK will remain as a connected person of the Company but it will cease to be a connected person of the Company at subsidiary level. In this connection, Rule 20.99 of the GEM Listing Rules will not be applicable for the Manufacturing Agreement and transactions contemplated thereunder.

No consideration will be payable by the Purchaser for the Grant of Manufacturing Licence and the grant of the Trademark licence. No annual caps are estimated for the Sales Transactions given that apart from Brighsun HK (with whom the Purchaser has entered into the Manufacturing Agreement to govern transactions between them), the Licensors

LETTER FROM THE BOARD

confirmed that (i) they have not appointed any Authorised Agents for distribution of Authorised Products; and (ii) apart from Brighsun HK, each of the Licensors does not have any associates whose principal business activities involve taking up sales order for the Authorised Products. Therefore, each of the relevant percentage ratios under the GEM Listing Rules in respect of (i) the Grant of Manufacturing Licence and the Trademark licence under the Patent Licence Agreement and the Trademark Licence Agreement respectively; and (ii) the Sales Transactions, is expected to be less than 0.1%. Therefore, the transactions in respect of (i) the Grant of Manufacturing Licence under the Patent Licence Agreement and the grant of Trademark licence under the Trademark Licence Agreement; and (ii) the Sales Transactions will constitute de minimis transactions which will be fully exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules pursuant to Rule 20.74 of the GEM Listing Rules.

As each of the applicable percentage ratios in respect of the Technical Support Provision under the Patent Licence Agreement is, on an annual basis, more than 0.1% but less than 5% and the annual consideration is expected to be less than HK\$3,000,000, the Technical Support Provision will, pursuant to Rule 20.74 of the GEM Listing Rules, constitute a de minimis continuing connected transaction which will be fully exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules pursuant to Rule 20.74 of the GEM Listing Rules.

In this connection, the Patent Licence Agreement and the Trademark Licence Agreement will be exempt from Independent Shareholders' approval at the SGM.

Further, pursuant to Rule 20.50 of the GEM Listing Rule, should the term of an agreement for continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for such duration. Accordingly, the Independent Financial Adviser has been appointed by the Company to advise the Directors on the length of term of the CCT Agreements.

As the applicable percentage ratios (other than the profit ratio) as defined under Chapter 20 of the GEM Listing Rules in respect of the proposed annual caps of the Manufacturing Transactions contemplated under the Manufacturing Agreement exceeds 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

THE SGM

The SGM will be convened and held at 10:30 a.m. on Wednesday, 3 February 2016 at Lavender, Level 3, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong for the Shareholders to consider, and if thought fit, to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder (including the issue

LETTER FROM THE BOARD

of the Convertible Bonds and Conversion Shares) and the Manufacturing Agreement and the transactions contemplated thereunder (including the annual caps thereof) by way of poll.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of (i) the Vendors, the Licensors, Trademark Holder, Brighsun HK; (ii) the ultimate beneficial owners of each of the Vendors, Trademark Holder, Brighsun HK and their respective associates did not hold any Shares as at the Latest Practicable Date. As no Shareholder has a material interest in the Acquisition and the Possible CCTs, no Shareholder is required to abstain from voting in respect of the ordinary resolution(s) at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the Conversion Shares) and the Manufacturing Agreement and the transactions contemplated thereunder (including the annual caps thereof).

The Independent Board Committee comprising all independent non-executive Directors has been established to make recommendations to the Independent Shareholders regarding the Acquisition Agreement and the Manufacturing Agreement and the respective transactions contemplated thereunder. Amasse Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

None of the Directors has any material interest in the Acquisition Agreement, the CCT Agreements and the respective transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolutions approving the Acquisition Agreement, the CCT Agreements and the respective transactions contemplated thereunder.

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the 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 but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) and the Manufacturing Agreement and the transaction contemplated thereunder (including the annual caps thereof) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the relevant resolutions to be proposed at the SGM to approve the

LETTER FROM THE BOARD

Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the Conversion Shares) and the Manufacturing Agreement (including the annual caps thereof).

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 45 to 46 of this circular and the letter from Independent Financial Adviser containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Acquisition and the Manufacturing Transactions, as set out on pages 47 to 74 of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Powerwell Pacific Holdings Limited
Fei Jie
Chairman and Executive Director



POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8265)

18 January 2016

To the Independent Shareholders

Dear Sir and Madam

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
PROPOSED ACQUISITION OF THE SALE ASSETS AND
POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular to the Shareholders dated 18 January 2016 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) and the Manufacturing Agreement and transactions contemplated thereunder (including the annual caps thereof) are in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Amasse Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders.

We wish to draw your attention to the “Letter from the Independent Financial Adviser” as set out on pages 47 to 74 of the Circular. We have considered the terms and conditions of the Acquisition Agreement and the Manufacturing Agreement, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 6 to 44 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

In our opinion, so far as the Independent Shareholders are concerned, the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) and the Manufacturing Agreement and transactions contemplated thereunder (including the annual caps thereof) set out in the Circular are not in the ordinary and usual course of business of the Company but the terms thereof are fair and reasonable, on normal commercial terms in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the Conversion Shares) and the Manufacturing Agreement and transactions contemplated thereunder (including the annual caps thereof).

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Cheung Siu Wah
*Independent non-executive
Director*

Mr. Jim Yiu Ming
*Independent non-executive
Director*

Mr. Sit Sai Hung, Billy
*Independent non-executive
Director*

AMASSE CAPITAL
寶 積 資 本

18 January 2016

*To: The Board,
the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**I. MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
PROPOSED ACQUISITION OF SALE ASSETS INVOLVING THE
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND
II. POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser (i) to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder and the Manufacturing Agreement and the transactions contemplated thereunder (including the annual caps thereof); and (ii) to advise the Directors on the length of term of the CCT Agreements for the purpose of Rule 20.50 of the GEM Listing Rules, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 January 2016 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 November 2015 (after trading hours), the Company, the Purchaser, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell, the Sale Assets at the Consideration of HK\$110 million, which will be satisfied by way of issue of Convertible Bonds by the Company to the Vendors upon Completion.

The Independent Board Committee has been established to consider and advise the Independent Shareholders on whether the Acquisition Agreement and the transactions contemplated thereunder and the Manufacturing Agreement and the transactions contemplated thereunder (including the annual caps thereof) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The advice of the Independent Board Committee in the same regard is contained in its letter included in the Circular.

We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser (i) to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder and the Manufacturing Agreement and the transactions contemplated thereunder (including the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual caps thereof); and (ii) to advise the Directors on the length of term of the CCT Agreements for the purpose of Rule 20.50 of the GEM Listing Rules. We are not connected with the directors, chief executive and substantial shareholders of the Company, the Vendors, Mr. Huang, Mr. Zhang or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, there was no engagement between the Company or the Vendors and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company, the Vendors or any of its subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company (the “**Management**”) and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Circular were reasonably made after due and careful inquiry. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to enable us to reach an informed view regarding the Acquisition, the Manufacturing Agreement and the CCT Agreements. We have not, however, carried out any independent verification on the information provided to us by the Directors and the Management, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1 The EV Business

1.1 Business operations

The Group is principally engaged in the Sourcing Business as well as the Silverware Business. Upon Completion, the Group will also be engaged in the EV Business by utilizing the Sale Assets. The EV Business will involve production and sale of Authorised Products. Apart from the Authorised Products, the Sale Assets may also be used for production of the Other Products. The Group anticipates that as an initial start, majority of the revenue of the EV Business will be derived from sale of the Authorised Products. Upon the EV Business becoming mature at a later stage, the Group may expand into the business of production of Other Products.

The Acquisition constitutes an investment in a new business sector, being the EV Business, in which the Group has no previous involvement, and may pose significant challenges to the Group's administrative, financial and operational resources and expose the Group to a risk profile which may be different from that of its existing business.

As advised by the Management, we understand that apart from the existing businesses, the Group has been actively searching for other suitable business opportunities so as to diversify the Group's business to other new lines of business with growth potential and to broaden its source of income that can bring return to the Shareholders so that it will not unduly rely on the Sourcing Business and the Silverware Business, thus the business risk of the Group in the event of market downturn can be reduced.

1.2 Financial position

We note that the Sourcing Business contributed approximately HK\$158.1 million and approximately HK\$79.3 million, representing approximately 78.1% and 83.1% of the total revenue of the Group for the year ended 31 December 2014 and six months ended 30 June 2015 respectively. According to the interim report for the six months ended 30 June 2015, even though the watch sourcing business demonstrated some improvement for the period, the market condition of Sourcing Business generally remained mixed and uncertain as there is indication of slowing down of the retail distribution markets in Europe and US.

We also note that upon Completion, it is believed that the EV Business will be mainly financed by the internal resources of the Group at the initial development stage and as set out in the Letter from the Board, it is expected

that the EV Business will contribute recurring cash flow and favourable returns to the Group, and the internally generated fund arising from the EV Business will be sufficient for financing its operations.

1.3 Risks associated with the Acquisition and the EV Business

As stated in the section headed “Risk Factors in relation to the Acquisition and the EV Business” in the Letter from the Board, we note that the Acquisition and the EV Business are associated with various risks and the Group has established different business strategies and measurements in addressing to such risks, in particular, as follows:

- (a) Given the reliance of the grant of the Patent and Trademark at the initial development stage and in order to protect the Group from the unnecessary risks of reliance on the rights to use the Patent and Trademark, the Patent holders agree to provide technical support to the Purchaser for a term of not less than 5 years from Completion so that the Group will have reasonable time to develop its own technologies and production facilities to produce and promote the Other Products. In addition, the Group intends to set up a team of research and development to catch up with the latest technological development;
- (b) The Group intends to maintain an effective quality control system, in particular, on quality checks on production process and safety standards of the products;
- (c) The Group considers that the estimated maximum production capacity in the utilization of the Sale Assets is able to satisfy the estimated growth of demand for the Authorized Products in the coming 5 years;
- (d) The Group intends to enter into service agreement with the existing key management of the Vendors to ensure smooth operation of the EV Business after Completion;
- (e) For at least a period of 5 years from the Completion Date, the Purchaser will benefit from the business development of Brighsun HK with the first right of refusal to take up orders for the Authorised Products on Brighsun HK and/or Brighsun HK Authorised Agents and/or Brighsun HK’s associates under the Manufacturing Agreement while the Purchaser will still be able to take up sales order from other customers and for the Other Products;
- (f) After expiration of the Manufacturing Agreement, the Purchaser has established years of business relationship with Brighsun HK and will be able to differentiate itself from other potential manufacturers to Brighsun HK given its familiarity of the specific requirements. Also, leveraging on the manufacturing experience for the Authorised Products in the EV Business, the Purchaser will gradually be equipped with

technical knowledge and understanding about customers' requirement and be able to respond to changing customers' preference and requirements for electric vehicles in the later stage of development;

- (g) As at the Latest Practicable Date, to the best knowledge of the Directors, save for the Purchaser, no other parties have been granted the use of the Patent for the manufacturing of Authorized Products by the Licensors; and
- (h) As at the Latest Practicable Date, to the best knowledge of the Directors, save for Brighsun HK and the Purchaser, no other parties have been granted the use of the Trademark by the Trademark Holder.

Having considered the above that (i) the Acquisition is in line with the Company's strategy in diversifying its business lines and broadening its income sources; (ii) the internally generated fund arising from the EV Business is expected to be sufficient for financing its operations; and (iii) the various business strategies and measurements to be adopted by the Company in addressing to the risks associated with the Acquisition and the EV Business, we are of the view that the Acquisition and the EV Business are in the interests of the Company and the Shareholders as a whole.

