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POWERWELL PACIFIC HOLDINGS LIMITED

宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8265)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

This announcement, for which the directors (the “Directors”) of Powerwell Pacific Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

- The shares of the Company were listed on GEM of The Stock Exchange on 26 January 2011.
- The Group's revenue amounted to approximately HK\$208.2 million for the year ended 31 December 2010, which represented an increase of approximately 26.6% as compared with the corresponding period in 2009.
- The profit attributable to owners of the Company was approximately HK\$7.6 million for the year ended 31 December 2010 compared with approximately HK\$16.5 million for the corresponding period in 2009.
- Basic earnings per share for the year ended 31 December 2010 amounted to HK7.0 cents (2009: HK15.3 cents).
- A final dividend of HK2.0 cents per share is proposed for the year ended 31 December 2010.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 together with the comparative audited figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	For the year ended 31 December	
		2010 HK\$'000	2009 HK\$'000
Revenue	3	208,195	164,511
Cost of sales		<u>(160,350)</u>	<u>(125,907)</u>
Gross profit		47,845	38,604
Other income	3	727	2,657
Selling and distribution costs		(9,747)	(2,509)
Administrative expenses		(23,459)	(17,517)
Other operating expenses		(3,585)	(373)
Finance costs	6	<u>(30)</u>	<u>(67)</u>
Profit before income tax	5	11,751	20,795
Income tax expense	7	<u>(3,862)</u>	<u>(3,229)</u>
Profit for the year		7,889	17,566
Other comprehensive income for the year			
— Exchange differences arising on translation of foreign operations		<u>170</u>	<u>—</u>
Total comprehensive income for the year		<u><u>8,059</u></u>	<u><u>17,566</u></u>
Profit for the year attributable to:			
Owners of the Company		7,563	16,498
Non-controlling interests		<u>326</u>	<u>1,068</u>
		<u><u>7,889</u></u>	<u><u>17,566</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		7,733	16,498
Non-controlling interests		<u>326</u>	<u>1,068</u>
		<u><u>8,059</u></u>	<u><u>17,566</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to owners of the Company — Basic	9	<u><u>7.0</u></u>	<u><u>15.3</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,976	6,372
Goodwill		230	—
Other intangible assets		5,555	—
		<u>12,761</u>	<u>6,372</u>
Current assets			
Inventories	10	16,412	1,442
Trade receivables	11	24,575	20,031
Prepayments and deposits		18,857	1,583
Prepaid tax		1,552	309
Amounts due from related parties		—	547
Financial assets at fair value through profit or loss		—	13,983
Derivative financial instruments		—	22
Bank balances and cash		28,262	15,215
		<u>89,658</u>	<u>53,132</u>
Current liabilities			
Trade and other payables	12	68,803	18,595
Dividend payables		—	250
Provision for income tax		3,239	3,168
Bank loans		—	55
		<u>72,042</u>	<u>22,068</u>
Net current assets		<u>17,616</u>	<u>31,064</u>
Total assets less current liabilities		30,377	37,436
Non-current liabilities			
Bank loans		—	621
Net assets		<u>30,377</u>	<u>36,815</u>
EQUITY			
Share capital		10	—
Proposed final dividend	13	3,000	—
Other reserves	13	27,347	35,737
Equity attributable to owners of the Company		<u>30,357</u>	<u>35,737</u>
Non-controlling interests		20	1,078
Total equity		<u>30,377</u>	<u>36,815</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's principal place of business is located at 19/F, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the 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 design, manufacture and sale of the Group's owned brands of watches through its sales points in the People's Republic of China (the "PRC") (the "PRC Watch Business").

2. REORGANISATION AND BASIS OF PREPARATION

Pursuant to a reorganisation (the "Reorganisation") as detailed in note 2 to the accountants' report of the Company included in Appendix I of the Company's prospectus dated 29 December 2010 (the "Prospectus"), the Company has since 20 December 2010 become the holding company of its subsidiaries now comprising the Group.

