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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2011 (the “Period”):

- The Group’s revenue amounted to HK\$177,932,000 (2010: HK\$141,368,000) which represented an increase of approximately 25.9% as compared with the corresponding period in 2010 (the “Previous Period”).
- The profit attributable to owners of the Company was HK\$9,757,000 (2010: HK\$7,861,000).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2011.

UNAUDITED RESULTS

The board (the “Board”) of directors of Powerwell Pacific Holdings Limited announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2011 together with the comparative unaudited figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2011 (Unaudited) <i>HK\$’000</i>	2010 (Unaudited) <i>HK\$’000</i>	2011 (Unaudited) <i>HK\$’000</i>	2010 (Unaudited) <i>HK\$’000</i>
Revenue	4	65,938	57,154	177,932	141,368
Cost of sales		(49,545)	(42,388)	(135,307)	(107,506)
Gross profit		16,393	14,766	42,625	33,862
Other income		112	31	274	677
Selling and distribution costs		(2,199)	(2,156)	(6,538)	(3,278)
Administrative expenses		(8,107)	(6,764)	(23,574)	(17,833)
Other operating expenses		—	(1,063)	—	(2,549)
Finance costs		(37)	(8)	(43)	(25)
Profit before income tax	5	6,162	4,806	12,744	10,854
Income tax expense	6	(1,416)	(1,233)	(2,982)	(2,667)
Profit for the period		4,746	3,573	9,762	8,187
Other comprehensive income for the period					
— Exchange differences arising on translation of foreign operations		89	9	270	9
Total comprehensive income for the period		4,835	3,582	10,032	8,196

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period attributable to:				
Owners of the Company	4,746	3,573	9,757	7,861
Non-controlling interests	—	—	5	326
	<u>4,746</u>	<u>3,573</u>	<u>9,762</u>	<u>8,187</u>
Total comprehensive income				
for the period attributable to:				
Owners of the Company	4,835	3,582	10,027	7,870
Non-controlling interests	—	—	5	326
	<u>4,835</u>	<u>3,582</u>	<u>10,032</u>	<u>8,196</u>
Earnings per share attributable				
to owners of the Company				
— Basic	8 <u>HK3.2 cents</u>	<u>HK3.3 cents</u>	<u>HK6.5 cents</u>	<u>HK7.3 cents</u>

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Share capital	Share premium	Capital reserve	Merger reserve	Translation reserve	Proposed final dividend	Retained profits	Total	Non- controlling interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2011 (audited)	10	—	155	1,033	170	3,000	25,989	30,357	20	30,377
Transactions with owners:										
Dividend paid (<i>note 7</i>)	—	—	—	—	—	(3,000)	(1,500)	(4,500)	—	(4,500)
Capitalisation issue	10,790	(10,790)	—	—	—	—	—	—	—	—
Placing of Shares	4,200	29,400	—	—	—	—	—	33,600	—	33,600
Share placement expenses	—	(11,673)	—	—	—	—	—	(11,673)	—	(11,673)
	15,000	6,937	155	1,033	170	—	24,489	47,784	20	47,804
Total comprehensive income for the period (unaudited)	—	—	—	—	270	—	9,757	10,027	5	10,032
At 30 September 2011 (unaudited)	15,000	6,937	155	1,033	440	—	34,246	57,811	25	57,836
At 1 January 2010 (audited)	—	—	—	10	—	—	35,727	35,737	1,078	36,815
Transactions with owners:										
Dividend paid (<i>note 7</i>)	—	—	—	—	—	—	(4,405)	(4,405)	—	(4,405)
Acquisition of non-controlling interests	—	—	155	—	—	—	—	155	(1,384)	(1,229)
Capital contribution to a subsidiary	—	—	—	1,033	—	—	—	1,033	—	1,033
	—	—	155	1,043	—	—	31,322	32,520	(306)	32,214
Profit/Total comprehensive income for the period (unaudited)	—	—	—	—	9	—	7,861	7,870	326	8,196
At 30 September 2010 (unaudited)	—	—	155	1,043	9	—	39,183	40,390	20	40,410

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”).

This condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated financial information was approved for issue on 1 November 2011.

This condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the nine months ended 30 September 2011 has 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2011, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial information of the Group.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the Period.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial information of the Group.

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2010.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Directors.

The adjusted earnings before interest, taxation, depreciation and amortisation (“Adjusted EBITDA”) has been regularly reviewed by the Directors as a basis of measurement in assessing the performance of the Group and making decision for resources allocation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as the unrealized fair value gain or loss on financial instruments. Interest income, finance costs and depreciation of property, plant and equipment are not allocated to operating segments, as this type of activity is driven by the central treasury function. Other information provided to the Directors is measured in the same manner consistent with this condensed consolidated financial information.

Information regarding the Group’s reportable operating segments including the reconciliations to profit before income tax is as follows:

	Sourcing Business	PRC Watch Business	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nine months ended 30 September 2011 (unaudited)				
Total segment revenue	163,845	14,240	(153)	177,932
Inter-segment revenue	—	(153)	153	—
Revenue from external customers	<u>163,845</u>	<u>14,087</u>	<u>—</u>	<u>177,932</u>
Adjusted EBITDA	<u>21,080</u>	<u>(2,165)</u>	<u>—</u>	<u>18,915</u>
Interest income				41
Finance costs				(43)
Depreciation of property, plant and equipment				(949)
Corporate income and expenses				<u>(5,220)</u>
Profit before income tax				<u>12,744</u>
Nine months ended 30 September 2010 (unaudited)				
Revenue from external customers	<u>136,161</u>	<u>5,207</u>	<u>—</u>	<u>141,368</u>
Adjusted EBITDA	<u>16,747</u>	<u>(2,631)</u>	<u>—</u>	14,116
Interest income				122
Finance costs				(25)
Fair value gain on financial instruments				501
Depreciation of property, plant and equipment				(768)
Corporate income and expenses				<u>(3,092)</u>
Profit before income tax				<u>10,854</u>

4. 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 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue				
Sales of goods	65,577	56,666	176,827	140,178
Freight income	361	488	1,105	1,190
	<u>65,938</u>	<u>57,154</u>	<u>177,932</u>	<u>141,368</u>

5. PROFIT BEFORE INCOME TAX

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

	Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	949	768
Net exchange (gain)/loss	(168)	176
Fair value gain on financial instruments	—	(501)
Listing expenses (included in "Other operating expenses")	—	2,546
Operating lease charges in respective of land and building	762	575
Loss on disposal of property, plant and equipment	—	3
	<u>949</u>	<u>768</u>

6. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current income tax:		
Hong Kong Profits Tax		
— charge for the period	3,171	2,667
— over-provision in prior year	(192)	—
	<u>2,979</u>	<u>2,667</u>
PRC Enterprise Income Tax		
— under-provision in prior year	3	—
	<u>3</u>	<u>—</u>
Total income tax expense	<u>2,982</u>	<u>2,667</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for that financial year. The estimated average annual tax rate used for the year ending 31 December 2011 is 20.8%.

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

Final dividend of HK2.0 cents per ordinary share that relates to the year ended 31 December 2010 and that amounts to HK\$3,000,000 was paid in May 2011 (2010: Nil) and an interim dividend of HK1.0 cent per ordinary share that relates to the year ending 31 December 2011 and that amounts to HK\$1,500,000 was paid in September 2011. (2010: HK\$4,180,000).

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2011.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the profit attributable to the owners of the Company amounting to HK\$9,757,000 (2010: HK\$7,861,000) 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. GUARANTEES

The Company had given unlimited corporate guarantees to banks in connection with general banking facilities granted by banks to subsidiaries.

At the end of the Period, such facilities was drawn down by the subsidiaries to extent of HK\$8,442,000 (31 December 2010: Nil). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiaries. No recognition was made because the fair value of the guarantee was insignificant and that the Directors did not consider it is probable that a claim would be made against the Company under the guarantee.

The Group did not have any other significant contingent liabilities as at the end of the Period (31 December 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

Our customers' and end customers' confidence provided firm support to our continuous growth in all three product lines of its Sourcing Business during the Period amidst speculations of credit downgrading and default arising from sovereign debt crisis in some European countries and in the United States of America ("US").