2 Principal terms of the Acquisition Agreement

2.1 Consideration

The Consideration for the Acquisition is HK\$110,000,000, which was determined after arm's length negotiations between the Purchaser and the Vendors taking into account the following factors:

- (a) the Preliminary Valuation as at 31 October 2015 of approximately RMB58.5 million and approximately RMB31.8 million for the Land and Buildings, and Equipment respectively, prepared by Ascent Partners. Ascent Partners adopted a combination of the open market and depreciated replacement cost approach in assessing the land portions of the properties and the buildings and structures standing on the land respectively, and cost approach in assessing the Equipment;
- (b) the net book value of the Sale Assets. The net book value of the Sale Assets was approximately RMB73.9 million as at 31 October 2015; and
- (c) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In assessing the fairness and reasonableness of the Consideration, we have considered and reviewed, among others, the valuation of the Sale Assets as detailed in the valuation reports (the "**Valuation Reports**") prepared by Ascent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Partners as set out in Appendix II & III to the Circular and discussed with Ascent Partners regarding the methodology of and the principal bases and assumptions adopted for the valuation of the Sale Assets. As part of our due diligence, we have assessed the qualification and experience of Ascent Partners for its engagement as the independent professional valuer for the Sale Assets. We note that the valuers of the Valuation Report has over 5 to 20 years of experience in valuation of land, building, plant and machinery in Hong Kong and abroad. We are of the view that Ascent Partners possesses sufficient experience in performing the valuation. Ascent Partners also confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Reports. In addition, we also reviewed the terms of the Ascent Partners' engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In arriving the market value of the Sale Assets, we note that Ascent Partners has adopted a combination of the market and depreciated replacement cost approaches. In the valuation of the land portions, reference has been made to the comparable sale transactions as available in the subject localities as well as the relevant benchmark land prices. As the nature of the buildings and structures cannot be valued based on market value as the buildings are specifically designated for the unique purposes and hence no suitable market comparables are able to be obtained for comparison purpose, they have therefore been valued based on the depreciated replacement cost approach. Since the income generated by the Equipment could hardly be identified, therefore, the income capitalization approach was not applied. The cost (depreciated replacement cost) and market approaches were the principal methods adopted to arrive at Ascent Partners' opinion of the value of the Equipment. Other information regarding the valuation has been set out in the Valuation Report in Appendix II & III to the Circular.

After considering the reasons for adopting the above valuation methodology for valuing the Sale Assets by Ascent Partners, we are of the opinion that such valuation methodology and the basis and assumptions used are reasonable and acceptable in establishing the fair values of the Sale Assets.

Upon comparison, we note that the Consideration of HK\$110,000,000 conforms to the preliminary valuation of the aggregate market values of the Sale Assets, being RMB90,300,000 (equivalent to approximately HK\$110,000,000). As such, we consider the Consideration of HK\$110,000,000 to acquire the Sale Assets is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

2.2 Settlement of the Consideration

The Consideration of HK\$110,000,000 shall be settled and discharged by the Purchaser in accordance with the time and manner set out under the Acquisition Agreement:

- (i) HK\$34,948,026 shall be paid to Vendor 1 by way of issue of Convertible Bonds in the same principal amount upon Completion; and
- (ii) HK\$75,051,974 shall be paid to Vendor 2 by way of issue of Convertible Bonds in the same principal amount upon Completion

The principal terms of the Convertible Bonds have been set out in the Letter from the Board in the Circular. The Conversion Price of HK\$0.55 per Conversion Share represents:

- a discount of approximately 64.3% to the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;
- a discount of approximately 57.6% to the average closing price of approximately HK\$1.30 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Acquisition Agreement;
- a discount of approximately 50.0% to the average closing price of approximately HK\$1.10 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to the date of the Acquisition Agreement; and
- a discount of approximately 86.25% to the closing price of HK\$4.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As advised by the Management, the initial Conversion Price was determined after arm's length negotiations between the Company and the Vendors with reference to the market price of the Shares under the prevailing market conditions before the date of the announcement for the memorandum of understanding dated 30 October 2015 entered into between the Vendors and the Company in relation to the Acquisition (the "**MOU Announcement**"). The Conversion Price of HK\$0.55 per Conversion Share represents:

- a discount of approximately 51.33% to the closing price of HK\$1.13 per Share as quoted on the Stock Exchange on the last trading date immediately prior to the date of the MOU Announcement;

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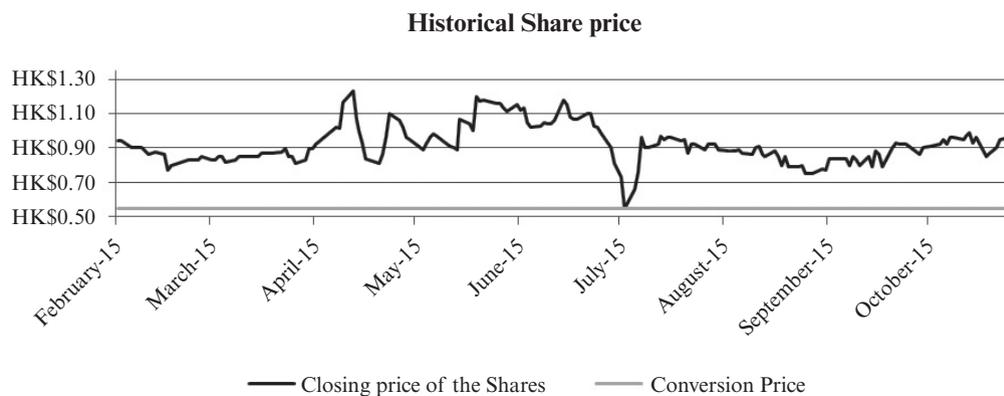
- a discount of approximately 42.83% to the average closing price of approximately HK\$0.962 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the MOU Announcement; and
- a discount of approximately 42.17% to the average closing price of approximately HK\$0.951 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to the date of the MOU Announcement.

The Management further advised that in relation to the determination of the initial Conversion Price, the Company and the Vendors had also taken into account to during the Reference Period (i) the historical trading prices of the Shares; (ii) the trading liquidity of the Shares; and (iii) the market price of the Shares under the prevailing market conditions before the MOU Announcement.

In order to assess the fairness and reasonableness of the Conversion Price, we have conducted the following analysis:

2.2.1 Historical Share price performance

For the purpose of comparing the Conversion Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange during the Reference Period as follows:



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Reference Period, the Conversion Price was below or equal to the closing prices of the Shares, which ranged from the lowest of HK\$0.55 per Share on 8 July 2015 to the highest of HK\$1.233 per Share on 16 April 2015. The Conversion Price is equal to the lowest closing price of HK\$0.55 of the Shares, represents a discount of approximately 55.39% to the highest closing price of HK\$1.233 of the Shares and represents a discount of approximately 40.22% to the average closing price of approximately HK\$0.92 of the Shares during the Reference Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2.2 Trading liquidity

The following table sets out the trading volume during the Reference Period:

Month	Total monthly trading volume (in number of Shares)	Approximately average daily trading volume (the “Average Volume”) (in number of shares)	Average Volume to total number of issued Shares as at the date of the MOU Announcement (Approximate %) (Note)
2015			
February	3,016,000	167,556	0.056%
March	7,304,000	347,810	0.116%
April	49,892,100	2,625,900	0.878%
May	60,491,950	3,183,787	1.064%
June	29,295,000	1,331,591	0.445%
July	20,764,000	988,762	0.330%
August	13,328,000	634,667	0.212%
September	7,666,000	383,300	0.128%
October (up to and including 29 October)	13,202,000	694,842	0.232%
Average	22,773,228	1,150,913	0.385%

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Note: Based on 299,200,000 Shares in issue as at the date of the MOU Announcement.

As illustrated by the table above, the average daily trading volume of the Shares was in the range of approximately 0.056% to approximately 1.064% of the total number of issued Shares as at the date of the MOU Announcement with an average of approximately 0.385%. As such, we concur with the Management that the trading volume of the Shares during the Reference Period was relatively thin.

Based on the average daily trading volume over the Reference Period of approximately 1,150,913 Shares, it will take approximately 173 days to fully dispose all 200,000,000 Conversions Shares, accordingly it is commercially justifiable to ask for a deeper discount to the Conversion Price given the high risk of being unable to sell the Conversion Shares in the market by the Vendors under unexpected market conditions.

2.2.3 Comparables Analysis

As part of our analysis, we have further identified those issue/subsorption of convertible bonds exercises under specific mandate which were announced by companies listed on the GEM from 1 May 2015 up to the date of the MOU Announcement (the “**Convertible Bond Comparables**”), being a period of approximately six months prior to and including the date of the MOU

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement. To the best of our knowledge and as far as we are aware of, we found 7 transactions which met the said criteria. We consider that the aforesaid sampling period is adequate and appropriate given that such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the MOU Agreement. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Convertible Bond Comparables. The table below illustrates the details of the Convertible Bond Comparables:

Date of announcement	Company Name	Stock Code	Term (years)	Interest rate (%)	Premium/ (discount) over/to the average closing price of the shares on the last trading day	Premium/ (discount) over/to the average closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/to the average closing price of the shares for the last 10 consecutive trading days
					(%)	(%)	(%)
11-May-15	Pizu Group Holdings Limited	8053	3	Nil	5.88	8.11	9.09
21-May-15	Sunrise (China) Technology Group Limited	8226	3	3	(70.31)	(69.75)	(70.68)
29-May-15	China Eco-Farming Limited	8166	3	Nil	(3.85)	1.30	(6.40)
10-Jul-15	China Digital Culture (Group) Limited	8175	5	Nil	(9.09)	(31.11)	(36.47)
28-Aug-15	Code Agriculture (Holdings) Limited	8153	3	6	(58.85)	(63.37)	(69.83)
8-Sep-15	Finet Group Limited	8317	2	3	(34.00)	(24.14)	(23.85)
8-Oct-15	Link Holdings Limited	8237	5	0.01	(65.63)	(66.19)	(65.87)
		Maximum	5	6	5.88	8.11	9.09
		Minimum	2	Nil	(70.31)	(69.75)	(70.68)
		Average	3	1.72	(33.69)	(35.02)	(37.72)
		The Company	2	Nil	(51.33)	(42.83)	(42.17)

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

As shown in the table above, the conversion prices of 6 out of the 7 Convertible Bond Comparables were set at discount to the respective market prices while 3 out of the 7 Convertible Bond Comparables had higher discount than the Company when comparing with the closing prices of the shares on the last trading day, the average closing prices of the shares on the last five and ten trading days prior to the date of the corresponding announcement respectively.

The conversion prices of the Convertible Bond Comparables showed an average of (i) a discount of approximately 33.69% to the closing price on the last trading day prior to the date of the corresponding announcement; (ii) a discount of approximately 35.02% to the average closing price for the last five consecutive

trading days prior to the date of the corresponding announcement; and (iii) a discount of approximately 37.72% to the average closing price for the last ten consecutive trading days prior to the date of the corresponding announcement.

As far as the Company is concerned, the discounts of (i) 51.33% (to the closing price on the last trading date immediately prior to the date of MOU Announcement); (ii) 42.83% (to the average closing price of the last 5 trading days immediately prior to the date of MOU Announcement) and (iii) 42.17% (to the average closing price of the last 10 trading days immediately prior to the date of MOU Announcement) indicate that the discounts to the Conversion Price falls within the range of discount of the Convertible Bond Comparables.

