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## **POWERWELL PACIFIC HOLDINGS LIMITED**

### **宏峰太平洋集團有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8265)**

### **ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

#### **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 of the Exchange 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of posting and on the designated website of the Company at [www.hklistco.com/8265](http://www.hklistco.com/8265).*

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2017 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2016 (the “Previous Period”) as follows:

## **FINANCIAL HIGHLIGHTS**

- The Group’s revenue amounted to HK\$68,582,000 (three months ended 31 March 2016: HK\$60,102,000) for the Period, which represented an increase of HK\$8,480,000 or 14.1% as compared with the Previous Period.
- The profit attributable to owners of the Company was HK\$4,448,000 (three months ended 31 March 2016: HK\$4,418,000), representing a increase of HK\$30,000 or 0.68% as compared with the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended 31 March	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>68,582</b>	60,102
Cost of sales		<b>(44,141)</b>	(34,910)
Gross profit		<b>24,441</b>	25,192
Other income	4	<b>644</b>	384
Selling and distribution costs		<b>(746)</b>	(665)
Administrative expenses		<b>(14,946)</b>	(12,833)
Finance costs	6	<b>(1,115)</b>	(224)
Profit before income tax	7	<b>8,278</b>	11,854
Income tax expense	8	<b>(1,493)</b>	(3,560)
<b>Profit for the period</b>		<b>6,785</b>	8,294
<b>Other comprehensive income</b>			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		<b>2,322</b>	474
<b>Other comprehensive income for the period</b>		<b>2,322</b>	474
<b>Total comprehensive income for the period</b>		<b>9,107</b>	8,768
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>4,448</b>	4,418
Non-controlling interests		<b>2,337</b>	3,876
		<b>6,785</b>	8,294
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>6,453</b>	4,709
Non-controlling interests		<b>2,654</b>	4,059
		<b>9,107</b>	8,768
<b>Earnings per share</b>	10		
– Basic		<b>HK0.22 cents</b>	HK0.29 cents
– Diluted		<b>HK0.20 cents</b>	HK0.28 cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share-		Capital contribution reserve HK\$'000	Convertible bonds reserve HK\$'000	Retained earnings/ (accumulated loss) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
					payment	Translation						
					reserve	reserve						
At 1 January 2016 (audited)	30,670	110,086	155	1,033	2,565	(1,342)	-	-	(612)	142,555	19,646	162,201
Profit for the period	-	-	-	-	-	-	-	-	4,418	4,418	3,876	8,294
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	291	-	-	-	291	183	474
Total comprehensive income for the period	-	-	-	-	-	291	-	-	4,418	4,709	4,059	8,768
At 31 March 2016 (unaudited)	30,670	110,086	155	1,033	2,565	(1,051)	-	-	3,806	147,264	23,705	170,969
At 1 January 2017 (audited)	41,024	163,815	155	1,033	2,565	(13,982)	12,144	9,842	9,716	226,312	31,686	257,998
Profit for the period	-	-	-	-	-	-	-	-	4,448	4,448	2,337	6,785
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,005	-	-	-	2,005	317	2,322
Total comprehensive income for the period	-	-	-	-	-	2,005	-	-	4,448	6,453	2,654	9,107
At 31 March 2017 (unaudited)	41,024	163,815	155	1,033	2,565	(11,977)	12,144	9,842	14,164	232,765	34,340	267,105

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2017*

## 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. King Full Inc Limited and Top Bliss Holdings Limited are substantial shareholders of the Company. 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 Company’s 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 principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “Sourcing Business”), the retail and wholesale of luxury brand silverware and silver utensils in the People’s Republic of China (“PRC”) (the “PRC Silverware Business”) and R&D, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the “Electric Vehicle Business”).

This condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated financial information was approved for issue on 8 May 2017.

This condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2017, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2017 are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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 2016.

## 3. REVENUE

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

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Sales of goods	19,906	34,506
Freight income	55	166
Retail and wholesale of silverware	15,397	25,430
Revenue from electric vehicles and related products	33,224	–
	68,582	60,102

## 4. OTHER INCOME

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	94	57
Exchange gain	146	327
Sundry Income	404	–
	644	384

## 5. SEGMENT INFORMATION

The Group has three reportable segments:

1. Sourcing Business
2. PRC Silverware Business
3. Electric Vehicle Business

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

	<b>Sourcing Business</b> <i>HK\$'000</i>	<b>PRC Silverware Business</b> <i>HK\$'000</i>	<b>Electric Vehicle Business</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Three months ended</b>				
<b>31 March 2017 (unaudited)</b>				
Reportable segment revenue	19,961	15,397	33,224	68,582
Reportable segment profit	333	6,321	5,613	12,267
Bank interest income				94
Corporate income and expenses				(4,083)
<b>Profit before income tax</b>				<b>8,278</b>
Adjusted EBITDA (note)	421	6,455	8,846	15,722
<b>Three months ended</b>				
<b>31 March 2016 (unaudited)</b>				
Reportable segment revenue	34,672	25,430	–	60,102
Reportable segment profit	4,835	10,767	–	15,602
Bank interest income				57
Corporate income and expenses				(3,805)
<b>Profit before income tax</b>				<b>11,854</b>
Adjusted EBITDA (note)	4,939	11,193	–	16,132

*Note:* 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, depreciation and amortisation charges are not included in the Adjusted EBITDA.

## 6. FINANCE COSTS

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on secured loan wholly repayable within one year	224	224
Imputed interest on convertible bonds	891	–
	<b>1,115</b>	224

## 7. PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,542	617
Net exchange (gain)	(146)	(327)
Operating lease charges in respect of land and building	1,002	1,549

## 8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
Hong Kong Profits Tax		
– charge for the period	50	842
PRC Enterprise Income Tax (“PRC EIT”)		
– charge for the period	1,590	2,718
Deferred tax:		
– credit for the period	(147)	–
Total income tax expense	<b>1,493</b>	3,560

## 8. INCOME TAX EXPENSE (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the respective periods.

The Group's subsidiaries in other region of the PRC is subject to PRC EIT at the tax rate of 25%.

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the Period (three months ended 31 March 2016: nil).

## 10. EARNINGS PER SHARE

The computations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (earnings for the period attributable to owners of the Company)	4,448	4,418
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax	744	–
Earnings for the purpose of diluted earnings per share	5,192	4,418
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,051,209	1,533,500
Effect of dilutive potential ordinary shares:		
Share options	34,757	26,307
Convertible bonds	482,291	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,568,257	1,559,807

## **11. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

As at 31 March 2017, the Group had contracted but not provided for capital commitments for purchase and construction of property, plant and equipment of approximately HK\$50,000.

## **12. EVENTS AFTER THE REPORTING PERIOD**

### *Placing of New Shares under General Mandate*

On 21 April 2017, the Company and the Placing Agent entered into the Placing Agreement. Subject to the terms and conditions of the Placing Agreement, the Placing Agent has conditionally agreed to act as agent for the Company to procure the Placees to subscribe for the Placing Shares up to 100,000,000 new shares at the Placing Price of HK\$2.80 per Placing Share on a best effort basis. For more detail, please refer to the Company's announcement dated 21 April 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### *Sourcing Business*

The first quarter of year 2017 was really a bad start for our Sourcing Business, the overall results was significantly affected with a shrink in turnover especially in our watch business. Retails sales was badly affected and the latest reports has indicates that over 2,800 shops and outlets in U.S. had been closed since the beginning of the year. One of our major brand owner customers in watch business has undergoing an re-organization exercises and a major percentage of their staff in Hong Kong and China has been redundant.

In our analog watches business and costume jewelries business, most of our brand owner customers were affected by the slow economy in U.S., we noted a decline in orders received from them. Also, the turnover of our display and packaging business has also dropped significantly.

The overall results in our Sourcing Business for the Period were hurt. We have since reduced 10% of staff in our watch division, with our tight cost control and cost saving policies, we were still able to keep the bottom line in “black” and remained self-liquidating and self-financing.

### *PRC Silverware Business*

During the first quarter of year 2017, Tong Yin continued its marketing and sales through the selling channels from Hung Tai Network Ltd (“Hung Tai”) and Shanghai Ying Jiang Ltd. Tong Yin has formed a major working alliance with Hung Tai. In 2016, Tong Yin has revised its business strategies which still lasted some lingering effects. Nevertheless, Tong Yin has maintained a cordial working relationship with Hung Tai to enhance our market promotion and sales.

### *Electric Vehicle Business (“EV Business”)*

In the first quarter of 2017, selling of rechargeable batteries commanded a substantial portion in the turnover of EV Business. Management has commenced to interview and recruit several technical specialists in electric vehicles. Technical proposals of electric vehicles have been drafted and forwarded to clients and transportation departments in Macau, Hong Kong, Malaysia, Indonesia and Vietnam. The Company also plans to provide electric bus system solutions to Southeast Asian countries. Management has held meetings and visits to a Southeast Asian country transportation department to promote bulk order of various kinds of electric vehicles.

