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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 of directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to the “Group”) for the three months and six months ended 30 June 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

#### FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$80,743,000 (2012: HK\$111,431,000) for the six months ended 30 June 2013 (the “Period”) which represented a decrease of HK\$30,688,000 or 27.5% as compared with the corresponding previous period (“the Previous Period”).
- The profit attributable to owners of the Company was HK\$17,187,000 (2012: HK\$3,507,000) for the Period, an increase of HK\$13,680,000 or 390.1%, 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

for the three months and six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Revenue	3	41,803	64,033	80,743	111,431
Cost of sales		(31,884)	(49,551)	(60,585)	(85,909)
Gross profit		9,919	14,482	20,158	25,522
Other income	4	61	113	246	162
Gain on disposal of interest in a subsidiary	5	18,020	—	18,020	—
Selling and distribution costs		(2,054)	(1,995)	(4,350)	(4,358)
Administrative expenses		(8,908)	(8,289)	(16,785)	(16,278)
Finance costs	7	(47)	(85)	(99)	(170)
<b>Profit before income tax</b>	8	<b>16,991</b>	4,226	<b>17,190</b>	4,878
Income tax credit/(expense)	9	70	(1,187)	(3)	(1,371)
<b>Profit for the period</b>		<b>17,061</b>	3,039	<b>17,187</b>	3,507
<b>Other comprehensive income for the period</b>					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences arising on translation of foreign operation		52	16	84	26
<b>Total comprehensive income for the period</b>		<b>17,113</b>	3,055	<b>17,271</b>	3,533

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period attributable to owners of the Company</b>	<u>17,061</u>	<u>3,039</u>	<u>17,187</u>	<u>3,507</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>17,113</u>	<u>3,055</u>	<u>17,271</u>	<u>3,533</u>
<b>Earnings per share for profit attributable to owners of the Company</b>				
— Basic and diluted	<i>11</i> <u>HK11.4 cents</u>	<u>HK2.0 cents</u>	<u>HK11.5 cents</u>	<u>HK2.3 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	3,983	3,428
Goodwill		230	230
Other intangible assets		6,028	5,869
		<u>10,241</u>	<u>9,527</u>
<b>Current assets</b>			
Inventories		31,432	28,623
Trade receivables	13	17,449	16,624
Prepayments and deposits	14	9,888	9,586
Prepaid tax		1,960	1,017
Cash and cash equivalents		38,088	45,226
		<u>98,817</u>	<u>101,076</u>
Assets classified as held-for-sale		—	5,879
<b>Total current assets</b>		<u>98,817</u>	<u>106,955</u>
<b>Current liabilities</b>			
Trade and other payables	15	53,481	52,049
Short-term bank borrowings	16	—	6,574
		<u>53,481</u>	<u>58,623</u>
Liabilities classified as held-for-sale		—	53
<b>Total current liabilities</b>		<u>53,481</u>	<u>58,676</u>
<b>Net current assets</b>		<u>45,336</u>	<u>48,279</u>
<b>Total assets less current liabilities/Net assets</b>		<u>55,577</u>	<u>57,806</u>
<b>EQUITY</b>			
Share capital		15,000	15,000
Other reserves		40,577	42,806
<b>Total equity</b>		<u>55,577</u>	<u>57,806</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*for the six months ended 30 June 2013*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash (used in)/generated from operations	<b>(2,161)</b>	11,421
Interest paid	<b>(99)</b>	(170)
Income tax paid	<b>(973)</b>	(918)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	<b>(3,233)</b>	10,333
Net cash generated from/(used in) investing activities	<b>22,449</b>	(636)
Net cash (used in)/generated from financing activities	<b>(26,074)</b>	689
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,858)</b>	10,386
<b>Cash and cash equivalents at beginning of period</b>	<b>45,268</b>	41,180
Effect of foreign exchange rate changes	<b>(322)</b>	26
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>38,088</b>	51,592
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## CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013