Based on the above analysis of liquidity and prevailing market practice, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

2.3 Maturity and interest rate

We note that the maturity term of the Convertible Bonds of 24 months is in line with the Convertible Bond Comparables. We also note that the Convertible Bonds are interest-free which is at the low end of the range of interest rate for the Convertible Bond Comparables from nil to 6% per annum. We consider the issue of Convertible Bonds allows the Group to acquire the Sale Assets with minimal financing cost.

2.4 Possible dilution effect on the shareholding of the Company

With reference to the shareholding structure of the Company as set out in the section headed “Effect on the Shareholding Structure” in the Letter from the Board. Upon issue of the Convertible Bonds and assuming none of the conversion rights attached to the Convertible Bonds have been exercised, there will be no change to the shareholding structure of the Company. Upon full exercise of the conversion rights attached to the Convertible Bonds and the issuance of the Conversion Shares, the shareholding of the public Shareholders will be diluted from approximately 49.01% to approximately 29.67%.

Taking into account the above factors, in particular, the followings:

- (i) the fairness and reasonableness of the Consideration based on the Valuation Reports as discussed in the subparagraph headed “Principal terms of the Acquisition Agreement — Consideration” above;
- (ii) the discount of the Conversion Price to the closing price of the Shares falls within the range of the Convertible Bond Comparables;
- (iii) the Convertible Bond is non-interest bearing; and

- (iv) the settlement of the Consideration by way of issue of the Convertible Bonds could preserve the cash resources of the Group;

we are of the opinion that the slight dilution to the shareholding of the Independent Shareholders in the event of the issuance of the Conversion Shares is acceptable so far as the Independent Shareholder are concerned.

Based on the above, we consider the principal terms of the Convertible Bonds are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

3 Principal terms of the CCT Agreements

3.1 Patent Licence Agreement

- Date** : 13 January 2015
- Parties** : Licensors: Mr. Huang and Individual A, being an Independent Third Party, co-holders of the Patent (collectively, the “**Licensors**”); and
Licensee: the Purchaser
- Term** : The Patent Licence Agreement shall be for a term of 5 years from the Completion Date.
- The Patent Licence Agreement may be terminated by the Licensors if the following occurs:
- (1) if the Purchaser becomes insolvent, commences dissolution proceedings, files a petition for its winding up; or
 - (2) a receiver, trustee or similar officer is appointed for the business or property of the Purchaser; or
 - (3) the Purchaser defaults in the performance of any of its material obligations or duties under the Patent Licence Agreement, and such default is not remedied within (60) sixty days after written notice given by the Licensors to the Purchaser.
- Nature of transaction** : (i) the Licensors grant to the Purchaser a non-exclusive licence to use the Patent for the manufacturing of the Authorised Products (the “**Grant of Manufacturing Licence**”) and undertake to provide technical support to the Purchaser (the “**Technical Support Provision**”);

- (ii) the Licensors grant to the Purchaser first right of refusal to take up orders for the Authorised Products placed on the Licensors, their authorized licencees for distribution of Authorised Products (the “**Authorised Agents**”) and/or associates of any Licensors (excluding the Manufacturing Transactions, the “**Sales Transactions**”); and
- (iii) the Licensors grant to the Purchaser pre-emption right in respect of improvements of the technology under the Patent occurring within 5 years of Completion (the “**Patent Improvement Preemption Right**”) (*Note*)

Pricing : No consideration or other fee is payable by the Purchaser for the Grant of the Manufacturing Licence and the Patent Improvement Pre-emption Right.

In respect of the Technical Support Provision, no consideration or other fee is payable except for travelling expenses pre-approved by the Purchaser.

In respect of the Sales Transactions, pricing of products to be supplied by the Purchaser under each order shall be determined on a costs plus basis (FOB) calculated in accordance with the following formula:

$$\text{Price} = \text{Costs} + \text{Profit Margin}$$

where Costs means the costs of producing the relevant Authorized Product, including:

- (1) direct labour costs;
- (2) direct material costs; and
- (3) other costs directly attributable to production (such as utilities, depreciation of equipment and machineries and production facilities, molding and design costs) with amortisation of fixed costs and depreciation to be determined by the Purchaser at its full discretion based on the number of products produced and/or estimated to be produced for the relevant month/year;

and Profit Margin means 20% for Authorised Products for sale in the PRC (excluding Hong Kong and Macau) and 40% for those for export sale (including Hong Kong and Macau).

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The Profit Margin is determined after arm's length negotiation between the Purchaser and Brighsun HK based on normal commercial practice with reference to (i) the estimated selling price of the Authorised Products to be charged by Brighsun HK to end users; and (ii) estimated costs of producing the Authorised Products.

Based on the foregoing, the Directors consider that the method and procedures in determining the pricing of each individual Sales Transaction can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders as a whole.

Payment Term : For the Technical Support Provision, payment will be made by the Purchaser for those pre-approved travelling expenses incurred by the Licensors within 30 days from the issue of invoice by the Licensors.

An order placed on the Purchaser only forms a binding contract if accepted by the Purchaser. The payment for the price under each Sales Transaction shall be paid to the Purchaser as follows:

- (i) 40% upon the Purchaser accepting an order; and
- (ii) the remaining 60% to be payable upon delivery of the product.

Others : Other than the price of the products, each Sales Transaction will be entered into based on arm's length negotiation between the party placing the order and the Purchaser from time to time on normal commercial terms no less favourable to the Group than those offered by Independent Third Parties.

Note: Upon Completion and assuming the Conditions occur, the exercise of the Patent Improvement Pre-emption Right by the Purchaser at its discretion will be a one-off transaction, no annual caps will be set for the purpose of the GEM Listing Rules. Given the nature of the Patent Improvement Pre-emption Right, the timing for its occurrence and the estimated amount cannot be ascertained at the time being, the Company will make further announcement as and when appropriate for any exercise by the Purchaser of the Patent Improvement Pre-emption Right and comply with relevant requirement under the GEM Listing Rules.

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Fees payable in respect of the Technical Support Provision will be reimbursed based on actual amount incurred, including but not limited to travelling, food, accommodation and other expenses in connection with the Technical Support Provision. It is estimated that such annual amount will be less than HK\$3,000,000.

The Licensors confirmed that as at the Latest Practicable Date, (i) save for Brighsun HK (with whom the Purchaser has entered into the Manufacturing Agreement to govern transactions between them), the Licensors have not appointed any Authorised Agents for distribution of Authorised Products; and (ii) apart from Brighsun HK, each of the Licensors does not have any associates whose principal business activities involve taking up sales order for the Authorised Products. In view of the aforesaid, currently, it will be impractical to estimate the annual caps for the Sales Transaction given that (i) each of the Licensors is a natural person, as such, it will be unlikely for them to take up any orders for the Authorised Products directly and then place such orders to the Purchaser; (ii) no Authorised Agents (save for Brighsun HK) have been appointed, it will be infeasible to estimate the potential orders from them; (iii) in view of the reasons stated in (i) and (ii) above, as at the Latest Practicable Date, Brighsun HK is the only available Authorised Agents for taking up orders for the Authorised Products. Having considered that Brighsun HK does not possess any manufacturing capabilities, it has to procure supply of Authorised Products from the Purchaser as stipulated under the Manufacturing Agreement. Furthermore, it has been the Licensors' intention to promote and establish market presence of Authorised Products in the Greater China Region, where Brighsun HK is the exclusive distributor in such region, as initial focus. In view of the above, no annual caps are estimated for the Sales Transaction.

3.2 Trademark License Agreement

Date	:	13 January 2016
Parties	:	Licensor: the Trademark Holder, a company wholly-owned by Mr. Huang; and Licensee: the Purchaser
Term	:	The Trademark Licence Agreement shall be for a term of 5 years from the Completion Date provided that it may be terminated by the Licensor without further notice if the Patent Licence Agreement is terminated pursuant to the terms thereof.

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- Nature of transaction** : The Trademark Holder grants the Purchaser the non-exclusive right to use the trademark “Brighsun” and its associated mark registered in the PRC (collectively, the “**Trademark**”) in the manufacturing of and on the Authorised Products manufactured or produced by the Purchaser.
- Fee** : No consideration or fee is payable by the Purchaser for such use of the Trademark.

Duration of Patent Licence Agreement and the Trademark Licence Agreement

Rule 20.50 of the GEM Listing Rules requires that the term of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances. As the term of the Patent Licence Agreement and the Trademark Licence Agreement exceed three years, we are being appointed by the Company to advise the Directors on the length of term of the Patent Licence Agreement and the Trademark Licence Agreement and to confirm that if it is normal business practice for contracts of the same type to be of such duration.

We have discussed with the Management regarding the Patent Licence Agreement and the Trademark Licence Agreement, and understand that:

- (i) the longer duration of the Patent Licence Agreement and Trademark Agreement will enable the Group to prevent the recurrence of expensive initial investment costs in short term, including but not limit to the initial set up cost;
- (ii) the longer duration of the Patent Licence Agreement and Trademark Agreement will enable the Group to secure a strategic position in the emerging new energy automobile industry; and
- (iii) the Group will be in the production of the Authorised Products, it is important that the Group is able to secure a long term right to use the Patent for continuing business operations under the Patent Licence Agreement and the longer duration of the Patent Licence Agreement will also allow the Group to enjoy the technical support services provided by the Licensors for a longer period to ensure the smoothness of the production process of the Authorised Products.

In assessing whether it is normal business practice for agreements in relation to patent and trademarks to be of relatively long durations, we have reviewed a number of continuing connected transactions (the “**Patent and Trademarks Comparables**”) with nature similar to that of the Patent Licence Agreement and Trademark Agreement as announced by companies listed on the Stock Exchange from 1 November 2013 up to the date of the MOU Announcement, being a period

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of approximately two years prior to and including the date of the MOU Announcement. To the best of our knowledge and endeavour, we found 11 Hong Kong listed companies which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the terms of the Patent Licence Agreement and Trademark Agreement are not exactly the same as the Patent and Trademarks Comparables. The table below illustrates the details of the Patent and Trademarks Comparables:

Date of announcement	Company Name	Stock Code	Term (year(s))	Nature of agreement	Abridged particulars
30-Oct-15	San Miguel Brewery Hong Kong Limited	236	1	Trademark License	Granting of exclusive right and license to use the San Miguel trademarks on the specified products and related promotional materials in the specified territory
28-Oct-15	Sinopec Yizheng Chemical Fibre Company Limited	1033	3	Trademark and Patent License	<p>i) Sinopec Group grants a general license on a non-exclusive basis in respect of certain trademarks of Sinopec Group to SOSC for its use free of charge.</p> <p>ii) SOSC and Sinopec Group will provide technology development; technology consulting; technology services; technology licensing; application for, maintenance, licensing and transfer of patents, and other technology research and development services to each other</p>
28-Sep-15	Sinopec Oilfield Service Corporation	1033	3	Trademark License	Granting a general license on a non-exclusive basis in respect of certain trademarks of Sinopec Group to the Group for its use free of charge
25-Sep-15	Yashili International Holdings Limited	1230	50	Trademark License	Granting of certain registered trademarks of Inner Mongolia Mengniu in the manufacturing, sale, promotion, marketing, advertising and distribution of the products in the PRC

