

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



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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

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 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

For the three months ended 31 March 2011 (the “Period”):

- The Group’s revenue amounted to HK\$44,856,000 which represented an increase of 61.7% as compared with the corresponding period in 2010 (the “Previous Period”).
- The profit attributable to owners of the Company was HK\$368,000 compared with loss of HK\$167,000 for the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

FIRST QUARTERLY RESULTS

The board (the “Board”) of directors (the “Directors”) of Powerwell Pacific Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the Period together with the comparative unaudited figures for the Previous Period prepared in accordance with generally accepted accounting principles in Hong Kong, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Three months ended	
		31 March	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	44,856	27,743
Cost of sales		<u>(34,677)</u>	<u>(22,110)</u>
Gross profit		10,179	5,633
Other income		104	571
Selling and distribution costs		(2,158)	(729)
Administrative expenses		(7,530)	(5,312)
Other operating expenses		—	(247)
Finance costs		<u>—</u>	<u>(9)</u>
Profit/(Loss) before income tax	5	595	(93)
Income tax expense	6	<u>(227)</u>	<u>(103)</u>
Profit/(Loss) for the period		368	(196)
Other comprehensive income for the period			
— Exchange differences arising on translation of foreign operations		<u>68</u>	<u>—</u>
Total comprehensive income/(loss) for the period		<u>436</u>	<u>(196)</u>
Profit/(Loss) for the period attributable to:			
Owners of the Company		368	(167)
Non-controlling interests		<u>—</u>	<u>(29)</u>
		<u>368</u>	<u>(196)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		436	(167)
Non-controlling interests		<u>—</u>	<u>(29)</u>
		<u>436</u>	<u>(196)</u>
Earnings/(Losses) per share attributable to owners of the Company — Basic	8	<u>HK0.2 cents</u>	<u>HK(0.2) cents</u>

Notes:

1. GENERAL INFORMATION

Powerwell Pacific Holdings Limited (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 Company’s shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 26 January 2011 (the “Listing”).

The principal activity of the Company is investment holding. The principal activity of the Company’s subsidiaries is provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “Sourcing Business”) and design, manufacture and sale of watches in the People’s of Republic of China (the “PRC”) (the “PRC Watch Business”).

2. BASIS OF PREPARATION

The unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2010.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. REVENUE

An analysis of the revenue from the Group's principal activities, which is also the Group's turnover are as follows:

	Three months ended	
	31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue		
Sales of goods	44,584	27,468
Freight income	272	275
	<u>44,856</u>	<u>27,743</u>

4. SEGMENT INFORMATION

Information regarding the Group's reportable operating segments including the reconciliations to profit/(loss) before income tax is as follows:

	Sourcing Business (Unaudited) HK\$'000	PRC Watch Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Three months ended 31 March 2011			
Segment revenue	41,403	3,565	44,968
Inter-segment revenue	—	(112)	(112)
Reportable segment revenue from external customers	<u>41,403</u>	<u>3,453</u>	<u>44,856</u>
Reportable segment profit/(loss)	<u>2,519</u>	<u>(942)</u>	1,577
Interest income			2
Corporate income and expenses			<u>(984)</u>
Profit before income tax			<u>595</u>
Three months ended 31 March 2010			
Reportable segment revenue	<u>27,152</u>	<u>591</u>	<u>27,743</u>
Reportable segment profit/(loss)	<u>524</u>	<u>(201)</u>	323
Interest income			60
Fair value gain on financial instruments			502
Corporate income and expenses			<u>(978)</u>
Loss before income tax			<u>(93)</u>

5. PROFIT BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditors' remuneration	170	370
Cost of inventories recognised as expenses	33,715	21,857
Depreciation of property, plant and equipment	287	235
Exchange (gain)/loss	(72)	572
Fair value gain on financial instruments	—	(502)
Listing expenses (included in "Other operating expenses")	—	243
Operating lease charges in respect of land and building	196	53
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	5,029	3,274
Retirement benefit — defined contribution plans	231	153
	<u>5,260</u>	<u>3,427</u>
Loss on disposal of property, plant and equipment	<u>—</u>	<u>4</u>

6. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax — Hong Kong profits tax		
— charge for the period	419	103
— over provision in prior year	(192)	—
Total income tax expense	<u>227</u>	<u>103</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the Period.

