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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 2015

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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$95,396,000 (six months ended 30 June 2014: HK\$106,252,000) for the six months ended 30 June 2015 (the “Period”) which represented a decrease of HK\$10,856,000 or 10.22% as compared with the corresponding previous period (“the Previous Period”).
- The profit attributable to owners of the Company for the six months ended 30 June 2015 was HK\$1,541,000 (2014: HK\$1,530,000) which represented an increase of HK\$11,000 or 0.72% as compared with the Previous Period. After excluding the non-recurring bargain purchase gain recognised in business combination of approximately HK\$4,084,000 and a recognition of equity-settled share-based payments of approximately HK\$5,130,000 during the Period, the profit attributable to the owners of the Company for the Period was HK\$2,587,000, representing an increase of HK\$1,057,000 or 69.08% as compared with the Previous Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	53,889	57,695	95,396	106,252
Cost of sales		(33,579)	(43,690)	(62,714)	(78,654)
Gross profit		20,310	14,005	32,682	27,598
Other income	4	63	53	211	166
Selling and distribution costs		(1,510)	(3,590)	(2,346)	(7,165)
Administrative expenses		(19,342)	(9,104)	(27,762)	(18,126)
Bargain purchase gain recognised in business combination		—	—	4,084	—
(Loss)/profit from operations		(479)	1,364	6,869	2,473
Finance costs	6	(227)	—	(296)	—
(Loss)/profit before income tax	7	(706)	1,364	6,573	2,473
Income tax expense	8	(824)	(415)	(2,848)	(943)
(Loss)/profit for the period		(1,530)	949	3,725	1,530
Other comprehensive income for the period					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences arising from translation of foreign operations		607	184	712	184
Total comprehensive (loss)/income for the period		(923)	1,133	4,437	1,714
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,867)	949	1,541	1,530
Non-controlling interests		2,337	—	2,184	—
		(1,530)	949	3,725	1,530
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(3,322)	1,133	2,191	1,714
Non-controlling interests		2,399	—	2,246	—
		(923)	1,133	4,437	1,714
(Loss)/earnings per share					
— Basic and diluted	10	HK(1.7) cents	HK0.6 cents	HK0.8 cents	HK1.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,975	2,869
Contingent consideration receivables	11	11,774	—
Deposit for acquisition of a subsidiary		—	4,800
		<u>17,749</u>	<u>7,669</u>
Current assets			
Inventories		14,949	12,983
Contingent consideration receivables	11	8,762	—
Trade receivables	12	21,570	5,201
Prepayments, deposits and other receivables	13	14,788	3,432
Cash and cash equivalents		110,594	36,707
		<u>170,663</u>	<u>58,323</u>
Current liabilities			
Trade and other payables	14	36,779	30,228
Amount due to holding company		5,438	4,744
Secured loan	15	15,000	—
Tax payables		5,080	2,476
Bank overdraft		—	4,367
		<u>62,297</u>	<u>41,815</u>
Net current assets		<u>108,366</u>	<u>16,508</u>
Net assets		<u>126,115</u>	<u>24,177</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		26,400	15,000
Reserves		87,631	9,177
Total equity attributable to owners of the Company		<u>114,031</u>	<u>24,177</u>
Non-controlling interests		12,084	—
Total equity		<u>126,115</u>	<u>24,177</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 30 June 2015*