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Date of announcement	Company Name	Stock Code	Term (year(s))	Nature of agreement	Abridged particulars
16-Sep-15	Trinity Limited	891	5	Trademark License	Granting an exclusive non-assignable right and licence to use and display the approved licensed property in connection with the advertising, promotion and endorsement of the approved products on approved material
18-Jun-15	Yangtze Optical Fibre and Cable Joint Stock Limited Company	6869	1	Trademark License	Granting NK Wuhan to continue to use such trademarks at nil consideration until 31 December 2016 solely to fulfill certain existing orders of NK Wuhan
9-Jun-15	Renhe Commercial Holdings Company Limited	1387	20	Trademark License	Granting to the Harbin Dili the right to use certain trademarks registered in the name of the Harbin Hada in the PRC
27-Nov-14	Xiao Nan Guo Restaurants Holdings Limited	3666	25	Trademark License	Granting Pokka HK a royalty-bearing, non-transferable license (with the right to sublicense) for a term of 25 years commencing on the Closing Date to use the “POKKA CAFÉ” mark on an exclusive basis in PRC, Hong Kong and Macau
25-Nov-14	BeijingWest Industries International Limited	2339	3	Patent License	Granting to the Enlarged Group a non-exclusive and non-transferrable license to use certain patents in the Target Group’s manufacturing operations
11-Nov-14	TCL Multimedia Technology Holdings Limited	1070	3	Trademark License	Granting to the Group an exclusive, non-sub-licensable and nontransferable license to use certain of its registered trademarks for the manufacture, production, sale and distribution of Multimedia Products

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Date of announcement	Company Name	Stock Code	Term (year(s))	Nature of agreement	Abridged particulars
20-Jan-14	Lenovo Group Limited	992	5	Patent License	Granting NEC Newco a worldwide, non-exclusive licence under certain patents and patent applications of NEC used in connection with NEC's personal computer business in Japan

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

We note from the table above that the duration in the Patent and Trademarks Comparables ranges from approximately 1 year to as long as 50 years. We have considered that the durations of the Patent Licence Agreement and the Trademark Licence Agreement, which are 5 years, are within the range of the duration of the Patent and Trademarks Comparables and are in line with the business practice for same type of contracts.

Based on the above considerations, we are of the view that the durations of longer than three years under the Patent Licence Agreement and the Trademark Licence Agreement are in line with and are normal business practices for the types of patent and trademark agreements.

3.3 Manufacturing Agreement

Date : 13 January 2016

Parties : Brighsun HK; and
the Purchaser

Term : The Manufacturing Agreement shall be for a term of 5 years for the Completion Date.

The Manufacturing Agreement may be terminated by Brighsun HK if the following occurs:

- (1) if the Purchaser becomes insolvent, commences dissolution proceedings, files a petition for its winding up; or
- (2) a receiver, trustee or similar officer is appointed for the business or property of the Purchaser; or

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(3) the Purchaser defaults in the performance of any of its material obligations or duties under the Manufacturing Agreement, and such default is not remedied within (60) sixty days after written notice given by Brighsun HK to the Purchaser.

Nature of transaction : Pursuant to the Manufacturing Agreement, Brighsun HK will appoint the Purchaser as the manufacturer and supplier for the Authorised Products where the Purchaser will be granted first right of refusal to take up orders for the Authorised Products placed on Brighsun HK, its authorized licencees for distribution of Authorised Products (the “**Brighsun HK Authorised Agents**”) and/or Brighsun HK’s associates (the “**Manufacturing Transactions**”).

Pricing : In respect of the Manufacturing Transactions, pricing of products to be supplied by the Purchaser under each order shall be determined on a costs plus basis (FOB) calculated in accordance with the following formula:

$$\text{Price} = \text{Costs} + \text{Profit Margin}$$

where Costs means the costs of producing the relevant Authorized Product, including:

- (1) direct labour costs;
- (2) direct material costs; and
- (3) other costs directly attributable to production (such as utilities, depreciation of equipment and machineries and production facilities, molding and design costs) with amortisation of fixed costs and depreciation to be determined by the Purchaser at its full discretion based on the number of products produced and/or estimated to be produced for the relevant month/year;

and Profit Margin means 20% for Authorised Products for sale in the PRC (excluding Hong Kong and Macau) and 40% for those for export sale (including Hong Kong and Macau).

- Payment Term** : An order placed on the Purchaser only forms a binding contract if accepted by the Purchaser. The payment for the price under each Manufacturing Transaction shall be paid to the Purchaser as follows:
- (i) 40% upon the Purchaser accepting an order; and
 - (ii) the remaining 60% to be payable upon delivery of the product.
- Others** : Other than the price of the products, each Manufacturing Transaction will be entered into based on arm's length negotiation between the party placing the order and the Purchaser from time to time on normal commercial terms no less favourable to the Group than those offered by Independent Third Parties.

3.3.1 Duration of Manufacturing Agreement

As the term of the Manufacturing Agreement exceed three years, we are being appointed by the Company to advise the Directors on the length of term of the Manufacturing Agreement and to confirm that if it is normal business practice for contracts of the same type as the Manufacturing Agreement to be of such duration.

We have discussed with the Management regarding the Manufacturing Agreement, and have considered the following reasons and factors:

- (i) the Sale Assets will become a new business and a new income stream of the Group which will engage in production and sale of lithium-ion batteries for electric vehicles and manufacturing of lithium battery buses and coaches, the Company is a newcomer of such industries;
- (ii) the five years Manufacturing Agreement can ensure the Company for obtaining stable orders for the Authorised Products placed by Brighsun HK in the aforesaid industries given that at present, Brighsun HK possesses exclusive distribution rights granted by the Patent holders of the Authorized Products in Greater China Region and thus it is in the commercial interest of the Company to maintain a stable customer to provide the Company with greater degree of stability;
- (iii) the Company therefore can generate goodwill by having five years' experience in the aforesaid industries and thus can develop its own customer sources and receive orders other than the Manufacturing Transactions placed by Brighsun HK;

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- (iv) after the five years period, the duration of future agreements (if any) can be shorten after review by the Management as the Company is likely to have mature development in the aforesaid industries;
- (v) the longer duration will help the Company to secure a longer new income stream and continuing business operations; and
- (vi) the five-year term for the Manufacturing Agreement is in line with the five-year term for the Patent License agreement and the Trademark License Agreement, of which we considered the five-year term is normal business practice.

In addition, we have identified and reviewed based on our best endeavor, an announcement dated 27 November 2009 of Geely Automobile Holdings Limited (stock code: 175), a listed company on the Stock Exchange which is engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components, and noted that it has also entered into a continuing connected transaction similar in nature, which is in relation to, among others, the provision of process manufacturing services for automobiles. The term under the agreement for such provision of process manufacturing services for automobiles is ten years, and hence, the duration is also more than three years.

Taking into account the above reasons and factors, we are of the view that the five-year term for the Manufacturing Agreement is justifiable and it is normal business practice for agreement of this type.

3.3.2 Pricing of the Authorised Products for the Manufacturing Transactions

As disclosed in the Letter from the Board, in respect of the Manufacturing Transactions, pricing of the Authorised Products to be supplied by the Purchaser under each order shall be determined on a costs plus basis (FOB) calculated in accordance with the following formula:

$$\text{Price} = \text{Costs} + \text{Profit Margin}$$

where Costs means the costs of producing the relevant Authorised Product, including:

- (1) direct labour costs;
- (2) direct material costs; and
- (3) other costs directly attributable to production (such as utilities, depreciation of equipment and machineries and production facilities, molding and design costs) with amortisation of fixed costs and depreciation to be determined by the Purchaser at its full discretion based on the number of products produced and/or estimated to be produced for the relevant month/year;

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and Profit Margin means 20% for Authorised Products for sale in the PRC (excluding Hong Kong and Macau) (the “**PRC Profit Margin**”) and 40% for the export sale (including Hong Kong and Macau) (the “**Export Profit Margin**”, together with the PRC Profit Margin, the “**Profit Margins**”).

Assessment of the Profit Margins

For the purpose of assessing the Profit Margins under the Manufacturing Agreement, we have performed an analysis on the profit margin of comparables. We have searched for companies listed on the Stock Exchange which are engaged in automotive related business (the “**Market Comparables**”) for comparison. To the best of our knowledge and endeavour, we found 8 Hong Kong listed companies which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Purchaser are not exactly the same as the Market Comparables.

Company name (Stock code)	Principal business(es)	Financial year	Profit margin before taxation (%)
Geely Automobile Holdings Limited (0175)	Manufacturing and trading of automobiles and automobile parts and related automobile components.	31 December 2014	8.94%
Dongfeng Motor Group Company Limited (0489)	Manufacture and sale of commercial vehicles, passenger vehicles, engines and auto parts, manufacture of vehicle manufacturing equipment, also import/export business, finance business, insurance agency business and used car business.	31 December 2014	18.14%
FDG Electric Vehicles Limited (0729)	Engaged in (i) the research and development, production, distribution and sale of Lithium-ion batteries and related products; (ii) the design, production and sale of electric vehicles; and (iii) the electric vehicle leasing business.	31 March 2015	(in loss)

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Company name (Stock code)	Principal business(es)	Financial year	Profit margin before taxation (%)
Brilliance China Automotive Holdings Limited (1114)	Manufacture and sale of BMW vehicles in the PRC, manufacture and sale of minibuses and automotive components.	31 December 2014	(in loss) (Note)
BYD Company Limited (1211)	Engaged in automobile business (which manufactures traditional fuelpowered vehicles and new energy vehicles), the business of handset components and assembly services and rechargeable battery and photovoltaic business.	31 December 2014	1.58%
BAIC Motor Corporation Limited (1958)	Manufacturing and sales of passenger vehicles, engines and auto parts in the PRC.	31 December 2014	11.88%
Guangzhou Automobile Group Company Limited (2238)	Manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts, and provide automobile-related services.	31 December 2014	13.64%
Great Wall Motor Company Limited (2333)	Design, research and development, manufacture and sale as well as distribution of SUVs, sedans, pick-up trucks and automobile- related parts and components.	31 December 2014	15.04%
Maximum			18.14. %
Minimum			nil
Average			8.70%
PRC Profit Margin			20%
Export Profit Margin			40%

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

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Note: The share of results of joint ventures with BMW Brilliance Automotive Ltd is excluded as an extraordinary item in our analysis on the profit margin of Brilliance China Automotive Holdings Limited (stock code: 1114) as disclosed in its annual report for the year ended 2014.

Among the Market Comparables, we note that the profit margins of the Market Comparables range from approximately nil to 18.14% and the Profit Margins under the Manufacturing Agreement are higher than the profit margin range of the Market Comparables. Furthermore, the Management confirmed that the additional profit margin in the Export Profit Margin as compared to the PRC Profit Margin is mainly due to the additional costs in logistics, insurances, selling expenses, general administration and applicable taxes during the sales process of the Authorised Products to overseas markets.

In view of the above, we are of the view that the Profit Margins and accordingly, the pricing of the Authorized Products, being the costs plus Profit Margins, under the Manufacturing Agreement are in the interests of the Company and the Shareholders as a whole.

3.3.3 Proposed annual caps for Manufacturing Agreement

Pursuant to the Manufacturing Agreement, the proposed annual caps and the growth rate of the proposed annual caps for the period from the Completion Date to 31 December 2016, 2017, 2018, 2019 and 2020 respectively are set out below:

	Completion Date to 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019	Year ending 31 December 2020
Proposed Annual Caps	RMB1,500 million	RMB3,000 million	RMB5,000 million	RMB5500 million	RMB6,000 million
Growth rate of the proposed annual cap	Base year	100%	67.67%	10%	9.09%

We have discussed with the Management and understand that since the Sale Assets will become a new business of the Group which will engage in production and sale of lithium-ion batteries for electric vehicles and manufacturing of lithium battery bus, there was no historical amount of any similar previous transactions available for the purpose of determining the proposed annual caps. Therefore, the proposed annual caps were determined based on a number of factors including (i) the prospects of the lithium battery bus in the Greater China Region and in Australia; (ii) the projected sales order of the Authorised Products based on the annual sales targets of Brighsun HK; (iii) anticipated total production costs and predetermined profit margin; (iv) production capacity of the Purchaser; and (v) buffer for potential changes in the market conditions.