## Financial Review

### *Revenue*

The Group reported a total revenue of approximately HK\$68,582,000 (three months ended 31 March 2016: HK\$60,102,000) for the Period, increase of approximately HK\$8,480,000 or 14.1% as compared with the Previous Period. The increase in the Group's revenue was attributable to the contribution from the Electric Vehicle Business acquired by the Group during the Period.

During the Period, the Sourcing Business had generated revenue of approximately HK\$19,961,000 (three months ended 31 March 2016: HK\$34,672,000) to the Group, representing approximately 29.1% (three months ended 31 March 2016: 57.7%) of the Group's total revenue. The revenue of Sourcing Business has declined by HK\$14,711,000 or 42.4% was due to fewer orders received from several major brands customers during the Period.

The PRC Silverware Business had generated revenue of approximately HK\$15,397,000 (three months ended 31 March 2016: HK\$25,430,000) during the Period, representing approximately 22.5% (three months ended 31 March 2016: 42.3%) of the Group's total revenue. The revenue of PRC Silverware Business dropped by HK\$10,033,000 or 39.5% due to management revised its business strategies in late 2016.

The EV Business established by the Group during the Period generated revenue of approximately HK\$33,224,000 (three months ended 31 March 2016: nil) for the Period, representing approximately 48.4% (three months ended 31 March 2016: nil) of the Group's total revenue.

### *Gross Profit*

For the Period, the Group's gross profit decreased by HK\$751,000 or 3.0% to HK\$24,441,000 (three months ended 31 March 2016: HK\$25,192,000), of which HK\$4,774,000 (three months ended 31 March 2016: HK\$9,107,000) was contributed by the Sourcing Business and HK\$8,323,000 (three months ended 31 March 2016: HK\$16,085,000) was contributed by the PRC Silverware Business and HK\$11,344,000 (three months ended 31 March 2016: nil) was contributed by the EV Business.

### *Net Profit*

The Group's overall profit before taxation for the Period was HK\$8,278,000 (three months ended 31 March 2016: HK\$11,854,000) and profit attributable to owners of the Company was HK\$4,448,000 for the Period, representing a period-on-period increase of HK\$30,000 or 0.7% as compared with approximately HK\$4,418,000 for the Previous Period. The Group's net profit comprised of the segment profit on Sourcing Business of approximately HK\$333,000 (three months ended 31 March 2016: HK\$4,835,000); the segment profit on the PRC Silverware Business of approximately HK\$6,321,000 (three months ended 31 March 2016: HK\$10,767,000) and the segment profit on the Electric Vehicle Business of approximately HK\$5,613,000 (three months ended 31 March 2016: nil) and the total of interest income, net corporate expenses and income tax expenses was HK\$5,482,000 (three months ended 31 March 2016: HK\$7,308,000).

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

The Group generally finances its daily operations from internally generated cash flows. As at 31 March 2017, the Group had cash and cash equivalents of HK\$104,130,000 (31 December 2016: HK\$127,722,000) and the net assets value of approximately HK\$267,105,000 (31 December 2016: HK\$257,998,000). The Group did not have any bank borrowings, guarantee and banking facilities.

Taking into account the net current assets of HK\$194,298,000 as at 31 March 2017 (31 December 2016: HK\$182,948,000), the Group has sufficient financial resources to satisfy its working capital requirement and to meet 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 million 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. On 6 February 2016, the Company signed a supplemental loan agreement to extend the repayment date to another 12 months from the original repayment date. On 6 February 2017, the Company signed another supplemental loan agreement to further extend the repayment date to another 12 months from the original repayment date.

During the Period, the interest expense incurred on the secured loan amounted to approximately HK\$224,000 (three months ended 31 March 2016: HK\$224,000).

### **Capital Structure**

During the Period, no share capital of the Company was issued.

## Completed Acquisition of Sale Assets in Huzhou and Issue of Convertible Bonds

On 1 June 2016, the Company issued convertible bonds with principal amount of HK\$110,000,000 (the “Convertible Bonds”) as the consideration payable of the sale assets under the sale and purchase agreement dated 5 November 2015 entered into by the 湖州信成電動汽車有限公司 (transliterated into “Huzhou Xincheng Electric Vehicle Co., Ltd.”, an indirect wholly owned subsidiary of the Company and as “Purchaser”) and 湖州百成電池有限公司 (transliterated into “Huzhou Brighsun Battery Co. Ltd”) and 湖州百成客車有限公司 (transliterated into “Huzhou Brighsun Automobile Co. Ltd”) (collectively, “Vendors”) and 黃科竣 (Huang Kejun) and 章根江 (Zhang Genjiang, “Mr, Zhang”) (collectively, “Guarantors”). The holders of the convertible bonds have the right to convert the outstanding principal amount of the convertible bonds on the expiry of 6 months from the date of issue of the convertible bonds up to the maturity date of 1 June 2018. Pursuant to the Company Information Sheet dated 7 July 2016, the outstanding convertible bonds amounted to HK\$110,000,000 which can be converted into 1,000,000,000 Shares at the conversion price of HK\$0.11.