There has been a continuation of the risks and benefits to the founding shareholders of the Group (the "Founding Shareholders"), acting together on a collective basis under certain arrangements which existed among the Founding Shareholders in order to manage and control the business and operations of the Group collectively, before and immediately after the Reorganisation. Accordingly, the financial statements of the Company and its subsidiaries now comprising the Group have been accounted for using merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". Under merger accounting, the net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests. The statement of comprehensive income of the Group includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group transactions and balances have been eliminated on combination. Non-controlling interests represent the interests of outside shareholders not held by the Founding Shareholders in the results and net assets of the Company's subsidiaries, and are presented separately in the statement of comprehensive income of the Group and within equity in the statements of financial position of the Group, separately from equity attributable to the Company's owners.

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the current year and prior year have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the current year and prior year, or since their respective dates of incorporation/establishment or acquisition, whichever was shorter. The consolidated statements of financial position of the Group as of 31 December 2010 and 2009 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

The consolidated financial statements have been prepared in accordance with the accounting policies of the Group, which conform to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange.

3. REVENUE AND OTHER INCOME

An analysis of the revenue from the Group’s principal activities (note 1), which is also the Group’s turnover, and other income are as follows:

	For the year ended	
	31 December	
	2010	2009
	HK\$’000	HK\$’000
Revenue		
Sales of goods	206,560	162,831
Freight income	1,635	1,680
	<u>208,195</u>	<u>164,511</u>
Other income		
Interest income on financial assets not at fair value through profit or loss — bank interest income	33	121
Interest income on financial assets at fair value through profit or loss	96	1,824
	<u>129</u>	<u>1,945</u>
Total interest income		
Commission income	12	36
Exchange gain	—	433
Fair value gain on financial instruments	501	—
Gain on disposal of property, plant and equipment	—	13
Bad debt recovery	9	160
Sundry income	76	70
	<u>727</u>	<u>2,657</u>
Total income	<u>208,922</u>	<u>167,168</u>

4. SEGMENT INFORMATION

Information regarding the Group's reportable operating segments including the reconciliations to profit before income tax and total assets is as follows. The operations of the PRC Watch Business commenced during the year ended 31 December 2010 and thus segment revenue and segment results reported under the year ended 31 December 2009 entirely related to the Sourcing Business.

	Sourcing Business HK\$'000	PRC Watch Business HK\$'000	Total HK\$'000
Year ended 31 December 2010			
Reportable segment revenue	<u>200,288</u>	<u>7,907</u>	<u>208,195</u>
Reportable segment profit/(loss)	<u>22,086</u>	<u>(6,863)</u>	<u>15,223</u>
Interest income			129
Fair value gain on financial instruments			501
Corporate income and expenses			<u>(4,102)</u>
Profit before income tax			<u>11,751</u>
At 31 December 2010			
Reportable segment assets	<u>81,804</u>	<u>19,063</u>	<u>100,867</u>
Prepaid tax			<u>1,552</u>
Total assets			<u>102,419</u>
Year ended 31 December 2010			
Other information:			
Interest expense	30	—	30
Depreciation of property, plant and equipment	1,007	43	1,050
Addition to non-current assets	<u>624</u>	<u>6,820</u>	<u>7,444</u>
Year ended 31 December 2009			
Reportable segment revenue	<u>164,511</u>	<u>—</u>	<u>164,511</u>
Reportable segment profit	<u>18,953</u>	<u>—</u>	<u>18,953</u>
Interest income			1,945
Fair value loss on financial instruments			(63)
Corporate income and expenses			<u>(40)</u>
Profit before income tax			<u>20,795</u>
At 31 December 2009			
Reportable segment assets	<u>45,190</u>	<u>—</u>	<u>45,190</u>
Prepaid tax			309
Financial assets at fair value through profit or loss			13,983
Derivative financial instruments			<u>22</u>
Total assets			<u>59,504</u>
Year ended 31 December 2009			
Other information:			
Interest expense	67	—	67
Depreciation of property, plant and equipment	1,207	—	1,207
Impairment on receivables	234	—	234
Write-down of inventories to net realisable value	103	—	103
Addition to non-current assets	<u>1,585</u>	<u>—</u>	<u>1,585</u>

Analysis of the Group's revenue and non-current assets by geographical locations are as follows:

	Revenue from external customers		Non-current assets	
	For the year ended		At 31 December	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (domicile)	26,319	22,806	5,984	6,372
PRC, excluding Hong Kong	7,932	—	6,777	—
USA	93,107	67,315	—	—
Europe				
— Denmark	33,455	19,014	—	—
— France	7,135	12,893	—	—
— Italy	7,648	6,086	—	—
— Others	18,444	21,254	—	—
Asia	4,902	7,636	—	—
Others	9,253	7,507	—	—
Total	<u>208,195</u>	<u>164,511</u>	<u>12,761</u>	<u>6,372</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	For the year ended	
	31 December	
	2010	2009
	HK\$'000	HK\$'000
Auditors' remuneration	970	600
Cost of inventories recognised as expenses	157,944	125,656
Write-down of inventories to net realisable value	—	103
Impairment on receivables	—	234
Depreciation of property, plant and equipment	1,050	1,207
Exchange loss/(gain)	167	(433)
Fair value (gain)/loss on financial instruments	(501)	63
Listing expenses (included in "Other operating expenses")	3,581	—
Operating lease charges in respect of land and building	861	262
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	16,896	11,398
Retirement benefit — defined contribution plans	791	623
	<u>17,687</u>	<u>12,021</u>
Loss/(Gain) on disposal of property, plant and equipment	3	(13)
Write-off of property, plant and equipment	—	38
	<u>17,690</u>	<u>12,046</u>

6. FINANCE COSTS

	For the year ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Interest on bank loan and overdrafts wholly repayable within five years	<u>30</u>	<u>67</u>

7. INCOME TAX EXPENSE

	For the year ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax		
— charge for the year	3,963	3,171
— (over)/under provision in prior years	<u>(101)</u>	<u>58</u>
Total income tax expense	<u>3,862</u>	<u>3,229</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

The Group acquired a PRC entity, 深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited) (“Tianhaiba”), on 1 February 2010 which is subject to PRC corporate income tax at the tax rate of 25%. No provision for PRC corporate income tax has been made as Tianhaiba did not generate any taxable profits arising in the PRC during the period from the date of its acquisition to 31 December 2010.

8. DIVIDENDS

	For the year ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Dividend declared and paid by subsidiaries (<i>note(b)</i>):		
Interim dividend paid to:		
Owners of the Company	4,180	16,354
Owners of non-controlling interests	—	2,085
Special dividends	9,896	—
Dividend paid to Founding Shareholders (<i>note (a)</i>)	<u>225</u>	<u>—</u>
	<u>14,301</u>	<u>18,439</u>
Dividend proposed by the Company:		
Final dividend proposed for the year		
— HK2.0 cents (2009: Nil) per ordinary share (<i>note (c)</i>)	<u>3,000</u>	<u>—</u>

Notes:

- (a) On 20 September 2010, the Group acquired from the Founding Shareholders 10,000 shares, which represent 10% of the issued capital, of Richmind International Investment Limited, a subsidiary, at a total cash consideration of HK\$225,400. The transaction is accounted for as a dividend distribution to the Founding Shareholders.
- (b) The rate of dividend and the number of shares ranking for dividends paid by the subsidiaries are not presented as such information is not meaningful.
- (c) The Directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2010 which is subject to the approval by the shareholders at the forthcoming annual general meeting. The rate of dividend is determined based on the number of shares in issue of 150,000,000 after the listing of the Company.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to the owners of the Company amounting to HK\$7,563,000 (2009: HK\$16,498,000) and on the basis of 108,000,000 (2009: 108,000,000) shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as detailed in the section headed “Further information about our Company” in Appendix V to the Prospectus, throughout the years.

No diluted earnings per share has been presented as there is no outstanding potential ordinary share at the reporting date.

10. INVENTORIES

	At 31 December	
	2010	2009
	HK\$'000	HK\$'000
Raw materials	6,903	1,132
Finished goods	9,509	310
	<u>16,412</u>	<u>1,442</u>

11. TRADE RECEIVABLES

The Group normally allows credit period of 45 to 60 days to its major customers. Credit period is normally not granted to other customers.