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Pursuant to the Manufacturing Agreement, Brighsun HK will appoint the Purchaser as the manufacturer and supplier for the Authorised Products where the Purchaser will be granted first right of refusal to take up orders for the Authorised Products placed on Brighsun HK, its authorized licencees for distribution of Authorised Products and/or its associates. We understand from the Management that Brighsun HK has been approached by and is currently under negotiation with certain potential customers on the sales order of the Authorised Products which the Management has relied on such information as the basis to form the projected sales order and annual sales targets of the Authorised Products.

We also note that according to 《中國製造2025》(China Manufacturing 2025*) issued by the State Council of the PRC in May 2015, the PRC government has made a clear vision that they will maintain the support for the development of the electric vehicle industry. Being one of the ten focusing industrial areas in the following ten years, the battery electric vehicle industry is receiving different supports from the PRC government, among other things, subsidy policies and financing for eligible industrial participants. The PRC government is aiming to speed up the PRC's battery electric vehicle industry standard in order to comply with the international practice and level.

Moreover, in assessing the reasonableness of the prospects of the lithium battery bus, we have reviewed an article as provided by 《中國客車網》(http://www.chinabuses.com/buses/2015/1113/article_67032.html) and noted that there has been a tremendous growth in the battery electric vehicle market. The sales of battery electric vehicle in the PRC have reached 21,106 units for the nine months ended 30 September 2015, representing a 768.20% increase over the corresponding period. In reviewing the trend of the monthly sales, there had been an increase of over 100% for each month during the nine months ended 30 September 2015. In particular, there had been a 3,411.28% increase in August 2015 over the corresponding period.

The Management has confirmed that in view of (i) the prospects of the lithium battery bus; and (ii) the indications of sales order of the Authorised Products from the potential customers of Brighsun HK, the estimated total number of production units of the Vehicles (as defined below) for the period from the Completion Date to 31 December 2016, 2017, 2018, 2019 and 2020 is approximately 700, 1,400, 2,300, 2,550 and 2,760 units respectively (the “**Estimated Production Units**”).

As advised by the Management, based on the existing production capacity of the Sale Assets, we note that the annual maximum production capacity for the Authorized Products is approximately 1,500 units of vehicles (the “**Vehicles**”) of 6 meters or longer (including buses and coaches) with batteries utilizing the technology under the Patent and their respective parts, fittings and accessories. We also understand that expansion plans have already been formulated by the Vendors to develop new production lines of the Authorised Products and the

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Management considers that the estimated maximum production capacity in the utilization of the Sale Assets is able to satisfy the estimated growth of demand for the Authorized Products in the coming 5 years.

According to the statistics as released by the Ministry of Industry and Information Technology of the People's Republic of China (<http://www.miit.gov.cn/newweb/>), the total production number of commercial electric vehicles in the PRC is (i) approximately 15,700 units for the year ended 2014, representing an increase of approximately 400% over the corresponding period; and (ii) approximately 90,000 units for the period from January to November 2015, representing an increase of approximately 1,100% over the corresponding period.

For analysis purpose, we have considered the growth rate of over 100% in the sales and productions of electric vehicles in the aforementioned year/period in the PRC and accordingly projected an annual production number of commercial electric vehicles in the PRC of approximately 196,000 units for the year ending 2016 by taking an estimated 100% growth rate of the projected annualised production number of commercial electric vehicles in the PRC of approximately 98,000 units for the year 2015. We note that the 700 estimated total number of production units of the Vehicles for the year ending 2016 would represent a minimal of less than 0.4% of the projected annual production number of commercial electric vehicles in the PRC for the year ending 2016 and is justifiable.

We have also reviewed the costings as provided by the Management for the production of the Vehicles which formed part of the pricing of the Authorised Products to be supplied by the Purchaser in respect of the Manufacturing Transactions. We note that the proposed annual caps for the 5 years conforms to the costs plus basis pricing of the Authorised Products calculated against the Estimated Production Units.

As further advised by the Management, we note that the magnitude of the annual increment of the proposed annual caps of Manufacturing Transactions under the Manufacturing Agreement for the year ending 31 December 2017 and 2018 of a growth rate of 100% and 67.6% are mainly due to (i) the support from the PRC government for the development of the electric vehicle industry; (ii) tremendous growth in sales of the battery electric vehicle in the market; (iii) the indication of sales orders of Authorised Products under negotiation between Brighsun HK and certain potential customers; and (iv) the low base effect resulting from the low initial proposed annual caps for the year ended 31 December 2016. For the proposed annual caps for the year ending 31 December 2019 and 31 December 2020, the Management expect the sales order of the Authorised Products based on the annual sales targets of Brighsun HK to remain stable of which with a growth rate of 10% and 9.09% for the respectively years. Having considered that the growth in the sales and productions of electric vehicles has continued and remained strong at over 100% in the aforementioned year/

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period in the PRC, we concur with the Management on the magnitude of the annual increment of the proposed annual caps and the Estimated Production Units for the year ending 31 December 2017, 2018, 2019 and 2020.

Having considered the basis on which the proposed annual caps and their respective magnitude of annual increment are determined as described above, we are of the view that the proposed annual caps are reasonably determined, fair and reasonable insofar as the Independent Shareholders are concerned.

In light of (i) the proposed annual caps are reasonably determined, fair and reasonable insofar; (ii) the Profit Margins and accordingly, the pricing of the Authorized Products, being the cost plus Profit Margins, under the Manufacturing Agreement are in the interests of the Company and the Shareholders as a whole; and (iii) pursuant to the Manufacturing Agreement, each Manufacturing Transaction will be entered into based on arm's length negotiation between the party placing the order and the Purchaser from time to time on normal commercial terms no less favourable to the Group than those offered by Independent Third Parties, we are of the view that the Manufacturing Agreement (including the annual caps thereof) is fair and reasonable as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that (i) the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) and the Manufacturing Agreement and transactions contemplated thereunder (including the annual caps thereof) though are not in the ordinary and usual course of business of the Group, they are fair and reasonable and on normal commercial terms; and (ii) the length of terms of the CCT Agreements are in line with and are normal business practices for these types of agreements to be of such duration, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) and the Manufacturing Agreement and transactions contemplated thereunder (including the annual caps thereof) in the SGM.

Yours faithfully
For and on behalf of
Amasse Capital Limited
Michael Lam
Managing Director

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2012, the year ended 31 December 2013, the year ended 31 December 2014 and six months ended 30 June 2015 are disclosed on pages 40–95 of the 2012 annual report published on 25 March 2013, pages 37–95 of the 2013 annual report published on 31 March 2014, pages 39–103 of the 2014 annual report published on 26 March 2015 and pages 4–27 of the 2015 interim report published on 13 August 2015 respectively, which are published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.powerwell.hk/>). Please refer to the hyperlinks as stated below:

2012 annual report:

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

2013 annual report:

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

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0326/GLN20150326005.pdf>

2015 interim report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0813/GLN20150813037.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had outstanding borrowings from an independent third party of HK\$15,000,000 which were interest-bearing and secured by the share capital of Powerwell Pacific Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands; and an unsecured and non-interest bearing borrowing from holding company of approximately HK\$5,438,000.

Save as aforesaid and apart from the intra-group liabilities, the Group did not have, at the close of business on 30 November 2015, 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 November 2015.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular, net assets recorded by the Group as at 30 June 2015 was approximately HK\$126.1 million, the unaudited pro forma net assets of the Enlarged Group will be approximately HK\$140.4 million after Completion.

In coming year, after Completion, the Group will continue to develop its existing businesses. Business development of the Group will continue to be monitored by the management of the Group where periodic business performance review will be conducted. Based on the results of the business review, the Group will allocate appropriate resources to different business segments of the Group depending on the then business environment and performance of each segment with the view of improving its business performance.

While the watch sourcing business demonstrated improvement for the six months ended 30 June 2015, the market condition of our sourcing business remained mixed and uncertain as there is indication of slowing down of the retail distribution markets in Europe and US. The Group shall remain cautious on cost control and to uphold quality assurance of products in order to remain competitive for valuable customers. It is also the Group's ongoing objective to develop business with new brand customers and enhance existing business relationship to stimulate growth and continue to maintain the overall costing level.

For the Silverware Business, the acquisition of Tong Yin earmarks an important strategic step of the Group to successfully expand its business. Following completion of the acquisition of the Silverware Business by the Group in February 2015, for the nine months ended 30 September 2015, the Silverware Business recorded revenue and segment profit of approximately HK\$29.4 million and HK\$10.3 million respectively, representing approximately 19.5% and 45.9% of the Group's total revenue and total segment profit respectively. The Group will step up expansion activities to increase the number of retail shops of Tong Yin at selected prime shopping and tourist locations in Zhejiang Province, the PRC aiming to strengthen the performance of this new business and contributions to the Group steadily. Looking ahead, the PRC's economy is expected to maintain a relatively stable growth only while change of consumer sentiment from time to time with the ups and downs of the economy will pose challenges to the PRC retailers. However, with continual

rising of the living standard of the middle class in the PRC and the quality and competing edge of the unique products provided by Tong Yin in the market, the Directors are optimistic about the long term prospects of Tong Yin's business.

With consumers' higher awareness of environmental protection and the recent development trend of electric vehicles, the Directors recognized the business potentials in the global electric vehicles market. The Acquisition which is conditional on the entering into of the Patent Licence Agreement, the Trademark Licence Agreement and the Manufacturing Agreement will (i) equip the Group to have the capabilities to manufacture electric vehicles utilizing the technology under the Patent; and (ii) enable the Group to become an appointed manufacturer of Brighsun HK which has exclusive rights in the Greater China Region to promote, market, sell and distribute Authorised Products. In this connection, the Acquisition will allow the Group to explore the electric vehicles market, and provide the Group with a business diversification opportunity.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation as at 31 October 2015 of the property interests.



Suite 2102
Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong
Tel: 3679-3890
Fax: 3579-0884

18 January 2016

The Board of Directors
Powerwell Pacific Holdings Limited
Units 610–611, Tower Two
Lippo Centre
89 Queensway
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

In accordance with your instructions for us to value the property in which Powerwell Pacific Holdings Limited (the “**Company**”) or its subsidiaries (hereinafter together referred to as the “**Group**”) to be acquired located in Huzhou, Zhejiang Province, the People’s Republic of China (the “**PRC**”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 October 2015 (referred to as the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing property interests to be acquired by the Group, we have adopted a combination of the open market and depreciated replacement cost approaches in assessing the land portions of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the value of the property as a whole. In the valuation of the land portion, reference has been made to the comparables sales transactions as available in the subject localities as well as the relevant benchmark land prices.

As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnished the most reliable indication of value for the property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company’s PRC legal adviser, Shanghai Kangcheng Law Firm (上海康程律師事務所), concerning the validity of the Group’s title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

SOURCE OF INFORMATION

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

REMARK

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB), the official currency of the PRC.

Our valuation certificate is herewith attached.