	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>
<b>At 1 January 2013</b>	<b>15,000</b>	<b>6,937</b>	<b>155</b>	<b>1,033</b>	<b>492</b>	—	<b>34,189</b>	<b>57,806</b>
Special dividend paid ( <i>note 10</i> )	—	—	—	—	—	—	<b>(19,500)</b>	<b>(19,500)</b>
Transaction with owners	—	—	—	—	—	—	<b>(19,500)</b>	<b>(19,500)</b>
Profit for the period	—	—	—	—	—	—	<b>17,187</b>	<b>17,187</b>
Other comprehensive income:								
Exchange differences arising on translation of foreign operation	—	—	—	—	<b>84</b>	—	—	<b>84</b>
Total comprehensive income for the period	—	—	—	—	<b>84</b>	—	<b>17,187</b>	<b>17,271</b>
<b>At 30 June 2013 (unaudited)</b>	<b>15,000</b>	<b>6,937</b>	<b>155</b>	<b>1,033</b>	<b>576</b>	—	<b>31,876</b>	<b>55,577</b>
<b>At 1 January 2012</b>	15,000	6,937	155	1,033	429	3,000	31,882	58,436
2011 final dividend paid ( <i>note 10</i> )	—	—	—	—	—	(3,000)	—	(3,000)
Transaction with owners	—	—	—	—	—	(3,000)	—	(3,000)
Profit for the period	—	—	—	—	—	—	3,507	3,507
Other comprehensive income:								
Exchange differences arising on translation of foreign operation	—	—	—	—	26	—	—	26
Total comprehensive income for the period	—	—	—	—	26	—	3,507	3,533
<b>At 30 June 2012 (unaudited)</b>	<b>15,000</b>	<b>6,937</b>	<b>155</b>	<b>1,033</b>	<b>455</b>	—	<b>35,389</b>	<b>58,969</b>

\* The total of these balances at the end of the reporting period represented “Other reserves” in the condensed consolidated statement of financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2013

## 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 and its shares were listed on the GEM of the Exchange on 26 January 2011. 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 distribution of the Group’s owned brands of watches 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 by the board of directors on 14 August 2013.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the six months ended 30 June 2013 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The condensed consolidated financial information do not include all of the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2012.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2013, the accounting policies used in the Interim Financial Information are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2012. The directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information except as follows:

### **Amendments to HKAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in this Interim Financial Information has been modified accordingly.

### **HKFRS 10, Consolidated Financial Statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

## HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this Interim Financial Information as a result of adopting HKFRS 12.

### Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (“CODM”) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. In respect of this amendment, the Group now excludes the disclosure of segment assets in the interim report on the basis that the amounts of reportable segments assets are not materially different from the amounts reported in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The management considers the disclosure of segment liabilities is not required on the basis that the amounts of segment liabilities are not regularly provided to the CODM.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group is in the process of making assessment of the potential impact of these new and revised HKFRSs.

The preparation of interim 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 the interim 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.

The Interim Financial Information are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 (the “HKSRE 2410”), “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

### 3. REVENUE

An analysis of the revenue from the Group's principal activities is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>				
Sales of goods	41,631	63,533	80,388	110,608
Freight income	172	500	355	823
	<u>41,803</u>	<u>64,033</u>	<u>80,743</u>	<u>111,431</u>

#### 4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Bank interest income	42	55	92	104
Exchange gain	18	—	86	—
Sundry income	1	58	68	58
	<u>61</u>	<u>113</u>	<u>246</u>	<u>162</u>

#### 5. DISPOSAL OF INTEREST IN A SUBSIDIARY

On 21 December 2012, one of the Group's subsidiaries, Good Destination Co. Limited ("Good Destination") entered into a conditional agreement to dispose of its entire 100% equity interest in a subsidiary, Richmind International Investment Limited ("Richmind"), which is engaged in holding of properties, and to transfer the benefit of a loan of approximately HK\$2,119,000 advanced by Good Destination to Richmind (the "Loan") to Data Champion Limited at an aggregate consideration of HK\$24,000,000 (the "Disposal"). Data Champion Limited is a controlling shareholder of the Company which is owned by Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company. The Disposal was completed during the current period and a gain of approximately HK\$18,020,000 arising on the Disposal was realised which is included in the condensed consolidated statement of comprehensive income. Upon completion of the Disposal, Richmind ceased to be a subsidiary of the Group.