Trade receivables of the Group of HK\$24,575,000 (2009: HK\$20,031,000) with an aged analysis (based on due date) at the reporting date are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Not past due	22,174	17,225
1–30 days past due	2,378	2,321
31–60 days past due	13	328
61–90 days past due	10	83
Over 90 days past due	—	74
	<hr/> 24,575 <hr/>	<hr/> 20,031 <hr/>

12. TRADE PAYABLES

Included in trade and other payables are trade payables of the Group of HK\$33,609,000 (2009: HK\$15,686,000) with an aged analysis (based on due date) at the reporting date as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Not past due	14,057	5,777
1–30 days past due	9,803	5,712
31–60 days past due	9,707	3,751
61–90 days past due	42	100
Over 90 days past due	—	346
	<hr/> 33,609 <hr/>	<hr/> 15,686 <hr/>

13. RESERVES

	Capital reserve *	Merger reserve *	Translation reserve *	Proposed final dividend	Retained profits *	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	—	10	—	—	35,583	35,593
Transactions with owners:						
Dividend paid	—	—	—	—	(16,354)	(16,354)
	—	—	—	—	(16,354)	(16,354)
Profit/Total comprehensive income for the year	—	—	—	—	16,498	16,498
At 31 December 2009 and 1 January 2010	—	10	—	—	35,727	35,737
Transactions with owners:						
Dividend paid (<i>note 8</i>)	—	—	—	—	(14,301)	(14,301)
Acquisition of non- controlling interests	155	—	—	—	—	155
Capital contribution to a subsidiary	—	1,033	—	—	—	1,033
Issue of ordinary shares	—	(10)	—	—	—	(10)
	155	1,023	—	—	(14,301)	(13,123)
Profit for the year	—	—	—	—	7,563	7,563
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	—	170	—	—	170
Total comprehensive income for the year	—	—	170	—	7,563	7,733
2010 final dividend proposed (<i>note 8</i>)	—	—	—	3,000	(3,000)	—
At 31 December 2010	155	1,033	170	3,000	25,989	30,347

* The total of these balances represented “Other Reserves” in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year ended 31 December 2010 (the “Year”), the Group is principally engaged in the Sourcing Business providing sourcing and procurement solutions to our customers who are mainly brand owners and importers in Hong Kong and foreign countries. The products we sourced included watches, costume jewelries, and display and packaging products. The Group ventured into a new business segment, the PRC Watch Business, during the Year with the design, manufacture and sale of the Tianba and Harpo brands of watches in the PRC. In this connection, the Group acquired Tianhaiba at a cash consideration of RMB1.0 million on 1 February 2010 to carry out this business.

Milestones

The Group went through a number of milestone events in its development during the Year.

We acquired two classic and iconic PRC watch brands, namely Tianba and Harpo, during the Year. These brands were among the few and earliest consumer lifestyle products launched in the PRC in the early 1980s following the opening up and modernization of the PRC economy at the time. Leveraging on our product design and development expertise, the Group is determined to revitalize the brands and build up a distinctive distribution network for branded goods in the PRC.

Benefiting from the economic recovery worldwide after the crash brought on by the year 2008 credit crisis, particularly in the United States and European countries, the Group recorded a remarkable business turnaround from 2009. Despite the profitability of Sourcing Business lags behind following rebound of revenue, we believe it is a natural process in market adjustment and are confident in overcoming the downtrend by strengthening our product offerings, cross-selling our products and broadening our client base.

We conceived that a sound and solid corporate framework and financial foundation are essential for the Group’s development in both the PRC Watch Business and Sourcing Businesses outlined earlier and the Company announced its plan to list on the Growth Enterprise Market of the Stock Exchange on 29 December 2010. The listing was successfully completed on 26 January 2011 by placing of shares of the Company (the “Listing”).

Financial Review

Revenue

The Group’s revenue for the Year amounted to approximately HK\$208.2 million (2009: approximately HK\$164.5 million) and recorded a year-on-year increase of approximately HK\$43.7 million or 26.6% from the year ended 31 December 2009 (the “Previous Year”). The revenue derived from the Sourcing Business increased by approximately HK\$35.8 million to approximately HK\$200.3 million (2009: approximately HK\$164.5 million) while the new PRC Watch Business brought in additional revenue of approximately HK\$7.9 million for the Year.

Benefiting from economic recovery worldwide after the crash brought on by the year 2008 credit crisis, particularly in the United States and European countries where our largest customer operates in, revenue from watches sourcing grew by HK\$34.2 million to approximately HK\$106.0 million (2009: approximately HK\$71.8 million). Similarly, our costume jewelries sourcing revenue increased by HK\$3.5 million to approximately HK\$23.0 million (2009: approximately HK\$19.5 million) as economy recovered.

