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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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 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 the information contained in this announcement 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 announcement misleading.

The board (the “Board”) of directors of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to the “Group”) for the three months ended 31 March 2013 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2012 (the “Previous Period”) as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$38,940,000 (2012: HK\$47,398,000) for the Period which represented an decrease of HK\$8,458,000 or 17.8% as compared with the Previous Period.
- The profit attributable to owners of the Company was HK\$126,000 (2012: HK\$468,000) for the Period, an decrease of HK\$342,000 or 73.1%, as compared with the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended	
		31 March	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	38,940	47,398
Cost of sales		<u>(28,701)</u>	<u>(36,358)</u>
Gross profit		10,239	11,040
Other income		185	49
Selling and distribution costs		(2,296)	(2,363)
Administrative expenses		(7,877)	(7,989)
Finance costs	5	<u>(52)</u>	<u>(85)</u>
Profit before income tax	6	199	652
Income tax expense	7	<u>(73)</u>	<u>(184)</u>
Profit for the period		126	468
Other comprehensive income for the period			
— Exchange differences arising on translation of foreign operations		<u>32</u>	<u>8</u>
Total comprehensive income for the period		<u>158</u>	<u>476</u>
Profit for the period attributable to owners of the Company		<u>126</u>	<u>468</u>
Total comprehensive income for the period attributable to owners of the Company		<u>158</u>	<u>476</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted	9	<u>0.1</u>	<u>0.3</u>

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013 (audited)	15,000	6,937	155	1,033	492	—	34,189	57,806
Profit for the period	—	—	—	—	—	—	126	126
Other comprehensive income:								
Exchange difference arising on translation of foreign operation*	—	—	—	—	32	—	—	32
Total comprehensive income for the period	—	—	—	—	32	—	126	158
At 31 March 2013 (unaudited)	15,000	6,937	155	1,033	524	—	34,315	57,964
At 1 January 2012 (audited)	15,000	6,937	155	1,033	429	3,000	31,882	58,436
Profit for the period	—	—	—	—	—	—	468	468
Other comprehensive income:								
Exchange difference arising on translation of foreign operation*	—	—	—	—	8	—	—	8
Total comprehensive income for the period	—	—	—	—	8	—	468	476
At 31 March 2012 (unaudited)	15,000	6,937	155	1,033	437	3,000	32,350	58,912

* *May be reclassified to profit or loss in the future.*

Notes:

1. GENERAL 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"), and design, manufacturing and distribution of watches of its own brands in the People's 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 3 May 2013.

This condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2013, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2013 are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements. The Directors consider that the application of these new and revised HKFRSs do not have material impact on the condensed consolidated financial information of the Group. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

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 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 financial statements for the year ended 31 December 2012.

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	38,757	47,076
Freight income	183	323
	<u>38,940</u>	<u>47,398</u>

4. SEGMENT INFORMATION

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

	Sourcing	PRC Watch	Total
	Business	Business	Total
	HK\$'000	HK\$'000	HK\$'000
Three months ended 31 March 2013 (unaudited)			
Reportable segment revenue	<u>31,453</u>	<u>7,487</u>	<u>38,940</u>
Reportable segment profit/(loss)	<u>2,660</u>	<u>(849)</u>	<u>1,811</u>
Interest income			47
Corporate income and expenses			<u>(1,659)</u>
Profit before income tax			<u>199</u>
Adjusted EBITDA <i>(note)</i>	<u>2,800</u>	<u>(672)</u>	<u>2,128</u>
Three months ended 31 March 2012 (unaudited)			
Reportable segment revenue	<u>43,191</u>	<u>4,207</u>	<u>47,398</u>
Reportable segment profit/(loss)	<u>4,077</u>	<u>(1,530)</u>	2,547
Interest income			49
Corporate income and expenses			<u>(1,944)</u>
Profit before income tax			<u>652</u>
Adjusted EBITDA <i>(note)</i>	<u>4,285</u>	<u>(1,429)</u>	<u>2,856</u>

Notes: Adjusted earnings before interest, taxation, depreciation and amortisation (“Adjusted EBITDA”) is also a measurement basis regularly reviewed by the Directors in assessing the performance of the Group and making decision for resources allocation. This measurement basis is consistent with that of the segment results except that any non-recurring expenditure from the operating segments and depreciation and amortisation charge are not included in the Adjusted EBITDA.

5. FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest on bank borrowings and overdrafts wholly repayable within five year	<u>52</u>	<u>85</u>

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Depreciation of property, plant and equipment	311	274
Net exchange (gain)/loss	(46)	297
Operating lease charges in respective of land and building	<u>406</u>	<u>302</u>

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Current income tax:		
Hong Kong Profits Tax		
— charge for the period	<u>73</u>	184
Total income tax expense	<u>73</u>	<u>184</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 2013 is 36.5%.

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.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period.

9. 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\$126,000 (2012: HK\$468,000), and the weighted average number of shares of 150,000,000 (2012: 150,000,000) in issue throughout the Period.

The Group had no potential dilutive ordinary shares in issue during the Period and in Previous Period.

10. GUARANTEES

The Company had given unlimited corporate guarantees to a bank in connection with general banking facilities granted by the bank to a subsidiary. Certain group entities, including the Company, had given limited corporate guarantees up to HK\$8,000,000 to another bank in connection with another general banking facilities granted by the bank to another subsidiary.