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash used in operating activities	(17,307)	(866)
Interest paid	(296)	—
Income tax paid	(246)	(248)
	<hr/>	<hr/>
Net cash used in operating activities	(17,849)	(1,114)
Net cash generated/(used in) from investing activities	15,960	(5,899)
Net cash generated from financing activities	79,523	3,750
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	77,634	(3,263)
Cash and cash equivalents at the beginning of the reporting period	32,340	37,337
Effect of foreign exchange rate changes	620	394
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Cash and cash equivalents at the end of the reporting period	110,594	34,468
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Equity attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Merger reserve	Shared-based compensation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2015 (unaudited)										
At 1 January 2015	15,000	6,937	155	1,033	—	—	1,052	24,177	—	24,177
Profit for the period	—	—	—	—	—	—	1,541	1,541	2,184	3,725
Other comprehensive income:										
Exchange differences arising from translation of foreign operations	—	—	—	—	—	650	—	650	62	712
Total comprehensive income for the period	—	—	—	—	—	650	1,541	2,191	2,246	4,437
Issuance of new share upon open offer	8,800	52,800	—	—	—	—	—	61,600	—	61,600
Issuance of consideration shares	2,600	20,540	—	—	—	—	—	23,140	—	23,140
Non-controlling interest arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	9,838	9,838
Recognition of equity-settled share-based payments	—	—	—	—	5,130	—	—	5,130	—	5,130
Share issuing expenses	—	(2,207)	—	—	—	—	—	(2,207)	—	(2,207)
At 30 June 2015	26,400	78,070	155	1,033	5,130	650	2,593	114,031	12,084	126,115
Six months ended 30 June 2014 (unaudited)										
At 1 January 2014	15,000	6,937	155	1,083	—	577	30,253	53,955	—	53,955
Profit for the period	—	—	—	—	—	—	1,530	1,530	—	1,530
Other comprehensive income:										
Exchange differences arising from translation of foreign operations	—	—	—	—	—	184	—	184	—	184
Total comprehensive income for the period	—	—	—	—	—	184	1,530	1,714	—	1,714
At 30 June 2014	15,000	6,937	155	1,083	—	761	31,783	55,669	—	55,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock 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 Units 610–611, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together with the Company referred to as the “Group”) are the provision of sourcing and procurement solutions to customers for production of watches, costume jewellery, and display and packaging products (the “Sourcing Business”), as well as the retail of luxury brand silverware and silver utensils in the People’s Republic of China (“PRC”) (the “PRC Silverware Business”).

This unaudited condensed consolidated financial information (the “Interim Financial Statements”) is presented in thousand Hong Kong Dollars (“HK\$’000”), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for financial instrument that are measured at fair values at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

This Interim Financial Statements for the six months ended 30 June 2015 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 (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

This Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014.

The HKICPA has issued the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective for Group’s current accounting period:

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Amendments to Annual Improvements to HKFRSs 2010–2012 Cycle

Amendments to Annual Improvements to HKFRSs 2011–2013 Cycle

The directors considered the application of the above new and revised HKFRSs has no material impact on the Group’s financial performance and financial position for the current and prior years.

The Group has not early applied any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The directors so far concluded that application of these new and revised HKFRSs will have no material impact on the financial statements of the Group.

3. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Sale of goods	41,436	57,573	79,028	105,970
Freight income	139	122	231	282
Retail of silverware	12,314	—	16,137	—
	<u>53,889</u>	<u>57,695</u>	<u>95,396</u>	<u>106,252</u>

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	53	43	125	153
Sundry income	10	10	86	13
	<u>63</u>	<u>53</u>	<u>211</u>	<u>166</u>

5. SEGMENT INFORMATION

The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on business lines (products and services) and geographical areas. The management has determined that the Group is organised into two main operating segments from continuing operations: (i) Sourcing business; and (ii) Silverware business; and one operating segment from discontinued operation — PRC Watch business which has been disposed by the Group during 2014. The management measures the performance of the segments based on their respective segment results. The segment results derived from profit before income tax, excluding exchange gain, finance costs and unallocated costs. Unallocated costs mainly comprise of corporate expenses including salary, office rental and other administrative expenses which are not attributable to particular reportable segment.

The Group is principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products which is identified as reportable segment as the "Sourcing Business". In respect of Sourcing Business, the Group provides customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing and production outsourcing; and procurement management solutions including quality assurance and control, logistics and delivery handling services. The products are mainly exported to overseas countries. In addition, the Group has established its own sales network for the retail of luxury brand silverware and silver utensils in the PRC. This line of business is identified as another reportable segment as the "Silverware Business".