On 7 December 2016, as permitted under the terms of Convertible Bonds and with the written consent of the Company, Convertible Bonds with an aggregate principal amount of HK\$56,948,026 had been transferred from the Vendors to Top Bliss Holdings Limited, a company incorporated in the British Virgin Islands wholly owned by Mr. Zhang. Mr. Zhang is a director and the controlling shareholder of a company which holds 49% of 浙江通銀貴金屬經營有限公司 (Zhejiang Tong Yin Precious Metal Operation Company Limited), an indirect non wholly-owned subsidiary of the Company. Therefore, Mr. Zhang is a connected person of the Company as defined under the GEM Listing Rules. Mr. Zhang also had shareholding interest in the Vendors.

On 19 December 2016, the Company received a conversion notice from Top Bliss Holdings Limited for the exercise of the conversion rights attaching to the Convertible Bonds with an aggregate principal amount of HK\$56,948,026 at the Conversion Price of HK\$0.11 per Conversion Share (“the Conversion”). Upon such Conversion, a total of 517,709,327 Conversion Shares has been allotted and issued, credited as fully paid, to Top Bliss Holdings Limited within 5 Business Days in accordance with the provisions of the Convertible Bonds. The 517,709,327 Conversion Shares, having an aggregate nominal value of HK\$10,354,186.54, represent about 33.76% and 25.24% of the issued share capital of the Company immediately before and after the issue of such Conversion Shares respectively. Immediately after the Conversion, the outstanding principal amount of the Convertible Bonds amounts to HK\$53,051,974, all of which are held by Huzhou Brighsun Automobile Co., Ltd.

Further details of the Acquisition were set out in the announcements of the Company dated 9 November 2015, 20 November 2015, 18 December 2015 and 13 January 2016, 1 June 2016 and the Circular issued by the Company dated 18 January 2016 respectively and the poll result of the Special General Meeting were set out in the Company's announcement dated 3 February 2016. Further details of the conversion of the Convertible Bonds were set out in the announcement dated 19 December 2016.

There were no significant investment held as at 31 March 2017. Save as aforesaid, there were no other material acquisitions and disposals of subsidiaries during the three months ended 31 March 2017.

## **Fund Raising Activities**

### *Placing of New Shares under General Mandate*

On 21 April 2017, the Company entered into a placing agreement with the placing agent for the placing of up to 100,000,000 new shares on a best effort basis to not less than six placees at the placing price of HK\$2.80 per share which is subject to the terms and conditions including, inter alia, the placees will undertake to have a lockup period of 540 calendar days from the Completion date. For more detail, please refer to the Company's announcement dated 21 April 2017.

## **Foreign Exchange Exposure**

The Group's transactions and trade balances are mainly denominated in United States dollars ("US\$"), Hong Kong dollars and Renminbi ("RMB"). Therefore, the Group is exposed to foreign currency exchange rate risk. The directors of the Company has a positive attitude to regularly monitor the Group's exposure to foreign exchange so as to reduce the foreign exchange rate risk to a minimum level.

## **Employees and Remuneration Policies**

The Group had 173 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. The Group recognises the importance of a good relationship with the employees by providing competitive remuneration package to the employees including salaries, allowances, insurance, discretionary bonus, and training for human resources upskilling.

## **Share Option Scheme**

On 27 May 2015 (the “Date of Grant”), the Company granted share options (the “Share Options”) to the eligible persons within the Group (the “Grantees”) pursuant to the Company’s share option scheme launched 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 the Share Options granted of HK\$1.17 per Share represent the highest of (i) the closing price of HK\$1.17 per Share on the Date of Grant; (ii) the average closing price of HK\$1.04 per Share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.10 per Share. Details of the Grant of Share Options was set out in the announcement of the Company dated 27 May 2015. 7,500,000 options had been exercised and gross proceeds of HK\$8,775,000 was received from exercise of these options. Upon the Share Subdivision became effective on 4 May 2016, the exercise price and the number of outstanding options were adjusted to HK\$0.234 and 37,500,000 options respectively in accordance with the terms and conditions of the Share Option Scheme. As at 31 March 2017, no option was lapsed and there were 37,500,000 options outstanding under the Share Option Scheme.