At the end of the Period, such facilities were drawn down by the subsidiaries to extent of HK\$5,599,000 (31 December 2012: HK\$6,574,000). 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 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

As first quarter of each year is the traditional low season for the Sourcing Business due to long Chinese New Year holiday, as well as the slow economic recovery in the Western world, the Group reported a weaker performance of our Sourcing Business during the Period. Although our major brand owner customer of watch business resumed the deliveries of products in the beginning of the year which were postponed from November and December 2012, our revenue in watch business dropped as compared to the same period last year. The revenue of display and packaging business decreased during the Period as a result of orders from a major brand owner customer dropped. However, we successfully developed businesses with new brand owner customers during the Period amidst keen competition in the market. In our costume jewelries business, due to the demand in sliver jewelries from our major brand owner customer declined during the Period, our revenue in costume jewelries business dropped compared to the same period last year.

PRC Watch Business

We achieved continuous growth from our PRC Watch Business during the Period through our effort in brand building including the promotional campaign and celebrity endorsement adopted in 2012. In particular, we recorded remarkable growths in wholesales, export sales and internet sales as compared to the same period last year.

In early March 2013, we successfully launched our first series of digital watch, T-watch, which is equipped with multimedia player function in order to target young consumer market. Moreover, we continued to contract with new wholesalers during the Period and we have approximately 130 self-managed retail outlets and 120 outlets operated by wholesalers by the end of the Period.

Financial Review

The Group's revenue level dropped for the Period compared to the Previous Period. For the Period, the Group reported a total revenue of HK\$38,940,000 (2012: HK\$47,398,000) representing a decrease of HK\$8,458,000 or 17.8% from the Previous Period, mainly due to the decrease in the revenue of the Sourcing Business by HK\$11,738,000 or 27.2%, to HK\$31,453,000 (2012: HK\$43,191,000) for the Period. On the other hand, revenue from our PRC Watch Business increased by 78% or HK\$3,280,000 to HK\$7,487,000 (2012: HK\$4,207,000) attributed by better performance in distribution of Tianba Watch especially in sales channels of wholesales, export sales and internet sales.

For the Period, the Group's gross profit decreased by 7.3% or HK\$801,000 to HK\$10,239,000 (2012: HK\$11,040,000), of which HK\$6,736,000 (2012: HK\$9,273,000) was contributed by the Sourcing Business.

The Group's profit attributable to owners of the Company of HK\$126,000 for the Period, representing a period-on-period decrease of HK\$342,000 or 73.1% compared to HK\$468,000 for the Previous Period mainly due to weak Western economy and decrease in the revenue of our Sourcing Business.

The Group recorded a decline in adjusted EBITDA by approximately 25.5% or HK\$728,000 to HK\$2,128,000 (2012: HK\$2,856,000), attributed by the Sourcing Business amounted to HK\$2,800,000 (2012: HK\$4,285,000) and PRC Watch Business amounted to loss of HK\$672,000 (2012: loss of HK\$1,429,000), which was mainly owing to the expenditures spending on promotion in order to

solidify the brand image of Tianba watches, to enable horizontal expansion and further penetration of existing market, to increase perceived value to the company's goodwill and enhance revenue growth.

As at 31 March 2013, the Group had bank balances and cash of approximately HK\$41,302,000 (31 December 2012: 45,226,000) and the net assets value of HK\$57,964,000 (31 December 2012: HK\$57,806,000). The gearing ratio representing the ratio of total borrowings to the total equity of the Group was 10% as at the end of the Period (31 December 2012: 11%). The Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives. Moreover, the Group's inventory level had been closely monitored as to match the business requirements.

Prospect

Under the slow recovery of the Western economy and uncertain business environment, the Group will focus on cautious of cost control and not to over extend in the Sourcing Business on credit in order to safeguard the Group's earning ability and to stay competitive. We continue to uphold quality assurance of our products in the Sourcing Business to remain competitive for our valuable customers and will also keep developing new brand customers and enhance new business relationship to stimulate the growth. We are confident that the outlook of the Group will be optimistic by the end of this financial year.

In our PRC Watch Business, in order to achieve sustainable growth, we will continue to develop new products, to refine the sales network and to develop further on export sales and internet sales as planned which mentioned in the annual report for the year ended 31 December 2012. Simultaneously, we will keep closely monitoring the sales network's performance.

DISPOSAL OF SUBSIDIARY AND LOAN

On 21 December 2012, one of the Group's subsidiaries, Good Destination Co. Ltd. ("Good Destination"), entered into a conditional sale and purchase agreement with Data Champion Limited, a controlling shareholder of the Company owned by Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter, and Mr. Wong Yu Man, Elias, executive directors, to dispose of its entire 100% equity interest in a subsidiary, Richmind International Investment Ltd. ("Richmind"), and to transfer the benefit of a loan of HK\$2,119,580 advanced by Good Destination to Richmind, for a cash consideration of HK\$24,000,000 (the "Disposal"). Details of the Disposal are set out in the circular of the Company dated 30 January 2013.

The Disposal was approved by independent shareholders at the special general meeting held on 28 February 2013. The expected completion date for the transaction will be in early May 2013. It is expected that a gain of approximately HK\$17,488,000 will be realised from the Disposal.

The net proceeds from the Disposal amounting to approximately HK\$23,500,000, of which approximately HK\$19,500,000 will be distributed to shareholders by way of a special dividend and the remaining balance of approximately HK\$4,000,000 will be used as general working capital of the Group.

As a result, the Group's bank balances will be increased by HK\$4,000,000 and the Group's unaudited pro forma net assets value will be adjusted to HK\$55,952,000 after taking into account the Disposal and the dividend paid based on the financial position as at 31 March 2013.

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 in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance (the "SFO"), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange 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%

Save as disclosed above, as at the date of this announcement, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Exchange.

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 SFO 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

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 Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, CIMB Securities Limited ("CIMB"), as at 31 March 2013, 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 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.

AUDIT COMMITTEE

The Audit Committee comprises 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 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

Hong Kong, 3 May 2013

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.