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

	Continuing operations		Discontinued operation	Total
	Sourcing Business	Silverware Business	PRC Watch Business	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2015				
Reportable segment revenue	79,259	16,137	—	95,396
Reportable segment profit	8,148	5,639	—	13,787
Bank interest income				125
Corporate income and expenses				(7,339)
Profit before income tax				6,573
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	8,429	6,040	—	14,469
Six months ended 30 June 2014				
Reportable segment revenue	74,368	—	31,884	106,252
Reportable segment profit/(loss)	8,381	—	(1,847)	6,534
Bank interest income				153
Corporate income and expenses				(4,214)
Profit before income tax				2,473
Adjusted EBITDA	8,577	—	(1,152)	7,425

Information regarding the Group's reportable operating segments assets and liabilities are as follows:

	Continuing operations		Total
	Sourcing Business	Silverware Business	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2015 (Unaudited)			
Reportable segment assets	<u>65,672</u>	<u>32,233</u>	97,905
Unallocated assets			<u>90,507</u>
Total assets			<u>188,412</u>
Reportable segment liabilities	<u>31,903</u>	<u>7,571</u>	39,474
Unallocated liabilities			<u>22,823</u>
Total liabilities			<u>62,297</u>
Capital expenditure			
— Allocated	495	3,431	3,926
— Unallocated	<u>—</u>	<u>—</u>	<u>16</u>
Year ended 31 December 2014 (Audited)			
Reportable segment assets	<u>59,411</u>	<u>—</u>	59,411
Unallocated assets			<u>6,581</u>
Total assets			<u>65,992</u>
Reportable segment liabilities	<u>34,728</u>	<u>—</u>	34,728
Unallocated liabilities			<u>7,087</u>
Total liabilities			<u>41,815</u>
Capital expenditure			
— Allocated	855	—	855
— Unallocated	<u>—</u>	<u>—</u>	<u>12,824</u>

Capital expenditure comprises addition to non-current assets represents additions to property, plant and equipment including additions resulting from acquisitions through business combination, other intangible assets and deposit paid for acquisition of a subsidiary.

Geographical information

The Group's operations are mainly located in Hong Kong. The Group's revenue by geographical location is determined based on shipment destination instructed by customers. The Group's non-current assets by geographical locations are determined based on physical location of the assets or location of operations.

Analysis of the Group revenue is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong	9,906	10,710
The PRC, excluding Hong Kong	16,139	25,299
USA	35,602	24,248
Europe		
— Germany	27,368	29,245
— Denmark	—	6,031
— Italy	65	—
— United Kingdom	24	2,403
— France	1,030	1,871
— Others	1,155	1,470
Asia	2,690	2,765
Others	1,417	2,210
Total	<u>95,396</u>	<u>106,252</u>

The following is an analysis of the carrying amounts of non-current assets analysed by the geographical areas in which the assets are located:

	30 June	31 December
	2015	2014
	(Unaudited) HK\$'000	(Audited) HK\$'000
Hong Kong	2,009	2,176
The PRC, excluding Hong Kong	3,966	5,493
Total	<u>5,975</u>	<u>7,669</u>

Information about major customers

During the period, there was one customer (six months ended 30 June 2014: one customer) from the Group's Sourcing Business, whom (six months ended 30 June 2014: whom) contributed 10% or more of the Group's total revenue. Revenue derived from this customer (six months ended 30 June 2014: this customer) during the period amounted to approximately HK\$63,852,000 (six months ended 30 June 2014 approximately HK\$55,070,000 in aggregate) .

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on secured loan wholly repayable within five year	<u>227</u>	<u>—</u>	<u>296</u>	<u>—</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	600	492	855	891
Net exchange loss	100	60	154	441
Operating lease charges in respective of land and building	1,090	581	1,995	1,309
Employee benefit expenses (including directors' remuneration)				
Salaries, allowance and benefits in kind	8,728	4,421	13,498	9,344
Retirement benefit scheme contribution	288	336	430	619
Share-based payment expenses	5,130	—	5,130	—
Loss on disposal of property, plant and equipment	—	32	—	32

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax:				
Hong Kong Profits Tax				
— charge for the period	794	412	1,653	940
PRC Enterprise Income Tax ("EIT")				
— charge for the period	30	—	1,195	—
— under provision in prior years	—	3	—	3
Total income tax expense	824	415	2,848	943

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for both periods.