Yours faithfully,

For and on behalf of

Ascent Partners Valuation Service Limited

Stephen Y. W. Yeung

MFin BSc(Hons) Land Adm. MHKIS MCIREA RPS(GP)

Principal

Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor (General Practice Division) and a Professional Member of The Hong Kong Institute of Surveyors with over 10 years' experience in valuation of properties in HKSAR and mainland China. Mr. Yeung is also a valuer on the List of Property Valuers for Undertaking Valuations of Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by HKIS.

VALUATION CERTIFICATE

Property interests to be acquired by the Group for owner occupation in the PRC

Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 31 October 2015										
Land and various buildings located at No. 89 Guomuyuan Road, Huzhou, Zhejiang Province, the People's Republic of China	<p>The property comprises a parcel of land with a site area of 53,945.80 sq.m. on which three buildings are erected and completed in about 2012.</p> <p>The property is located in the junction of Guomuyuan Road and Niujiashuang Road of Huzhou.</p> <p>The total gross floor area of the buildings is 40,922.23 sq.m. including one single storey factory, one 3-storey composite building and one 3-storey ancillary office building. The breakdown of the gross floor area are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area <i>Approx. (sq.m.)</i></th> </tr> </thead> <tbody> <tr> <td>Factory</td> <td>37,078.59</td> </tr> <tr> <td>Composite Building</td> <td>2,170.09</td> </tr> <tr> <td>Ancillary Office</td> <td><u>1,673.55</u></td> </tr> <tr> <td>Total:</td> <td><u><u>40,922.23</u></u></td> </tr> </tbody> </table>	Use	Gross Floor Area <i>Approx. (sq.m.)</i>	Factory	37,078.59	Composite Building	2,170.09	Ancillary Office	<u>1,673.55</u>	Total:	<u><u>40,922.23</u></u>	The property is occupied by the owner for industrial and ancillary purposes.	RMB58,500,000 (Renminbi Fifty Eight Million Five Hundred Thousand)
Use	Gross Floor Area <i>Approx. (sq.m.)</i>												
Factory	37,078.59												
Composite Building	2,170.09												
Ancillary Office	<u>1,673.55</u>												
Total:	<u><u>40,922.23</u></u>												
	The land use rights of the property are held for a term expiring on 2 March 2061 for industrial use.												

Notes:

- (1) Pursuant to a State-owned Land Use Rights Certificate — Hu Kai Guo Yong (2014) Di No. 002085 (湖開國用(2014)第002085號) issued by the Bureau of Land and Resource of Huzhou (湖州市國土資源局) dated 21 August 2014, the land use rights of the property with a site area of 53,945.80 sq.m. are owned by Huzhou Brightsun Automobile Co., Ltd. (湖州百成客車有限公司) for a term expiring on 2 March 2061 for industrial use.

- (2) Pursuant to three sets of Building Ownership Certificate — Hu Fang Quan Zheng Hu Zhou Shi Zi Di Nos. 110230868-70 (湖房權證湖州市字第110230868-70號) issued by Huzhou Real Estate Management Centre (湖州市房產管理中心) all dated 3 July 2014, three buildings with a total gross floor area of 40,922.23 sq.m. are owned by Huzhou Brightsun Automobile Co., Ltd. for industrial use. The details of the certificates are listed as below:

Building Ownership Certificate	Use	Storey	Gross Floor Area (sq.m.)
Hu Fang Quan Zheng Hu Zhou Shi Zi Di No 110230868	Composite Building	3	2,170.09
Hu Fang Quan Zheng Hu Zhou Shi Zi Di No 110230869	Ancillary Office	3	1,673.55
Hu Fang Quan Zheng Hu Zhou Shi Zi Di No 110230870	Factory	1	<u>37,078.59</u>
		Total:	<u>40,922.23</u>

- (3) Pursuant to a Business License — Registration No. 330500000025484 issued by Bureau of Administration for Industry and Commerce of Huzhou (湖州市工商行政管理局) dated 5 August 2014, Huzhou Brightsun Automobile Co., Ltd. was established with a registered capital of RMB100,000,000 commencing on 12 May 2014.
- (4) Pursuant to a Deed Certificate (契證) (No. 3305012014010783) issued by Bureau of Local Taxation of Huzhou (湖州市地方稅務局) dated 1 August 2014, the property was acquired by Huzhou Brightsun Automobile Co., Ltd. at a consideration of RMB40,500,000.
- (5) Our inspection was performed by Mr. Stephen Yeung on November 2015.
- (6) The Group has confirmed the following regarding the property:
- Not subject to any options or rights of pre-emption;
 - Not subject to any environmental issues;
 - No plans for construction, renovation, improvement or development; and
 - No plans to dispose of or change the use of the property.
- (7) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
- Huzhou Brightsun Automobile Co., Ltd. legally owns the property and is entitled to lease, transfer, mortgage and dispose of the property within its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - The property is free from any mortgage or other third parties' encumbrance; and
 - The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant authorities.

The following is the text of the valuation report prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation as at 31 October 2015 of the machinery and equipment.



Suite 2102
Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong
Tel: 3679-3890
Fax: 3579-0884

18 January 2016

The Board of Directors
Powerwell Pacific Holdings Limited
Units 610-611, Tower Two
Lippo Centre
89 Queensway
Hong Kong

Dear Sir/Madam,

Re: Valuation of Machinery and Equipment of Huzhou Brighsun Battery Company Limited and Huzhou Brighsun Automobile Company Limited

We refer to the instructions from Powerwell Pacific Holdings Limited (hereinafter referred to as the “**Instructing Party**”) for us to prepare a valuation of machinery and equipment (hereinafter referred to as the “**Equipment**”) located in Huzhou city, Zhejiang Province, the People’s Republic of China. The Equipment lists furnished to us by the Instructing Party and, as advised, are owned by Huzhou Brighsun Battery Company Limited and Huzhou Brighsun Automobile Company Limited (hereinafter referred to as the “**Company**”).

This letter, which forms part of our appraisal report, identifies the Equipment, the scope and character of our investigation, the premise of the value adopted, the valuation approaches adopted, and our opinion of value.

We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Equipment as at 31 October 2015 (hereinafter referred to as the “**Valuation Date**”).

It is our understanding that this appraisal report was prepared for the purpose of incorporation in this public circular and for the reference of the shareholders.

INSTRUCTIONS

Powerwell Pacific Holdings Limited is an investment holding company listed on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange of Hong Kong Limited (Stock code: 8265), together with its subsidiaries (collectively referred to as the “**Group**”), is principally engaged in the sourcing business providing sourcing and procurement solutions, including product design, development capabilities, raw materials and components sourcing and quality assurance to the customers, such as mainly brand owners and importers. The Group sources a variety of watches, costume jewelries, display and packaging products to the customers. Also, it runs watch retail business in the PRC.

The appraisal report comprises:

- this letter, identifying the Equipment, describing the nature and extent of the investigation, and presenting the opinion of value;
- a summary list showing the assets categories and the market value for the Equipment is set out in Attachment of this report; and
- assumptions and limiting conditions

MACHINERY AND EQUIPMENT

The Equipment of this valuation, as per the list provided to us, is those utilized by the Company for manufacturing of lithium-ion battery for motor vehicle, and manufacturing facilities of electric bus. The machinery and equipment exhibited to us that owned by the Company are appraised in market value and consists of lithium-ion battery extrusion coating machine, dynamic Li-ion/Polymer Li-ion battery automatic testing device, electrode automatic molding machine, automatic lithium-ion battery lamination machine, square film winding machine, double printing machine, continuous slitting machine, vehicle body frame assemble equipment, heavy duty hydraulic press, vehicle spray painting room, office equipment, computer system, electrical appliances, furniture and fixture, accessory and motor vehicles.

The Equipment was located in the factory buildings occupied by Huzhou Brighsun Battery Co. Ltd., in Block 3, No. 8 Jianghang Road, Lianshi Town, Nanxun District, Huzhou City, Zhejiang Province, and in factory buildings of Huzhou Brighsun Automobile Co. Ltd., located in No. 89 Guomuyuan Road, Huzhou City, Zhejiang Province, the People’s Republic of China.

PREMISE OF VALUE

In arriving at our opinion of value, we have followed the guidelines of the International Valuation Standards (2013) published by the International Valuation Standards Council effective from 1 January 2014 on the valuation of plant and equipment.

The premise of value will be market value of equipment, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

We have assumed that further to the above definition, the Equipment remain in use in their working place, with the benefit of continuity of the tenure of the land and buildings where the Equipment are situated into the foreseeable future.

Fair market value under the premise of continued use does not represent the amount that might be realized in the event of piecemeal disposition of the property in the open market or from any alternative use to which it may be put.

VALUATION METHODOLOGY

Before arriving at our opinion of value, we personally inspected the Equipment and studied the market conditions. To develop our opinion of value, we considered the three generally accepted approaches to value: cost, market and income capitalization. The theory of these approaches is outlined as follows:

The cost approach

The cost approach establishes value based on the cost of reproducing or replacing the Equipment, less depreciation from physical deterioration, and functional and economic/external obsolescence.

Cost of Reproduction New is defined as the estimated amount required to reproduce the Equipment at one time in like kind and materials in accordance with current market prices for materials, labor, and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for materials or equipment.

Cost of Replacement New is defined as the estimated amount required to replace the entire property at one time with a modern new unit using the most current technology and construction materials that will duplicate the production capacity and utility of an existing unit at current market prices for materials, labor, and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for materials or equipment.

Physical Deterioration is the loss in value resulting from wear and tear in operation and exposure to the elements.

Functional Obsolescence is the loss in value caused by conditions within the Equipment such as changes in design, materials, or process that result in inadequacy, overcapacity, lack of utility, or excess operating costs.

Economic/External Obsolescence is an incurable loss in value caused by unfavorable conditions external to the Equipment such as the local economy, economics of the industry, availability of financing, encroachment of objectionable enterprises, loss of material and labor sources, lack of efficient transportation, shifting of business centers, passage of new legislation, and changes in ordinances.

The cost approach generally provides a meaningful indication of the value of land improvements, special buildings, special structures, and special machinery and equipment associated with a viable business or justified by economic demand.

When market transactions of comparable Equipment are not available, when data cannot be extrapolated from larger transactions, or when transactions are non-existent, under premise of continued use, assuming adequate earnings the cost approach is the preferred valuation procedure.

The market approach

In the market approach, the value of the appraised Equipment is estimated through analysis of recent sales of comparable items of the Equipment. It is employed in the valuation of the Equipment for which there is a known used market. Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar items in the used-equipment market; an allowance then is made to reflect the costs for freight and installation.

A variant of the direct market approach is the use of market relationship. Recent market prices for Equipment in an asset classification are determined with respect to age and are compared with a benchmark price, such as the cost of reproduction new. The ratio is applied to similar Equipment in the classification when the secondary market for the subject equipment is too sparse to exhibit appropriate comparables.

The income capitalization approach

In the income capitalization approach, value is developed on the basis of capitalization of the net earnings that would be generated if a specific stream of income can be attributed to an asset or a group of assets. This approach is most applicable to investment and general-use properties where there is an established and identifiable rental market.