**Six months  
ended  
30 June 2013  
(Unaudited)  
HK\$'000**

The net assets of Richmind at the date of the Disposal were as follows:

Investment properties	5,753
Prepayments and deposits	83
Cash and cash equivalents	330
Other payables	(160)
Provision for income tax	(26)
Amount due to Good Destination	<u>(2,119)</u>
	3,861
Gain on disposal of interest in a subsidiary	<u>18,020</u>
Consideration for transferring the equity interest of Richmind excluding the consideration for transfer of the Loan of HK\$2,119,000, satisfied by cash	<u><u>21,881</u></u>
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary and transfer of the Loan	<u><u>23,670</u></u>

## 6. SEGMENT INFORMATION

The Group has two reportable segments:

1. Sourcing Business
2. PRC Watch Business

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

	<b>Sourcing Business (Unaudited) HK\$'000</b>	<b>PRC Watch Business (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Six months ended 30 June 2013</b>			
Reportable segment revenue ( <i>note (a)</i> )	<u>62,610</u>	<u>18,133</u>	<u>80,743</u>
Reportable segment profit/(loss)	<u>3,956</u>	<u>(1,264)</u>	2,692
Interest income			92
Gain on disposal of interest in a subsidiary			18,020
Corporate income and expenses			<u>(3,614)</u>
Profit before income tax			<u>17,190</u>
<b>Adjusted EBITDA (<i>note (b)</i>)</b>	<u>4,233</u>	<u>(881)</u>	<u>3,352</u>
<b>Six months ended 30 June 2012</b>			
Reportable segment revenue ( <i>note (a)</i> )	<u>99,638</u>	<u>11,793</u>	<u>111,431</u>
Reportable segment profit/(loss)	<u>10,531</u>	<u>(1,526)</u>	9,005
Interest income			104
Corporate income and expenses			<u>(4,231)</u>
Profit before income tax			<u>4,878</u>
<b>Adjusted EBITDA (<i>note (b)</i>)</b>	<u>10,950</u>	<u>(1,301)</u>	<u>9,649</u>

*Notes:*

- (a) There were no inter-segment sales during the six months ended 30 June 2013 and 2012.
- (b) During the six months ended 30 June 2013 and 2012, 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 interest expenses and depreciation charge are not included in the Adjusted EBITDA.

## 7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	<u>99</u>	<u>170</u>

## 8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	561	573
Net exchange (gain)/loss	(86)	495
Operating lease charges in respective of land and building	820	540
Loss on disposal of property, plant and equipment	<u>260</u>	<u>—</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
Hong Kong Profits Tax		
— charge for the period	—	1,371
PRC Enterprise Income Tax (“PRC EIT”)		
— under provision in prior years	<u>3</u>	<u>—</u>
Total income tax expense	<u>3</u>	<u>1,371</u>

Hong Kong Profits Tax is provided at the rate of 16.5% on estimated assessable profits. For the six months ended 30 June 2013, no Hong Kong Profits Tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the period.

The Group’s subsidiary in other region of the PRC is subject to PRC EIT at the tax rate of 25%. No provision for PRC EIT has been made as the Group did not generate any taxable profits arising in the PRC during the current and prior periods.

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 current and prior periods.

## 10. DIVIDENDS

The dividends paid during the six months ended 30 June 2013 amounting to HK\$19,500,000 represent a special dividend of HK\$0.13 per ordinary share, which were paid in May 2013 and financed by the net proceeds generated from the Disposal (note 5).