The Group's subsidiaries in the PRC is subject to PRC EIT at the tax rate of 25% for both periods.

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

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2015 (2014: nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2015 is based on the profit attributable to the owners of the Company of approximately HK\$1,541,000 (six months ended 30 June 2014: HK\$1,530,000) and the weighted average number of shares of approximately 197,960,000 (six months ended 30 June 2014: 161,491,935, as adjusted to reflect the effect of issuance of shares upon open offer in May 2015) in issue throughout the period.

The calculation of basic (loss)/earnings per share for the three months ended 30 June 2015 is based on the loss attributable to the owners of the Company of approximately HK\$3,867,000 (three months ended 30 June 2014: profit attributable to the owners of the Company of approximately HK\$949,000) and the weighted average number of shares of approximately 223,876,000 (three months ended 30 June 2014: 161,491,935, as adjusted to reflect the effect of issuance of shares upon open offer in May 2015) in issue throughout the period.

The Group had no potential dilutive ordinary shares in issue during the current periods and in prior periods, and therefore the basic and diluted (loss)/earnings per share are the same for both period.

11. CONTINGENT CONSIDERATION RECEIVABLES

The balance represents the contingent consideration receivables in relation to the acquisition of Core Kingdom Limited and its subsidiaries (“Core Kingdom Group”). The amount is classified as financial assets at fair value through profit or loss and measured at fair value.

	<i>HK\$'000</i>
At 1 January 2015	—
Additions	20,536
	<hr/>
At 30 June 2015	20,536
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Contingent consideration receivables relating to the acquisition of Core Kingdom Group are expected to be collected within one year and over one year respectively from the reporting date and therefore analysed into current and non-current assets as follows:

	2015
	<i>HK\$'000</i>
Analysed for reporting purposes as:	
Non-current assets	11,774
Current assets	8,762
	<hr/>
	20,536
	<hr/> <hr/>

12. TRADE RECEIVABLES

The Group normally allows credit period 30 to 60 days to its major customers. Credit period is normally not granted to other customers. Based on the invoices dates, ageing analysis of the Group’s trade receivables at the end of the reporting period is as follows:

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
1–30 days	12,158	2,294
31–60 days	9,252	2,381
61–90 days	160	526
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	21,570	5,201
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13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables as at 30 June 2015 include an advance payment to supplier of approximately RMB8,000,000 (approximately equivalent to HK\$10,119,000) paid to 浙江華江實業有限公司 (31 December 2014: nil).

Prepayments, deposits and other receivables as at 30 June 2015 and 31 December 2014 include a rental deposit HK\$160,000 paid to Richmind International Investment Limited (“Richmind”), a related company to the Group. The rental deposit is refundable to the Group at the end of the relevant lease terms. Mr. Lui Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company, who resigned on 23 September 2014, have beneficial interests in Richmind. Following the resignation of Mr. Lui Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias of the Company on 23 September 2014, these parties ceased to be related parties of the Group.

14. TRADE AND OTHER PAYABLES

The ageing analysis (based on the invoice dates) of the Group’s trade payables (included in trade and other payables) at the end of the reporting period is as follows:

	30 June 2015 (Unaudited) HK\$’000	31 December 2014 (Audited) HK\$’000
1–30 days	9,339	6,521
31–60 days	6,170	6,241
61–90 days	7,932	5,927
Over 90 days	3,779	3,896
Trade payable	27,220	22,585
Other payables and accruals	6,240	3,454
Deposit received	3,319	4,189
	36,779	30,228

As at 30 June 2015, included in other payables was an amount of RMB1,400,000 (equivalent to HK\$1,760,000) which was advance from a shareholder (31 December 2014: nil). The advance is unsecured, non-interest bearing and repayable on demand. Such balance was acquired upon the Acquisition of Core Kingdom Group.