In any appraisal study, all three approaches to value must be considered, as one or more may be applicable to the subject Equipment. In some situations, elements of two or three approaches may be combined to reach a value conclusion. For this appraisal, since the income generated by the Equipment could hardly be identified, therefore, the income capitalization approach was not applied. The cost (Depreciated Replacement Cost) and market approaches were the principal methods adopted to arrive at our opinion of value. Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the Equipment, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

INVESTIGATION AND ASSUMPTIONS

We conducted an inspection of the Equipment in June and November 2015. During our inspection, we noted that the Equipment in general was in fair condition. In the course of our investigation, we accepted property records furnished by the Instructing Party as properly describing the Equipment. We visited the locations to verify the existence of the Equipment and to gather information relating to its condition and utility. The balance of the information provided by the Company, after adjustments based on our observation, although not subject to a detailed verification, was accepted as reasonably representing the facts.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the Equipment from equipment of like kind in new condition were noted and made part of our judgment in arriving at the value.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the valuation, and adequate net working capital.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the equipment. Also, no investigation was conducted as to whether the operation of specific pieces of Equipment complied with the relevant environmental standards and ordinances; we have assumed that the equipment are and will continue complied with the current environmental standards and ordinances. We have made no allowance in our valuation for any costs associated with the disposal or handling of materials to comply with current or pending environmental legislation.

OPINION OF VALUE

Based on the investigation described, we are of the opinion that as at 31 October 2015, the market value of the Equipment is fairly represented by the amount of **RENMINBI THIRTY ONE MILLION EIGHT HUNDRED TWENTY THOUSAND AND SIX HUNDRED TWENTY (RMB31,820,620)**.

For the purpose of this appraisal, we have reviewed the acquisition records and asset listings as well as other related technical specifications and documents supplied to us by the Company. We have relied to a considerable extent on such records, listings, specifications and documents in arriving at our opinion of value.

We have not investigated the title to or any liabilities against the Equipment.

We hereby certify that we have neither present nor a prospective interest in the Equipment or the value reported.

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited

Stephen Y. W. Yeung
MFin MHKIS MCIREA RPS(GP)
Principal

Sunny C. K. Lee
MSAE AMHKIE AMIMechE
P&M Consultant

Notes: Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor who has over 5 years of experience in valuation of plant and machinery in Hong Kong and abroad.

Mr. Sunny C. K. Lee is a plant and machinery valuer who has more than 20 years of experience in valuation of plant and machinery in Hong Kong and abroad.

ATTACHMENT

Huzhou Brighsun Battery Company Limited

Asset Categories	Market Value as at 31 October 2015 (RMB)
Office Equipment/Electrical appliances	159,000
Instruments	8,840
Machinery and Equipment	3,266,910
Building Improvement	1,531,290
Vehicles	767,330
Lithium-ion Battery Production Line	19,795,410
Dehumidifying System	848,700
Battery testing cabinets and other measuring instruments	<u>1,776,040</u>
Total:	<u><u>28,153,520</u></u>

Huzhou Brighsun Automobile Company Limited

Asset Categories	Market Value as at 31 October 2015 (RMB)
Electrical Appliances	512,620
Furniture and Fixtures	108,190
Machinery and Equipment	2,875,910
Motor Vehicle	94,320
Office Equipment	<u>76,060</u>
Total:	<u><u>3,667,100</u></u>

**A. INTRODUCTION TO THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), being the Powerwell Pacific Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) together with the sale assets (being the land and buildings and equipment) (the “**Sale Assets**”), as if the proposed acquisition of the Sale Assets (the “**Proposed Acquisition**”) had been completed on 30 June 2015. Details of the Proposed Acquisition are set out in the section headed “Letter from the Board” contained in this Circular. The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), for the purpose of illustrating the effect of the Proposed Acquisition on the consolidated assets and liabilities of the Enlarged Group as at 30 June 2015, pursuant to the terms of the purchase agreement by and between the Company and the Vendor (the “**Acquisition Agreement**”).

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared using accounting policies consistent with that of the Group and based on the condensed consolidated statement of financial position of the Group at 30 June 2015 as extracted from the Company’s published interim report for the period ended 30 June 2015, after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Proposed Acquisition that are (i) clearly shown and explained; (ii) directly attributable to the Proposed Acquisition concerned and not relating to future events or decisions; and (iii) factually supportable, as if the Proposed Acquisition had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Acquisition and does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 30 June 2015 or any future date. Further, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after the completion of the Proposed Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the “Financial information of the Group” set forth in Appendix I to this Circular and other information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP

	Condensed consolidated assets and liabilities the Group as at 30 June 2015 <i>HK\$'000</i> <i>Note (a)</i>	Pro Forma Adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
		Fair Value of the identifiable assets and liabilities of the Sale Assets at 31 October 2015 <i>HK\$'000</i> <i>Note (b)</i>	Consideration for the Acquisition <i>HK\$'000</i> <i>Note (c)</i>	
ASSETS				
Non-current assets				
Land and building	—	73,997	—	73,997
Property, plant and equipment	5,975	40,250	—	46,225
Contingent consideration receivables	11,774	—	—	11,774
Total non-current assets	17,749	114,247	—	131,996
Current assets				
Inventories	14,949	—	—	14,949
Contingent consideration receivables	8,762	—	—	8,762
Trade receivables	21,570	—	—	21,570
Prepayment, deposits and other receivables	14,788	—	—	14,788
Cash and cash equivalents	110,594	—	—	110,594
Total current assets	170,663	—	—	170,663
LIABILITIES				
Current liabilities				
Trade and other payables	36,779	—	—	38,579
Amount due to holding company	5,438	—	—	5,438
Secured loan	15,000	—	—	15,000
Tax payables	5,080	—	—	5,080
Total current liabilities	62,297	—	—	64,097
Net current assets	108,366	—	—	106,566
Total assets less current liabilities	126,115	114,247	—	238,562
Non-current liabilities				
Convertible bonds	—	—	95,000	95,000
Deferred tax liabilities	—	—	3,176	3,176
Total non-current liabilities	—	—	98,176	98,176
NET ASSETS	126,115	114,247	(98,176)	140,386
CAPITAL AND RESERVES				
Share capital	26,400	—	—	26,400
Reserves	87,631	—	16,071	101,902
Equity attributable to owners of the Company	114,031	—	16,071	128,302
Non-controlling interests	12,084	—	—	12,084
TOTAL EQUITY	126,115	—	16,071	140,386

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group*(a) Condensed consolidated assets and liabilities of the Group at 30 June 2015*

The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group at 30 June 2015 as set out in the Company's published interim report for the period ended 30 June 2015.

(b) Fair value of the identifiable assets and liabilities of the Sale Assets at 31 October 2015

Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Sale Assets will be accounted for in the unaudited pro forma statement of assets and liabilities of the Enlarged Group at fair value in accordance with the accounting policies of the Group.

The fair value of the identifiable assets acquired and liabilities assumed of the Sale Assets as at 31 October 2015 (the "Valuation Date") were estimated by the directors, with reference to the valuation report as set out in Appendix II and III prepared by Ascent Partners Valuation Service Limited, an independent valuer, for the purpose of the Proposed Acquisition. The directors consider the difference over the fair value from 30 June 2015 to the Valuation Date is insignificant. The fair values of the identifiable assets acquired and liabilities assumed are as follows:

	Fair Values	
	RMB'000	HK\$'000
Land and buildings	58,500	73,997
Property, plant and equipment	<u>31,821</u>	<u>40,250</u>
Carrying amounts of identifiable assets acquired and liabilities assumed	<u>90,321</u>	<u>114,247</u>

Since the fair value of the land and buildings and equipment at the completion date may be substantially different from their fair values used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the respective values of the land and buildings and equipment to be recorded in the consolidated financial statements of the Group at the completion date may be different from the amounts shown in this appendix.

For the purpose of the Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with Hong Kong Accounting Standard 36, "Impairment of Assets", which is consistent with the accounting policy of the Group. The Directors have assessed the impairment of the Sale Assets, including the land and buildings and equipment by considering whether the carrying amounts of the Sale Assets will exceed their recoverable amounts, being higher of value in use and fair value less costs of disposal, at 30 June 2015 for the unaudited pro forma consolidated statement of assets and liabilities as if the Proposed Acquisition had been completed on 30 June 2015. Should the recoverable amounts are below the carrying amounts of the Sale Assets, an impairment loss will be recognised.

The recoverable amounts of the Sale Assets were determined with reference to the valuation report as set out in Appendix II and III prepared by Ascent Partners Valuation Service Limited, an independent valuer. The carrying amounts of the Sale Assets are considered to be recoverable, and no impairment provision is included in the Unaudited Pro Forma Financial Information.

(c) Consideration for the Acquisition

The adjustment reflects the estimated proceeds of HK\$110,000,000 from issue of Convertible Bonds in the principal amount HK\$110,000,000, assuming the issuance had taken place on 30 June 2015. The convertible bonds bear no interest. The convertible bonds are convertible into shares of the Company at conversion price of HK\$0.55 (subject to anti-dilutive adjustments) per share. The maturity date of the convertible bonds is on the second anniversary of the date of issue. At the date of initial recognition, the liability component is measured at its pro forma fair value of approximately HK\$95,000,000. The equity component of approximately HK\$19,247,000 is measured as the difference between the pro forma fair value of the Sale Assets of HK\$114,247,000 and pro forma fair value of the liability component of approximately HK\$95,000,000 in accordance with Hong Kong Financial Reporting Standard 2, "Share-based Payment". Deferred tax liabilities of approximately HK\$3,176,000 has been recognised upon the initial recognition of the convertible bonds and is charged against equity in the convertible bonds reserve. The pro forma fair value of the liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 7.62% per annum. The equity component is present as convertible bonds reserve in equity, whereas the liability component is classified under non-current liabilities as at 30 June 2015. The fair value of the liability component and the conversion option of the convertible bonds is based on the valuation carried out at 31 October 2015 by Appraisal and Consultancy (Asia) Limited, an independent valuer not connected with the Group.

The fair value of the liability component and the residual equity component represent provisional amounts which are subject to change at completion date. For the purposes of these unaudited pro forma financial information, it is assumed that the fair value of the convertible bonds at its issuance date approximate the proceeds received on the date of initial recognition.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised.

(d) Acquisition-related costs

The adjustment represents the accrual for the estimated acquisition-related costs (including fees payable to legal advisors, financial advisers, reporting accountants, valuers, printer and other expenses) of approximately HK\$1,800,000.

(e) No adjustments have been made to the Unaudited Pro Forma Financial Information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2015.

(f) Exchange rate of RMB1 to HK\$1.2649, being the closing rate on 30 June 2015 adopted for the preparation of unaudited condensed consolidated statement financial position of the Group, is used to the pro forma adjustments for illustrate purpose only.

**C. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, in respect of the unaudited pro forma financial information.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

18 January 2016

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF POWERWELL PACIFIC HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Powerwell Pacific Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) prepared by the directors (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 and related notes as set out on pages IV-1 to IV-4 to the circular dated 18 January 2016 (“**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the sale assets involving the issue of convertible bonds (the “**Proposed Acquisition**”) on the Group’s financial position as at 30 June 2015 as if the Proposed Acquisition had taken place at 30 June 2015. As part of this process, information about the Group’s financial position as at 30 June 2015 has been extracted by the Directors from the Group’s condensed consolidated financial statements for the period ended 30 June 2015, on which an interim report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethic requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules, and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong, 18 January 2016

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, 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.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	ordinary shares of HK\$0.1 each	100,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>		
306,700,000	ordinary shares of HK\$0.1 each	30,670,000.00

Immediately following the allotment and issue of the Conversion Shares (assuming the conversion rights attaching to the Convertible Bonds are exercised in full) at the initial conversion price will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	ordinary shares of HK\$0.1 each	100,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>		
306,700,000	ordinary shares of HK\$0.1 each	30,670,000.00
200,000,000	Conversion Shares of HK\$0.1 each to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds at the initial conversion price	20,000,000.00
506,700,000		50,670,000.00

All the issued shares of the Company shall rank pari passu with each other in all respects including the rights as to dividends, voting and return of capital. The Conversion Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of allotment and issue of such Conversion Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, there are outstanding share options to subscribe for an aggregate of 7,500,000 Shares. Saved for the abovementioned share options, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors were as follows:

Long position in the shares, underlying shares and debentures of the Company or its associated corporations:

(a) *Interest in the Shares:*

Name of Director or chief executive of the Company	Capacity	Number of Shares and underlying shares of the Company held	Approximate percentage of shareholding in the Company
Mr. Fei Jie	Interest of a controlled corporation	156,390,000 (Note)	50.99%

Note:

These 156,390,000 Shares are held by King Full Inc Limited which is wholly and beneficially owned by Mr. Fei Jie. Therefore, Mr. Fei Jie is deemed to be interested in the entire 156,390,000 shares held by King Full Inc Limited pursuant to Part XV of the SFO.