## **Prospects**

### *Sourcing Business*

The demand of the global retail business of watches and costume jewelries is still yet to be seen, our line of business will be remained challenging in the coming months. We will continue to practice tight cost control and remain tight in quality assurance of our product, to better our quality, to provide an edge on our products. We shall maintain competitive and always be alert for new potential customers.

### *PRC Silverware Business*

According to some statistics forecasted in 2017, the turnover of preparation of wedding ceremony in China will be amounted to RMB1,500 billion. Since the late 2016, Tong Yin has allied with a PRC company specialized in preparation of wedding ceremony to promote its luxury silverware branded by S·collodi. In 2017, Tong Yin will diversify its marketing and sales channels of its silverware through the branding of S·collodi. Management will plan to reduce its administrative costs and seeking strategic partners for the corporation in various areas. Further, management will put efforts to build a strong brand image of S·collodi, in order to promote the silverware as a means of healthy and luxury utensils.

## EV Business

Following the policy on new energy in Mainland China, our Company has taken the initiative to promote the industry of electric vehicles, including battery density, energy efficiency, vehicle safety and enhancing network management. The Company has accordingly coped with the growing demands and the new policy by speeding up the development work where appropriate. And to avoid relying on a single market, the Company has also made efforts to diversify in selling our products to various markets in Asia including Hong Kong, Macau, Malaysia, Indonesia and Vietnam, etc.

### **Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation**

As at 31 March 2017, 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 (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*

<b>Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Fei Jie	Corporate interest (Note)	781,950,000	38.12%

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

##### *(b) Interest in the shares of an associated corporation*

Name of associated corporation: King Full Inc Limited

<b>Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Fei Jie	Beneficial owner	5,000,000	100%

Save as disclosed above, as at 31 March 2017, 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 31 March 2017, 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 (Note 1)	781,950,000	38.12%
Mr. Fei Jie	Corporate interest (Note 2)	781,950,000	38.12%
Ms. Wu Wen	Interest in spouse (Note 2)	781,950,000	38.12%
Top Bliss Holdings Limited	Beneficial owner (Note 3)	517,709,327	25.24%
Mr. Zhang Genjiang	Corporate interest (Note 3)	517,709,327	25.24%

Notes:

- 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 781,950,000 shares held by King Full Inc Limited.
- 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 781,950,000 shares by virtue of the SFO.
- The entire issued share capital of Top Bliss Holdings Limited is wholly and beneficially owned by Mr. Zhang Genjiang. By virtue of the SFO, Mr. Zhang Genjiang is deemed to be interested in the entire 517,709,327 shares held by Top Bliss Holdings Limited.

Save as disclosed above, as at 31 March 2017, 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 which 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	Number of share options					At 31 March 2017	Date of grant of share options	Validity period of share options	Exercise price of share options
	At 1 January 2017	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period				
Eligible persons									
In aggregate	37,500,000	–	–	–	–	37,500,000	27-05-2015 to 26-05-2018	0.234	
	37,500,000	–	–	–	–	37,500,000			

As at 31 March 2017, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Scheme and was 37,500,000 (31 December 2016: 37,500,000), representing 1.8% (31 December 2016: 1.8%) of the shares of the Company in issue at that date. At 31 March 2017, no share options was granted under the Scheme (31 December 2016: nil).

## 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.

## **DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in Directors' information since the date of the Annual Report 2016 are set out below:

1. Mr. Fung Chi Kin retired at the conclusion of the Annual General Meeting ("AGM") to be held on 8 May 2017 and shall not offer himself for re-election. Upon his retirement, Mr. Fung also ceased to be a Compliance Officer of the Company.
2. Mr. Cheung Siu Wah retired at the conclusion of the forthcoming AGM and shall not offer himself for re-election. Upon Mr. Cheung retirement, he also ceased to be a member of the Remuneration Committee, the Audit Committee and the Nomination Committee.
3. Mr. Shen Ruolei is an Independent Non-executive Director of the Company. Mr. Shen has been appointed as a member of Audit Committee and Remuneration Committee with effect from 8 May 2017.
4. Mr. Ng Chin Ming Stephen is an Executive Director of the Company. Mr. Ng has been appointed as Compliance Officer with effect from 8 May 2017.

## **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.

## **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.

## **EVENTS AFTER THE REPORTING PERIOD**

Please refer to note 12 to the consolidated financial statements for details of events after the reporting period.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the unaudited condensed consolidated financial statements. 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.

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

Hong Kong, 8 May 2017

*As at the date of this announcement, the Executive Directors are Mr. Fei Jie (Chairman) and Mr. Ng Chin Ming Stephen and the Independent Non-executive Directors are Mr. Jim Yiu Ming, Mr. Sit Sai Hung, Billy and Mr. Shen Ruolei.*