Included in trade payables as at 30 June 2015 was an amount of approximately HK\$317,000 (31 December 2014: nil) which was due to a PRC entity, Shenzhen Guifeng Watch Company Limited (“Guifeng”).

15. SECURED LOAN

	30 June 2015 (Unaudited) HK\$’000	31 December 2014 (Audited) HK\$’000
Secured loan	15,000	—
Loan repayable:		
Within one year	15,000	—

The secured loan is bears interest at 1% per annum above the HKD prime lending rate published by The Hong Kong Shanghai Banking Corporation and is repayable together with interest not later than 12 months from the drawdown date. The loan is fully secured by the share capital of Powerwell Pacific Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands. Subject to the fulfillment of certain conditions, the Company shall have the right to extend the repayment date to another 12 months from the original repayment date.

16. EVENTS AFTER REPORTING PERIOD

On 27 July 2015, the Company has completed to allot and issue 35,200,000 new shares through a placing to not less than six investors at a subscription price of HK\$0.725 per share. The net proceeds of approximately HK\$25,000,000 are intended to be used for working capital to the Group to meet any future development and obligations.

On 6 August 2015 (after trading hours), the Company entered into a memorandum of understanding (the “MOU”) with an independent third party (the “Potential Vendor”) in relation to a possible acquisition by the Company (the “Possible Acquisition”) of an effective 35% equity interest in a company established in the PRC which is principally engaged in the sales of silver and related activities including provision of investment information consultancy services and business information consultancy services in the PRC. Save for the legally binding provisions relating to exclusivity, conduct of due diligence and confidentiality, the MOU does not constitute any binding commitment on either the Company or the Potential Vendor in respect of the Possible Acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

The European market remains sluggish and there are signs of slowing down in the US market of our Sourcing business. Results for the first half of 2015 in Sourcing business is mixed. Whilst we are experiencing a growth in revenue in our watches business due to increase in orders from our major brand owner customer. We are suffering losses in our display and packaging business and costume jewelries business due to slowing down in orders from the relative brand owner customers. Overall results for Sourcing business for the Period is better than same period last year.

Revenue in display and packaging business dropped mainly due to our major brand owner customer are stalling of orders despite new molding for 2016 orders have been completed. Moreover, the Hong Kong buying office of one of the major international watches brand in June 2015 has filed for liquidation, which is also one of our customer in display and packaging business, the outstanding amount to this customer has been provided during the Period.

We are seeing less orders from one of our major customers in costume jewelries business, there was a change in management of this customer at the beginning of 2015, we expected orders will be picked up when their new management is normalized.

PRC Silverware Business

For the period under review, this segment is the first-time contributed to the Group's revenue, representing 16.92% or HK\$16,137,000 of the revenue and operating profit was HK\$5,639,000 as forecasted.

Financial Review

Revenue

For the Period, the Group reported a total revenue of HK\$95,396,000 (six months ended 30 June 2014: HK\$106,252,000) representing a decrease of HK\$10,856,000 or 10.22% from the Previous Period, mainly due to the disposal of the PRC Watch Business in the last year. The increase in the revenue of the Sourcing Business by HK\$4,891,000 or 6.58%, to HK\$79,259,000 (six months ended 30 June 2014: HK\$74,368,000) was due to increase in the orders of watch business from our major customer and, the revenue from the PRC Silverware Business is HK\$16,137,000 for the Period (six months ended 30 June 2014: Nil).

Gross Profit

For the Period, the Group's gross profit increased by HK\$5,084,000 or 18.42% to HK\$32,682,000 (six months ended 30 June 2014: HK\$27,598,000), of which HK\$21,869,000 (six months ended 30 June 2014: HK\$16,646,000) was contributed by the Sourcing Business and HK\$10,813,000 was contributed by the PRC Silverware Business.