Our stringent control has enabled us to deliver quality and reliable products through tough market situations, which is particularly demonstrated in our increased sales and undisrupted delivery of watches to customers following the 11 March 2011 earthquake in Japan. We take pride in providing unyielding support to our customers, which they can rely on for their business development.

We are confident in our production and cautiously keeping abreast of market situation and maintain a close and trusted relationship with our customers to position ourselves to take on business opportunities, challenges and meet our customers' needs.

PRC Watch Business

We have experienced growth in revenue during the Period in our PRC Watch Business. We will continue to monitor and refine the performance of sales points and to cater for the demands in the PRC domestic market.

During the Period, we participated in the 22nd China Watch and Clock Fair (the "Watch Fair") held in Shenzhen, China and successfully enhanced the brand awareness of our Tianba watches, paving way for the expansion of sales network. Other than attending exhibition, we have liaised with new wholesalers to integrate our sales network by consolidation. We are determined to put strong focus on the wholesale distribution to enhance penetration of Tianba watches in the market. At the same time, we have planned to expand three new and vibrant markets, namely Beijing, Shanghai and Hunan.

We target to implement a new ERP system by the end of the year to improve management efficiency. In addition, we have also planned to launch approximately 30 new watch styles with improved design and specifications while at the same time continuously explore opportunities to expand our retail and e-commerce sales network.

Financial Review

The Group is pleased to announce a profit attributable to owners of the Company of HK\$9,757,000 for the Period, representing a period-on-period increase of HK\$1,896,000 or approximately 24.1% compared to HK\$7,861,000 for Previous Period largely due to our strategy to focus on our core business.

The Group's growth momentum is carried forward from Previous Period to the Period. For the Period, the Group reported a total revenue of HK\$177,932,000 (2010: HK\$141,368,000) representing an increase of HK\$36,564,000 or approximately 25.9% from the Previous Period. The revenue increase was attributed to increase in our primary business segment in the Period, the Sourcing Business, grew by approximately 20.3% or HK\$27,684,000 period-on-period, largely due to sustained market demand

for the Group's watches and costume jewelries products, which achieved desirable growth by approximately 27.9% and 48.7% to HK\$93,901,000 (2010: HK\$73,423,000) and HK\$21,988,000 (2010: HK\$14,782,000) respectively.

For the Period, the Group's gross profit increased by approximately 25.9% or HK\$8,763,000 to HK\$42,625,000 (2010: HK\$33,862,000), of which HK\$36,177,000 (2010: HK\$31,235,000) was contributed by Sourcing Business and HK\$6,448,000 (2010: HK\$2,627,000) by PRC Watch Business, representing an increase by approximately 15.8% or HK\$4,942,000 and approximately 145.4% or HK\$3,821,000 respectively.

The Group recorded a continuous growth in Adjusted EBITDA by approximately 34.0% or HK\$4,799,000 to HK\$18,915,000 (2010: HK\$14,116,000), largely contributed by the Sourcing Business of amounted to HK\$21,080,000 (2010: HK\$16,747,000).

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 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 of our contracted manufacturers, and delivery of quality and reliable products with values. Despite the global financial turmoil, we remain ready to provide undeterred support for the development of our customers' business with the expertise and experience of the management team.

The Group is confident about the prospects of the Group for the remaining of the financial year as we observe a steady order book from key customers. In particular, the production schedules of our watch and display products are already fully lined up until the end of 2011.

Looking forward, the Group will remain committed to the development of our core business. We intended to refine our distribution network and further develop our sales networks in the PRC to enhance our presence 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES , UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 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 (<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 30 September 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, CIMB Securities (HK) Limited ("CIMB"), as at 30 September 2011, except for the compliance adviser agreement entered into between the Company and the CIMB dated 3 December 2010, neither CIMB or its directors, employees or associates had any interest in relation to the Group.

DIRECTORS ' INTEREST IN A COMPETING BUSINESS

As at 30 September 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 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, 1 November 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.