During the Year, display and packaging products sourcing revenue was approximately HK\$71.3 million, a decrease of approximately HK\$1.9 million or 2.6% from approximately HK\$73.2 million in the Previous Year, and hinged on the brand imaging and product promotion plan of our second largest customer. We believe our customer devoted additional resources in marketing their products during the harsh economic times in the Previous Year and accordingly placed a higher amount of display and packaging products with us.

Cost of sales and gross profit

Cost of sales of the Group increased by approximately 27.4% from HK\$125.9 million for the Previous Year to approximately HK\$160.4 million for the Year.

The overall gross profit of the Group increased from approximately HK\$38.6 million in 2009 to approximately HK\$47.8 million in 2010, representing an increase of 23.8%. The gross profit of the Sourcing Business rose by approximately HK\$5.2 million to approximately HK\$43.8 million (2009: approximately HK\$38.6 million), and gross profit margin of the Sourcing Business was 21.9%, slightly decrease from 23.5% of the Previous Year, primarily due to increase in cost of raw materials resulting from the increase in purchase prices charged by our contracted manufacturers. The PRC Watch Business, which we started to engage during the Year, contributed additional gross profit of approximately HK\$4.0 million with gross profit margin of 51.5% to the Group.

Expenses

Selling and distribution costs for the Year increased by approximately HK\$7.2 million which was mainly as a result of advertising expenses relating to television advertisement and employee benefit expenses incurred for the PRC Watch Business.

Administrative and other operating expenses for the Year were approximately HK\$27.0 million (2009: approximately HK\$17.9 million), an increase of approximately HK\$9.1 million from the Previous Year, primarily due to the increase in employee benefit expenses and listing expenses for the Listing.

Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 54.2% from approximately HK\$16.5 million for the Previous Year to approximately HK\$7.6 million for the Year.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 31 December 2010, the Group had bank balances and cash of approximately HK\$28.3 million (2009: approximately HK\$15.2 million) and did not have any borrowing (2009: approximately HK\$0.7 million). The gearing ratio representing the ratio of total borrowings to the total assets of the Group was 1.1% as at 31 December 2009. Taking into account the cash reserves and recurring cash flows from its core business, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

Charges on Assets

As at 31 December 2010, the Group did not have any charges on its assets.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging the foreign exchange exposure if it is significant to the Group.

Contingent Liabilities and Capital Commitment

As at 31 December 2010, the Group did not have any material contingent liabilities or capital commitment.

Significant Investments held, Material Acquisitions and Disposals of subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in this announcement, there were no significant investments held as at 31 December 2010, nor were there material acquisitions and disposals of subsidiaries during the Year. There is no plan for material investments or capital assets as at the date of this announcement.

Dividends

The Directors declared a final dividend of HK2.0 cents per share for the Year payable on or about 25 May 2011, Wednesday to shareholders whose name appear on the register of members of the Company as at the close of business on 3 May 2011, Tuesday.

Employees and Remuneration Policies

The Group had approximately 247 (2009: 45) employees as at the end of the Year, comprised of 50 employed in Hong Kong and 197 in the PRC. The total staff costs for the Year, including directors' remuneration, amounted to HK\$17.7 million (2009: HK\$12.0 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. Other benefits include training, discretionary bonus and share option scheme.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 December 2010, being the latest practicable date as defined in the Prospectus ("LPD") to 30 June 2011 (the "Review Period") with the Group's actual business progress up to 31 December 2010 is set out below:

Business objectives for the Review Period	Actual business progress up to 31 December 2010
Sourcing Business	
Strengthen our current Sourcing Business capabilities	Regular email contacts and visits have been arranged in due course by the sales team to strengthen the networking with existing customers. Continue to develop design on new product series. The Group's websites were updated regularly with the latest information.
Cross-selling of our products and broadening our client bases	We have registered to attend Hong Kong International Jewellery Show 2011, Hong Kong Gifts & Premium Fair, and Basel World 2011. Evaluation on current product range and mix is carrying out.
Enhancing our level of inventory	Evaluated the level of plastic raw materials and watch movements.