The dividends paid during the six months ended 30 June 2012 amounting to HK\$3,000,000 represent the final dividend for the year ended 31 December 2011, which were paid in May 2012.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit for the period attributable to owners of the Company amounting to HK\$17,187,000 (six months ended 30 June 2012: HK\$3,507,000) and the weighted average number of shares of 150,000,000 (six months ended 30 June 2012: 150,000,000) in issue throughout the period.

The Group had no potential dilutive ordinary shares in issue during the current and prior periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,302,000 (six months ended 30 June 2012: approximately HK\$647,000). Items of property, plant and equipment with a net carrying amount of HK\$260,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil), resulting in a loss on disposal of approximately HK\$260,000 (six months ended 30 June 2012: Nil).

## 13. TRADE RECEIVABLES

The Group normally allows credit period of 30 to 60 days (2012: 30 to 60 days) to its major customers. Credit period is normally not granted to other customers. The ageing analysis (based on due date) of the Group's trade receivables that are not impaired at the reporting date is as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Not past due	<b>14,686</b>	13,171
1–30 days past due	<b>2,243</b>	2,226
31–60 days past due	<b>107</b>	406
61–90 days past due	<b>127</b>	465
Over 90 days past due	<b>286</b>	356
	<b>17,449</b>	16,624

## 14. PREPAYMENTS AND DEPOSITS

Prepayments and deposits as at 30 June 2013 include a rental deposit of HK\$160,000 paid to Richmind, a related company to the Group. The rental deposit is refundable to the Group at the end of the relevant lease terms. Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company, have equity interests in Richmind.

## 15. TRADE AND OTHER PAYABLES

The ageing analysis (based on due date) of the Group's trade payables (included in trade and other payables) at the reporting date is as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Trade payables:		
Not past due	13,511	14,199
1–30 days past due	9,081	6,868
31–60 days past due	3,872	2,348
61–90 days past due	1,224	1,719
Over 90 days past due	<u>11,310</u>	<u>6,891</u>
	<b>38,998</b>	32,025
Other payables and accruals	<b>6,511</b>	7,953
Deposit received	<u>7,972</u>	<u>12,071</u>
	<b><u>53,481</u></b>	<b><u>52,049</u></b>

Included in trade payables was an amount of approximately HK\$217,000 (2012: HK\$716,000) which was due to a PRC entity, Guifeng (as defined in note 18).

## 16. SHORT-TERM BANK BORROWINGS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Repayable within one year	<u>—</u>	<u>6,574</u>

The short-term bank borrowings as at 31 December 2012 were denominated in HK\$ and were secured by the corporate guarantees from certain group entities as mentioned in note 17. The short-term bank borrowings were fully repaid during the six months ended 30 June 2013.

## 17. GUARANTEES

The Company has 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, have given limited corporate guarantees up to HK\$8,000,000 to another bank in connection with the general banking facilities granted by the bank to another subsidiary.

As at 30 June 2013, no facilities were drawn down by the subsidiaries. The Group did not have any significant contingent liabilities as at 30 June 2013.

As at 31 December 2012, banking facilities drawn down by certain subsidiaries amounted to HK\$6,574,000. The maximum liability of the Company under the guarantees issued represented the amount drawn down by the subsidiaries. The financial guarantees were not recognised because the fair values of the guarantee were insignificant.