Net Profit

The Group's overall profit before taxation for the Period was HK\$6,573,000 (six months ended 30 June 2014: HK\$2,473,000) and profit attributable to owners of the Company was HK\$1,541,000 for the Period, representing a period-on-period increase of HK\$11,000 or 0.72% compared to approximately

HK\$1,530,000 for the Previous Period; however, after excluding the non-recurring bargain purchase gain recognised in business combination of approximately HK\$4,084,000 and a recognition of equity-settled share-based payments of approximately HK\$5,130,000 during the Period, the profit attributable to the owners of the Company for the Period was HK\$2,587,000, representing an increase of HK\$1,057,000 or 69.08% as compared with the Previous Period.

The Group's profit before income tax comprised of profits on Sourcing Business for the Period was HK\$8,259,000 (six months ended 30 June 2014: HK\$8,381,000) and the segment profit on the PRC Silverware Business was HK\$5,653,000 (six months ended 30 June 2014: HK\$Nil) and the total of interest income, net corporate expenses and income tax expenses was HK\$12,269,000 (six months ended 30 June 2014: HK\$4,108,000).

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 30 June 2015, the Group had cash and cash equivalents of HK\$110,594,000 (31 December 2014: HK\$32,340,000) and the net assets value of approximately HK\$126,115,000 (31 December 2014: HK\$24,177,000). The Group did not have any bank borrowings, guarantee and banking facilities. The increase was mainly attributable to the completion of the Acquisition (as defined in below) during the Period. The amount of bank balances and cash and the net assets value were included the PRC Silverware Business.

Taking into account the current assets of HK\$170,663,000 as at 30 June 2015 (31 December 2014: HK\$58,323,000), the Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

Secured Loan

On 6 February 2015, the Company entered into a loan agreement with a third party in relation to a loan of HK\$15,000,000 obtained exclusively for the purpose of providing working capital and general funding to the Company and/or its subsidiaries. The loan is fully secured by the shares charge in respect of the entire issued share capital of Powerwell Pacific Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands. The loan bears interest at 1% per annum above the HKD prime lending rate published by The Hongkong and Shanghai Banking Corporation Limited and is repayable together with interest not later than 12 months from the drawdown date. Subject to the fulfillment of certain conditions, the Company shall have the right to extend the repayment date to another 12 months from the original repayment date.

During the Period, the interest expense on secured loan amounted to HK\$296,000 (six months ended 30 June 2014: Nil).

Capital Structure

During the Period, the issued share capital of the Company was increased from 150,000,000 ordinary shares of HK\$0.10 each (the "Shares") to 264,000,000 Shares as a result of the issuance of (i) 26,000,000 new Shares on 27 February 2015 pursuant to the completion of the Acquisition of a Subsidiary and (ii) 88,000,000 offer shares on 20 May 2015 by way of an open offer of one offer share for every two Shares held by the qualifying shareholders at a subscription price of HK\$0.7 per offer share (the "Open Offer"). Details of issuance of shares are set out in the sections headed "Significant Investments held Material Acquisitions" and "Open Offer" below.

Significant Investments held Material Acquisitions

On 8 December 2014, the Company entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with a third party in relation to the acquisition of the entire issued share capital in and shareholder’s loan due by Core Kingdom Limited, which indirectly owns 51% equity interest in 浙江通銀貴金屬經營有限公司, a company engages in retail of luxury brand silverware and silver utensils in the PRC (the “Acquisition”). The consideration in the amount of HK\$36,000,000 was satisfied as to HK\$31,200,000 by the allotment and issue, credited as fully paid, of 26,000,000 new Shares and as to HK\$4,800,000 in cash to the vendor. All conditions to the Sale and Purchase Agreement had been fulfilled and completion took place on 27 February 2015. Further details of the Acquisition were set out in the announcements of the Company dated 9 December 2014 and 27 February 2015 respectively.

There were no significant investments held as at 30 June 2015. Save as aforesaid, there were no other material acquisitions during the Period.