The Group's PRC subsidiary is subject to PRC corporate income tax at the tax rate of 25%. No provision for PRC corporate income tax has been made as the PRC subsidiary did not generate any taxable profits arising in the PRC during the Period.

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax asset or liability for the periods.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2010: Nil).

8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share for the Period is based on the profit attributable to the owners of the Company amounting to HK\$368,000 (2010: loss of HK\$167,000) and on the basis of 150,000,000 (2010: 108,000,000) ordinary shares of the Company in issue.

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

9. EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Proposed 2010 final dividend <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011 (audited)	10	155	—	1,033	170	3,000	25,989	30,357
Transactions with owners:								
Capitalisation issue	10,790	—	(10,790)	—	—	—	—	—
Placing of Shares	4,200	—	29,400	—	—	—	—	33,600
Share placement expenses	—	—	(11,673)	—	—	—	—	(11,673)
	15,000	155	6,937	1,033	170	3,000	25,989	52,284
Total comprehensive income for the period	—	—	—	—	68	—	368	436
At 31 March 2011 (unaudited)	<u>15,000</u>	<u>155</u>	<u>6,937</u>	<u>1,033</u>	<u>238</u>	<u>3,000</u>	<u>26,357</u>	<u>52,720</u>
At 1 January 2010 (audited)	—	—	—	10	—	—	35,727	35,737
Total comprehensive loss for the period	—	—	—	—	—	—	(167)	(167)
At 31 March 2010 (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>—</u>	<u>35,560</u>	<u>35,570</u>

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the Period amounted to HK\$44,856,000 (2010: HK\$27,743,000) and recorded a period-on-period increase of HK\$17,113,000 or 61.7% from the Previous Period. The revenue derived from the Sourcing Business increased by HK\$14,251,000 to HK\$41,403,000 (2010: HK\$27,152,000) while the PRC Watch Business increased by HK\$2,862,000 to HK\$3,453,000 (2010: HK\$591,000). Benefiting from economic recovery worldwide after the crash brought on by the year 2008 credit crisis, particularly in the United States of America ("U.S.A.") and European countries where our largest customer operates in, revenue from watches sourcing grew by HK\$7,850,000 to HK\$23,974,000 (2010: HK\$16,124,000).

Similarly, our display and packaging products sourcing revenue increased by HK\$5,943,000 to HK\$13,990,000 (2010: HK\$8,047,000) and our costume jewelries sourcing revenue increased by HK\$458,000 to HK\$3,439,000 (2010: HK\$2,981,000) as economy recovered.

Cost of sales and gross profit

Cost of sales of the Group increased by 56.8% from HK\$22,110,000 for the Previous Period to HK\$34,677,000 for the Period.

The overall gross profit of the Group increased from HK\$5,633,000 for the Previous Period to HK\$10,179,000 for the Period, representing an increase of 80.7%. The gross profit of the Sourcing Business rose by HK\$2,796,000 to HK\$8,207,000 (2010: HK\$5,411,000), and gross profit margin of the Sourcing Business was 19.8%, slightly decrease from 19.9% of the Previous Period, primarily due to increase in cost of raw materials resulting from the increase in purchase prices charged by our contracted manufacturers and the PRC Watch Business rose by HK\$1,750,000 to HK\$1,972,000 (2010: HK\$222,000), and gross profit margin of the PRC Watch Business was 57.1%, increase from 37.6% of the Previous Period, primarily due to the PRC Watch Business were started to engaged by the Group in March 2010. Moreover, new style of watches were produced and sold in the first quarter of 2011 with better profit margin.

Expenses

Selling and distribution costs for the Period increased by HK\$1,429,000 which was mainly as a result of promotion expenses spent and employee benefit expenses incurred for the PRC Watch Business.

Administrative and other operating expenses for the Period were HK\$7,530,000 (2010: HK\$5,559,000), an increase of HK\$1,971,000 from the Previous Period, primarily due to employee benefit expenses increased for the sourcing and PRC Watch Business.

Profit/(Loss) attributable to owners of the Company

The profit attributable to owners of the Company increase to HK\$368,000 for the Period from loss of HK\$167,000 for the Previous Period.

Prospects

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. 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' INTEREST IN A COMPETING BUSINESS

As at 31 March 2011, 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 31 March 2011, 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 (Note)	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 31 March 2011, 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.

Long positions

Ordinary shares of the Company

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 Period.

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 Period ended.

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 Period ended.

AUDIT COMMITTEE

The Audit Committee comprises 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 Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 May 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.