## 18. RELATED PARTY TRANSACTIONS

- (i) Saved as disclosed elsewhere in this Interim Financial Information, the Group carried out the following transactions with its related parties during the six months ended 30 June 2013:

	Nature of transactions	Six months ended 30 June	
		2013	2012
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
深圳市桂峰表業有限公司 (Shenzhen Guifeng Watch Company Limited) (“Guifeng”) (note (a))	Assembly of watches	5,880	4,438
Data Champion Limited (note 5)	Consideration for disposal of a subsidiary and transfer of loan	24,000	—
Richmind (note (b))	Rental expenses	160	—

*Notes:*

- (a) As at 30 June 2013, Guifeng is owned as to 80% by a close family member of Mr. Yang Yijun, a director of the Company, and 20% by a third party.
- (b) Upon completion of the Disposal as mentioned in note 5, Richmind ceased to be a subsidiary of the Group and has become a related party of the Group. The Group has entered into tenancy agreements with Richmind for leasing of office premises for a term of three years from the first day of the month following the completion of the Disposal. Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company, have equity interests in Richmind.

- (ii) Compensation of key management personnel

Included in employee benefit expenses are key management personnel compensation (including directors), the details of which are as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short term employee benefits	3,566	3,566
Post-employment benefits	60	57
	<u>3,626</u>	<u>3,623</u>

## 19. OPERATING LEASE COMMITMENTS

The total future minimum lease payments payable by the Group under non-cancellable operating lease in respect of land and buildings are as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	2,475	664
Within two and five years	7,208	106
	<u>9,683</u>	<u>770</u>

The Group leases certain properties under operating leases. The leases run for an initial period of one to five (2012: two to three) years, with options to renew the lease terms at the expiry dates or other dates as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

The Group recorded a profit before income tax of HK\$17,190,000 for the first half of 2013 as shown on the condensed consolidated statement of comprehensive income contained herein. The stated profit before income tax comprised of a HK\$18,020,000 gain on the Disposal and a HK\$830,000 loss from its core operating business, in respect of which the Company had made an announcement on 2 July 2013 that a slight loss was expected. We believed that the Disposal was a good opportunity to realize a return from the relevant properties to shareholders, and the subsequent introduction by the government of extra stamp duty on property transactions (including non-residential properties) served to reaffirm management's view. The reasons for the Group's loss from operating business are further analysed below.

#### *Sourcing Business*

First half of year 2013 was still a hard time for our Sourcing Business, affected by the continuously slow economic recovery in the Western economy, which is the main source of our revenue from Sourcing Business. The Group reported a weaker performance compared with the Previous Period.

Same as the year end of 2012, due to the control of inventory level by our major customer at the end of the Period, deliveries of watch products were postponed from June 2013 to the second half of the year. As a result, the revenue of Watch Business dropped as compared to the Previous Period.

As usual, the results of our Display and Packaging Business is hinged on the marketing and display programme cycle of our brand owner customers. During the first half of 2013, our major display customers concentrated on developing new display programme for launching in 2014 and accordingly continued to use the existing display for their products for the Period. Therefore, revenue from our Display and Packaging Business dropped for the Period.

Our Costume Jewelry Business is still affected by the general slow recovery of the retail market where our customers operate.

Overall, the Sourcing Business generated a positive contribution to profit for the Period.

#### *PRC Watch Business*

Our PRC Watch Business continued to endure a loss for the Period. With much effort and resources spent on brand building and other marketing campaign in the past two years, including television commercial, celebrity endorsement and trade exhibitions, revenue growth was achieved and the magnitude of loss had dwindled. During the Period, sentiment in the PRC consumer products market showed no definite sign of recovery as government austerity measures remained in effect. In view of the present market condition with our accumulated experience, we appointed a new chief operating officer for PRC Watch Business in May 2013 focusing on brand and market development while simultaneously monitoring the efficiency and effectiveness of cost deployment.

During the Period, we successfully launched our first series of digital watch, T-watch, which is equipped with multimedia player function targeting young consumer market. Moreover, we continued to contract with new wholesalers during the Period and we had over 140 self-managed retail outlets and over 140 outlets operated by wholesalers by the end of the Period.

## **Financial Review**

The Group's profit attributable to owners of the Company of HK\$17,187,000 for the Period, representing a period-on-period significant increase of HK\$13,680,000 or 390.1% compared to HK\$3,507,000 for Previous Period mainly due to the gain on disposal of interest in a subsidiary.