Fund Raising Activities

Placing of Bonds

On 13 March 2015, the Company entered into a placing agreement with a placing agent in relation to the placement of bonds (the “Bonds”) to be issued by the Company up to the maximum principal amount of HK\$50,000,000 within seven business days after entering into the placing agreement. The Bonds will be bearing interest of 6% per annum payable annually in arrears, and will have maturity date falling on the day being the third anniversary of the issue date, or if that is not a business day, the first business day thereafter. The issue price will be 100% of the principal amount of the Bonds. The placing agreement lapsed on 24 March 2015 and the placing did not proceed. Details of the placing arrangement were set out in the announcements of the Company dated 13 March 2015 and 24 March 2015, respectively.

Open Offer

On 31 March 2015, the Company announced its proposal to raise funds by way of an open offer of one offer share for every two Shares held by the qualifying shareholders at a subscription price of HK\$0.70 per offer share (the “Open Offer”). The Open Offer is fully underwritten by Emperor Securities Limited (the “Underwriter”) pursuant to the underwriting agreement dated 30 March 2015 entered into by and between the Company and the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite all the 88,000,000 offer shares subject to the terms and conditions set out in the Underwriting Agreement. The aggregate nominal value of the offer shares will be HK\$8,800,000. Further details of the Open Offer were set out in the Company’s announcement dated 31 March 2015.

The estimated net proceeds of the Open Offer will be approximately HK\$59.3 million. The Company intends to apply such net proceeds from the Open Offer for financing future investment activities if and when suitable opportunities arise and business development and working capital requirement of the Group. The net price per offer share after deducting the related expenses of the Open Offer will be approximately HK\$0.67. Details of the Open Offer were set out in the prospectus of the Company dated 28 April 2015 and results of the Open Offer were set out in the Company’s announcement dated 19 May 2015.

Placing of New Shares under General Mandate (“Placing”)

On 14 July 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent and the Placing was completed on 27 July 2015 in accordance with the terms and conditions of the Placing Agreement. The closing price of the Share as quoted on the Stock Exchange on the date of the Placing Agreement is HK\$0.90. An aggregate of 35,200,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$0.725 per Placing Share. The net proceeds from the Placing amount to approximately HK\$25.0 million will be used for working capital to the Group to meet any future development and obligations. Further details of the Placing have been set out in the Company’s announcements dated 15 July 2015, 16 July 2015 and 27 July 2015.

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 2015, the Group did not have any material contingent liabilities or capital commitment.

Employees and Remuneration Policies

The Group had 112 (2014: 429) 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.

Grant of Share Options

Share Option Scheme

On 27 May 2015 (the “Date of Grant”), the Company granted share options (the “Share Options”) to the eligible persons of the Group (the “Grantees”) pursuant to the Company’s share option scheme adopted on 22 December 2010, subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 15,000,000 ordinary shares with nominal value of HK\$0.10 each (the “Shares”) in the capital of the Company upon the exercise of the Share Options in full. The exercise price of share options granted is HK\$1.17 per share. The closing price of the share on the Date of Grant is HK\$1.17. As at 30 June 2015, no option has been exercised and no option has lapsed. There are 15,000,000 options outstanding under the share option scheme. Details of the Grant of Share Options was set out in the announcement of the Company dated 27 May 2015.

Change of Auditors

BDO Limited (“BDO”) has resigned as auditor of the Company and its subsidiaries (collectively, the “Group”) with effect from 26 June 2015. HLB Hodgson Impey Cheng Limited (“HLB”) has been appointed as the auditor of the Group with effect from 26 June 2015 to fill the casual vacancy following the resignation of BDO. HLB shall hold the office until the conclusion of the next annual general meeting of the Company. Details of the Change of Auditors was set out in the announcement of the Company dated 26 June 2015.