PRC Watch Business

Expanding our PRC Watch Business	Launched an average four new models each month to enrich our product range. Evaluation on current product range and mix is on-going.
	Identified new distribution channels to sell our “Tianba” watches in the bulk purchase market.
Enhancing brand equity of <i>Tianba</i> in the PRC	Continue to monitor and evaluate the result of television advertising in China Central Television for the Tianba watch business.

Use of Proceeds

The net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus (the “Placing”) were approximately HK\$17.1 million, which was different from the estimated net proceeds of approximately HK\$24.1 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We intend to adjust the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, and approximately HK\$10.0 million, HK\$5.7 million and HK\$1.4 million were adjusted for the corporate expansion of the Group, the expansion of the PRC Watch Business and general working capital respectively for the Review Period. As stated in the Prospectus, we plan to expand the Group’s Sourcing Business and PRC Watch Business in the forthcoming future. As at the date of this announcement, we do not anticipate any change to the plan. During the period between the LPD and 31 December 2010, there was no usage made out of the net proceeds from the Listing. Since the successful Listing, the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

Outlook

The Group was listed on the GEM of The Stock Exchange on 26 January 2011. The funds raised from the Listing have helped to strengthen a solid foundation for the future development of the Group.

We are cognizant of the uncertainty of global economy. The Group is optimistic and cautiously confident that the economy will show stable growth momentum over the next few years. The Group is committed to provide our customers with a comprehensive sourcing and management solutions, strengthen our product design and development capability, continuous improvement in quality and efficiency management our contracted manufacturers, and delivery of quality and reliable products.

Looking forward, the Group will remain committed to the development of our core business. We intended to refine our distribution network and further develop and manage our presence of sales networks in a systematic way for the PRC Watch Business newly expanded during the Year. We would actively make substantial progress to enhance growth and strive for potential business opportunities to synergize with our existing businesses and product lines.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As at the date of this announcement, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this announcement, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange pursuant to the model code for securities transactions by Directors of the Company (the "Model Code"), were as follows:

Long positions in shares of the Company

(a) Interest in the share of the Company

Director	Capacity/ Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Liu Tin Chak, Arnold	Corporate interest (<i>Note</i>)	108,000,000	72.00%

Note: These shares are held by an associated corporation Data Champion Limited. Directors' interests in an associated corporation are as disclosed immediately below.

(b) Interest in the share of an associated corporation

Name of associated corporation: Data Champion Limited

Director	Capacity/ Nature of interest	Number of shares held	Percentage of shareholding
Mr. Liu Tin Chak, Arnold	Beneficial owner	952	47.60%
Mr. Lam Chi Wai, Peter	Beneficial owner	476	23.80%
Mr. Wong Yu Man, Elias	Beneficial owner	476	23.80%

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at the date of this announcement, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

(A) Long positions

(a) Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Data Champion Limited	Beneficial owner	108,000,000	72.00%

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 April 2011, Thursday to 3 May 2011, Tuesday, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 27 April 2011, Wednesday.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held on 3 May 2011, Tuesday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the GEM Listing Rules in due course.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

The Company adopted the provisions of Appendix 15 Code on Corporate Governance Practices of the GEM Listing Rules as its own code (the “CG Code”) effective from 26 January 2011 (the “Listing Date”) upon the listing of the Company and had complied with the CG Code since then and up to the date of this announcement.

DIRECTORS SECURITIES TRANSACTIONS

The Company adopted the Model Code on terms no less exacting than the required standard of dealings set out in Rule 5.46 to 5.67 of the GEM Listing Rules effective from 26 January 2011 upon the listing of the Company. On specific enquiry made, all the Directors have confirmed compliance with the Model Code since its effective date up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) on 22 December 2010 with written terms of reference that are in conformity of the requirements of the CG Code. The Audit Committee is currently composed of the three independent non-executive Directors and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. The primary duties of the Audit Committee include the following:

- (a) monitor and ensure a proper relationship with the Company’s auditor;
- (b) review of 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
- (c) oversight of the Company’s financial reporting process and internal control system.

The Audit Committee has reviewed the results of the Group for the Year and the audited financial statements from which they were derived and recommended to the Board the approval and announcement of such financial statements.

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

Hong Kong, 11 March 2011

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from its date of posting and on the designated website of this Company at www.hklistco.com/8265.