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\$80,743,000 (2012: HK\$111,431,000) representing a decrease of HK\$30,688,000 or 27.5% from the Previous Period, due to the decrease in the Sourcing Business by HK\$37,028,000 or 37.2%, to HK\$62,610,000 (2012: HK\$99,638,000) for the Period.

For the Period, the Group's gross profit decreased by 21.0% or HK\$5,364,000 to HK\$20,158,000 (2012: HK\$25,522,000), of which HK\$12,574,000 (2012: HK\$20,852,000) was contributed by Sourcing Business.

The Group recorded a decrease in Adjusted EBITDA by approximately 65.3% or HK\$6,297,000 to HK\$3,352,000 (2012: HK\$9,649,000), largely attributed by the Sourcing Business amount to HK\$4,233,000 (2012: HK\$10,950,000).

## **Liquidity, Financial Resources and Capital Structure**

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 30 June 2013, the Group had cash and cash equivalents of HK\$38,088,000 (31 December 2012: HK\$45,268,000) and did not have any short-term bank borrowings (31 December 2012: HK\$6,574,000). The Group has released the guarantee and cancelled the general banking facilities after the period end.

Taking into account the current assets of HK\$98,817,000 as at 30 June 2013 (31 December 2012: HK\$106,955,000), the Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

As at 30 June 2013, the Group did not have any borrowings. As at 31 December 2012, the gearing ratio representing the ratio of total borrowings to the total equity of the Group was 11%.

## **Charges on Assets**

As at 30 June 2013, 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 and the management will consider hedging the foreign exchange exposure if it is significant to the Group.

## **Contingent liabilities and Capital Commitment**

As at 30 June 2013, 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 30 June 2013, nor were there material acquisitions and disposals of subsidiaries during the Period. There is no plan for material investments or capital assets as at the date of this announcement.

## **Employees and Remuneration Policies**

The Group had 220 (2012: 239) employees as at the end of the Period. The Group's remuneration practices 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 by providing competitive remuneration package to our employees including salaries, allowances, insurance, discretionary bonus, and training for human resources upskilling.

## **Prospect**

Under the continuous slow recovery of the Western economy and uncertain business environment, the Group will continue to be cautious in cost control and continue to uphold quality assurance of our products in the Sourcing Business to remain competitive for our valuable customers. We will also keep developing new brand customers and enhance new business relationship to stimulate the growth.

In our PRC Watch Business, we will continue to develop new products and keep monitoring and refining sales network and enhancing management training for improving operation efficiency. It is envisaged that additional resources will be deployed in order to keep up the growth momentum. Meanwhile, we will keep monitoring the sales network's performance closely and will consolidate strategic partnership with famous local wholesalers in order to fine tune business strategies in a timely manner and to pitch in additional resources as required for optimal results.

**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***

<b>Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
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*

<b>Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
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 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, Messis Capital Limited ("Messis Capital"), as at 30 June 2013, except for the compliance adviser agreement entered into between the Company and Messis Capital dated 5 June 2013, neither Messis Capital 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.

## CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules throughout the period.

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.

## DIRECTORS SECURITIES TRANSACTIONS

The Company adopted the model code for securities transactions by the Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. On specific enquiry made, all the Directors have confirmed compliance with the Model Code throughout the Period.

## 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.

## EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT

The following is an extract of the independent auditor's review report on the Group's interim financial information for the six months ended 30 June 2013:

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### Other matters

The comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the relevant explanatory notes for the six months ended 30 June 2012; and the condensed consolidated statement of comprehensive income and the relevant explanatory notes for the three months ended 30 June 2013 and 2012, disclosed in this financial information have not been reviewed in accordance with HKSRE 2410.

By order of the Board  
**Powerwell Pacific Holdings Limited**  
**Liu Tin Chak, Arnold**  
Chairman

Hong Kong, 14 August 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](http://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](http://www.hklistco.com) 8265.*