Prospects

Sourcing Business

While the watch sourcing business demonstrated improvement for the Period, the market condition of our sourcing business remained mixed and uncertain as there is indication of slowing down of the retail distribution markets in Europe and US. We shall remain cautious on cost control and to uphold quality assurance of products in order to remain competitive for our valuable customers. It is also our ongoing objective to develop business with new brand customers and enhance existing business relationship to stimulate growth and continue to maintain the overall costing level.

PRC Silverware Business

The acquisition of Tong Yin earmarks an important strategic step of the Group to successfully expand its business. The Group will step up expansion activities to increase the number of retail shops of Tong Yin at selected prime shopping and tourist locations in Zhejiang Province, the PRC aiming to strengthen the performance of this new business and contributions to the Group steadily. Looking ahead, the PRC’s economy is expected to maintain a relatively stable growth only while change of consumer sentiment from time to time with the ups and downs of the economy will pose challenges to the PRC retailers. However, with continual rising of the living standard of the middle class in the PRC and the quality and competing edge of the unique products provided by Tong Yin in the market, the Directors are optimistic about the long term prospects of Tong Yin’s business.

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

As at 30 June 2015, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of 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 shares of the Company

Director	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Fei Jie	Corporate interest (<i>Note</i>)	156,390,000	59.24%

Note: These shares are held by an associated corporation King Full Inc Limited. Director's interests in an associated corporation are disclosed immediately below.

(b) Interest in the shares of an associated corporation

Name of associated corporation: King Full Inc Limited

Director	Capacity/Nature of interest	Number of shares held	Percentage of shareholding
Mr. Fei Jie	Beneficial owner	5,000,000	100%

Save as disclosed above, as at 30 June 2015, 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 30 June 2015, 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 a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company

Long positions

Ordinary shares and underlying shares of the Company

Name of shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
King Full Inc Limited	Beneficial owner (<i>Note 1</i>)	156,390,000	59.24%
Ms. Wu Wen	Interest in spouse (<i>Note 2</i>)	156,390,000	59.24%

Notes:

1. The entire issued share capital of King Full Inc Limited is wholly and beneficially owned by Mr. Fei Jie. By virtue of the SFO, Mr. Fei Jie is deemed to be interested in the entire 156,390,000 shares held by King Full Inc Limited.
2. The shares are held by King Full Inc Limited, the entire issued share capital of which is owned by Mr. Fei Jie, the spouse of Ms. Wu Wen. Accordingly, Ms. Wu Wen is deemed to be interested in the entire 156,390,000 shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

SHARE OPTION SCHEME

The Company operates a share option scheme has become effective on 22 December 2010 (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The movements in share options granted under the Scheme during the Period are shown below:

Name or category of participant	At 1 January 2015	Number of share options				At 30 June 2015	Date of grant of share options	Validity period of share options	Exercise price of share options <i>HK\$ per share</i>
		Granted during the Period	Exercised during the Period	Expired during the Period	Lapsed during the Period				
Eligible persons									
In aggregate	—	15,000,000	—	—	—	15,000,000	27-05-2015	27-05-2015 to 26-05-2018	1.17
	—	15,000,000	—	—	—	15,000,000			

The closing price of the Company’s share immediately before the date on which the options were granted was HK\$1.20 per share.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the Period, 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 Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules throughout the Period, save as disclosed below:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of chief executive, but Mr. Fei Jie, the Chairman of the Board, has been assuming the roles of chief executive of the Company during the Period. The Board believes that the roles of chairman and chief executive performed by Mr. Fei Jie can provide the Group with strong and consistent leadership and allow for more effective and efficient business planning and decisions as well as execution of long term business strategies.

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. Sit Sai Hung, Billy, 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 2015:

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.

By order of the Board
Powerwell Pacific Holdings Limited
Fei Jie
Chairman and Executive Director

Hong Kong, 7 August 2015

As at the date of this announcement, the executive Directors are Mr. Fei Jie and Mr. Fung Chi Kin; and the independent non-executive Directors are Mr. Cheung Siu Wah, Mr. Jim Yiu Ming and Mr. Sit Sai Hung, Billy.

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.