(b) Interest in the shares of an associated corporation

Name of associated corporation: King Full Inc Limited

Name of Director	Capacity	Number of Shares held	Percentage of shareholding
Mr. Fei Jie	Beneficial owner	5,000,000	100%

Save as disclosed above, as at the Latest Practicable date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by director.

Interest of substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, to the best knowledge of the Directors, the following person (other than a Director and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be

interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares, underlying share and debentures of the Group:

(a) *Interest in the Shares:*

Name of holder of Shares/ underlying shares of the Company	Capacity	Number of Shares and underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
King Full Inc Limited (<i>Note 1</i>)	Beneficial owner	156,390,000	50.99%
Mr. Fei Jie (<i>Note 1</i>)	Interest in a controlled corporation	156,390,000	50.99%
Ms. Wu Wen (<i>Note 1</i>)	Interest in spouse	156,390,000	50.99%

Note 1:

The entire issued share capital of King Full Inc Limited is wholly and beneficially owned by Mr. Fei Jie. Ms. Wu Wen is the spouse of Mr. Fei Jie. Therefore, Mr. Fei Jie and Ms. Wu Wen are deemed to be interested in the entire 156,390,000 shares held by King Full Inc Limited pursuant to Part XV of the SFO.

(b) *Interest in the equity interest of other members of the Group*

Other members of the Group	Name of shareholder	Capacity	Percentage of shareholding
Tong Yin	浙江之信控股集團 有限公司 (for identification purpose, Zhejiang Zhi Xin Holding Group Company Limited (the “ Zhi Xin ”)) (<i>Note 2</i>)	Beneficial owner	49%

Note 2:

The equity interest of Zhi Xin is 60% owned by Mr. Zhang. Therefore, Mr. Zhang is deemed to be interested in the equity interest of Tong Yin held by Zhi Xin pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which would not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DISCLOSURE OF OTHER INTEREST

As at the Latest Practicable Date:

- a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- b) none of the Directors in this appendix had any direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company and its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

- i. the Acquisition Agreement;
- ii. the CCT Agreements;
- iii. the subscription agreement dated 23 September 2015 entered into between International Faith Limited, an indirectly wholly-owned subsidiary of the Company (as subscriber), Brighsun Ev-tech Co., Limited (as issuer), Mr. Huang Kejun (as guarantor) and Mr. Zhang Genjiang (as guarantor) in relation to the subscription of 1,200 new shares of Brighsun Ev-tech Co., Limited at the total consideration of HK\$9,000,000;
- iv. the placing agreement dated 14 July 2015 entered into between the Company and Emperor Securities Limited in relation to the placing of maximum of 35,200,000 new Shares at the placing price of HK\$0.725 per placing share;
- v. the underwriting agreement dated 30 March 2015 entered into between the Company (as issuer) and Emperor Securities Limited (as underwriter) in relating to the underwriting of 88,000,000 offer shares at HK\$0.70 per offer share;
- vi. the placing agreement dated 13 March 2015 entered into between the Company (as issuer) and SBI China Capital Financial Services Limited (as placing agent) in relation to a bond placing for a maximum principal amount of HK\$50,000,000 which lapsed on 24 March 2015 and the placing did not proceed;
- vii. the sale and purchase agreement entered into between the Company as the purchaser and Mr. Chow Tsi Tung as the vendor on 8 December 2014 in relation to the acquisition of the entire issued share capital in and shareholder's loan due by Core Kingdom Limited, which indirectly owns 51% equity interest in Tong Yin at an aggregate consideration of HK\$36 million; and
- viii. the disposal agreement dated 27 June 2014 entered into between the Company as the vendor and Golden Business Development Limited as the purchaser in relation to the disposal of the entire issued share capital of and the benefit of loans advanced to Goldnet Holdings Group Limited at an aggregate consideration of HK\$23 million in cash.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountant
Ascent Partners Valuation Service Limited	Independent valuer
Amasse Capital Limited	a licensed corporation under the SFO licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Shanghai Kangcheng Law Firm (上海康程律師事務所)	PRC legal adviser

(collectively, the “**Experts**”)

As at the Latest Practicable Date, each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the Experts had any interest, either direct or indirect, in any assets which have been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any Business Day at the principal place of business of the Company in Hong Kong at Units 610–611, Tower Two, Lippo Centre, 89 Queensway, Hong Kong from the date of this circular up to and including the date of the SGM:

- a) the memorandum of association and the Bye-Laws of the Company;
- b) the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;
- c) the valuation report on the Land and Buildings, the text of which is set out in Appendix II to this circular;

- d) the valuation report on the Equipment, the text of which is set out in Appendix III to this circular;
- e) the letter on the unaudited pro forma statement of assets and liabilities of the Enlarged Group issued by HLB Hodgson Impey Cheng Limited set out in Appendix IV to this circular;
- f) the consent letters referred to in the paragraph under the heading “Experts and Consents” in this Appendix to this circular;
- g) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix to this circular; and
- h) this circular.

11. MISCELLANEOUS

- a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Units 610–611, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- b) The secretary and authorised representative of the Company is Ms. Hui Wai Man Shirley (“**Ms. Hui**”) who is a practicing accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. Ms. Hui is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- c) The branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- d) The English text of this circular, the SGM Notice and the accompanying form of proxy shall prevail over their respective Chinese text in the case of inconsistency.

- e) The Company's audit committee (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Cheung Siu Wah, Mr. Jim Yiu Ming and Mr. Sit Sai Hung, Billy and is chaired by Mr. Sit Sai Hung, Billy, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. The primary duties of the Audit Committee include the following: (i) to monitor and ensure a proper relationship with the Company's auditor; (ii) to review the Group's quarterly, interim and annual reports and compliance with accounting standards, the GEM Listing Rules, and legal requirements before submission to the Board; and (iii) to oversee the Company's financial reporting process and internal control system. The biography of the members of Audit Committee are set out below:
- (i) Mr. Cheung Siu Wah ("**Mr. Cheung**"), aged 49, was appointed as an independent non-executive Director and a member of each of the Audit Committee, remuneration committee of the Company and nomination committee of the Company on 22 September 2014. He is an Associate Member of the Institute of Chartered Secretaries and Administrators. He obtained the Honours Diploma of Company Secretary and Administration at Lingnan College in 1991. Mr. Cheung held senior management positions in various multinational companies and has been working in the management, finance, accounting and administration sectors for over 24 years.
 - (ii) Mr. Jim Yiu Ming ("**Mr. Jim**"), aged 48, was appointed as an independent non-executive Director, the chairman of the nomination committee of the Company and a member of each of the Audit Committee and remuneration committee of the Company on 22 September 2014. Mr. Jim is a practicing solicitor in Hong Kong and is the founding partner of Jim & Co., Solicitors. He obtained the Degree of Bachelor of Laws at The University of Hong Kong in 1989 and completed the Postgraduate Certificate in Laws at The University of Hong Kong in 1991.
 - (iii) Mr. Sit Sai Hung, Billy ("**Mr. Sit**"), aged 58, was appointed as an independent non-executive Director, the chairman of each of the Audit Committee and remuneration committee of the Company and a member of the nomination committee of the Company on 22 September 2014. He obtained the Degree of Bachelor of Social Science at The Chinese University of Hong Kong in 1981, the Diploma in Surveying at The College of Estate Management in 1996 and the Degree of Master of Law at The University of Beijing in 2002. Mr. Sit also completed the Merchant Bank Program at the School of Business Administration of The University of Washington in 1994. Mr. Sit has been working in the banking and financial related sector for more than 30 years.



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 (the “**SGM**”) of Powerwell Pacific Holdings Limited (the “**Company**”) will be held at 10:30 a.m. on Wednesday, 3 February 2016 at Lavender, Level 3, Three Pacific Place, 1 Queen’s Road East, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Acquisition Agreement dated 9 November 2015 (a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purpose of identification) entered into between 湖州信成電動汽車有限公司 (transliterated into “Huzhou Xincheng Electric Vehicle Co. Ltd.”), an indirect wholly owned subsidiary of the Company, as purchaser and 湖州百成電池有限公司 (transliterated into “Huzhou Brighsun Battery Co. Ltd”) and 湖州百成客車有限公司 (transliterated into “Huzhou Brighsun Automobile Co. Ltd”) as vendors and 黃科竣 (Huang Kejun) and 章根江 (Zhang Genjiang) as guarantors in relation to the sale and purchase of the land and buildings and equipment as set out in the Acquisition Agreement all located in Huzhou city, Zhejiang Province, the People’s Republic of China at a consideration of HK\$110,000,000 payable by the issue by the Company of convertible bonds in the aggregate principal amount of HK\$110,000,000 entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company at an initial conversion price of HK\$0.55 (subject to adjustments) per Conversion Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the board of the Directors of the Company (the “**Board**”) be and is hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Acquisition Agreement;
- (c) the Board be and is hereby authorised to allot and issue the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, credited as fully paid, in accordance with the terms and conditions of the Convertible Bonds; and
- (d) the Board be and is hereby authorised to exercise all powers of the Company and take all actions as might in its opinion be desirable, necessary or expedient for the purpose of, or in connection with, the implementation of and giving effect to the

NOTICE OF SGM

Acquisition Agreement and the transactions contemplated thereunder, and to make or agree such variations of a non-material nature to any of the terms thereof as the Board may in its discretion consider to be desirable and in the interests of the Company.”

2. “**THAT**

- (a) the Manufacturing Agreement dated 13 January 2016 (a copy of which has been produced to the SGM marked “**B**” and signed by the chairman of the SGM for the purpose of identification), between the Purchaser and Brighsun EV-tech Co., Limited and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the Manufacturing Transactions contemplated under the Manufacturing Agreement as set out in the circular of the Company dated 18 January 2016, be and are hereby approved, confirmed and ratified; and
- (c) the Board be and is hereby authorized to do all such acts and things and execute all such documents which it considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Manufacturing Agreement and the transactions contemplated thereunder, and to make or agree such variations of a non-material nature to any of the terms thereof as the Board may in its discretion consider to be desirable and in the interests of the Company.”

Capitalised terms in this notice of SGM shall have the same meanings as defined in the circular of the Company dated 18 January 2016 unless the context otherwise specified.

By order of the Board
Powerwell Pacific Holdings Limited
Fei Jie
Chairman

Hong Kong, 18 January 2016

NOTICE OF SGM

Notes:

1. Any shareholder entitled to attend and vote at the special general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the special general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the special general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the special general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the special general meeting is attached herewith.
6. Any voting at the special general meeting shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the board comprise:

Executive Directors:

Mr. Fei Jie (*Chairman*)
Mr. Fung Chi Kin

Independent non-executive Directors:

Mr. Cheung Siu Wah
Mr. Jim Yiu Ming
Mr. Sit Sai Hung, Billy