



宏峰太平洋集團有限公司
Powerwell Pacific Holdings Limited

(a company incorporated in Bermuda with limited liability)

Stock code : 8265

Third Quarterly Report **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.

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This report, 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 report 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 report 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 nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK\$133,027,000 (nine months ended 30 September 2012: HK\$161,337,000) for the nine months ended 30 September 2013 (the "Period") which represented a decrease of 17.6% as compared with the corresponding previous period (the "Previous Period").
- The profit attributable to owners of the Company was HK\$18,849,000 (nine months ended 30 September 2012: HK\$4,828,000) for the Period which comprised a gain on disposal of a subsidiary of HK\$18,020,000 and a profit of HK\$829,000 from core operating business. The profit from core operating business represented a decrease of 82.8% 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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	52,284	49,906	133,027	161,337
Cost of sales		(37,624)	(36,831)	(98,209)	(122,740)
Gross profit		14,660	13,075	34,818	38,597
Other income	4	129	235	375	397
Gain on disposal of interest in a subsidiary	5	—	—	18,020	—
Selling and distribution costs		(3,769)	(3,221)	(8,119)	(7,579)
Administrative expenses		(9,034)	(8,161)	(25,819)	(24,439)
Finance costs	7	—	(100)	(99)	(270)
Profit before income tax	8	1,986	1,828	19,176	6,706
Income tax expense	9	(324)	(507)	(327)	(1,878)
Profit for the period		1,662	1,321	18,849	4,828
Other comprehensive income for the period					
Item that may be reclassified subsequently to profit or loss					
— Exchange differences arising on translation of foreign operations		—	12	84	38
Total comprehensive income for the period		1,662	1,333	18,933	4,866
Profit for the period attributable to owners of the Company		1,662	1,321	18,849	4,828
Total comprehensive income for the period attributable to owners of the Company		1,662	1,333	18,933	4,866
Earnings per share for profit attributable to owners of the Company					
— Basic and diluted	11	HK1.1 cents	HK0.9 cents	HK12.6 cents	HK3.2 cents

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Merger reserve	Translation reserve	Proposed		Total
						final dividend	Retained profits	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2013 (audited)	15,000	6,937	155	1,033	492	—	34,189	57,806
Special dividend paid (<i>note 10</i>)	—	—	—	—	—	—	(19,500)	(19,500)
Transactions with owners	—	—	—	—	—	—	(19,500)	(19,500)
Profit for the period	—	—	—	—	—	—	18,849	18,849
Other comprehensive income:								
Exchange differences arising on translation of foreign operation	—	—	—	—	84	—	—	84
Total comprehensive income for the period	—	—	—	—	84	—	18,849	18,933
At 30 September 2013 (unaudited)	15,000	6,937	155	1,033	576	—	33,538	57,239
At 1 January 2012 (audited)	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)
Transactions with owner	—	—	—	—	—	(3,000)	—	(3,000)
Profit for the period	—	—	—	—	—	—	4,828	4,828
Other comprehensive income:								
Exchange differences arising on translation of foreign operation	—	—	—	—	38	—	—	38
Total comprehensive income for the period	—	—	—	—	38	—	4,828	4,866
At 30 September 2012 (unaudited)	15,000	6,937	155	1,033	467	—	36,710	60,302

*NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***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 11 November 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2013, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2013 are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements. The Directors consider that the application of these new and revised HKFRSs do not have material impact on the condensed consolidated financial information of the Group. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

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

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

In preparing these condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2012.

This condensed consolidated financial information has not been audited.

3. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue				
Sales of goods	52,070	49,616	132,458	160,224
Freight income	214	290	569	1,113
	52,284	49,906	133,027	161,337

4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	14	54	106	158
Exchange gain/(loss)	(23)	168	63	168
Sundry income	138	13	206	71
	129	235	375	397

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 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.

	Nine months ended 30 September 2013 (Unaudited) <i>HK\$'000</i>
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	(2,119)
	3,861
Gain on disposal of interest in a subsidiary	18,020
Consideration for transferring the equity interest of Richmind excluding the consideration for transfer of the Loan of HK\$2,119,000, satisfied by cash	21,881
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary and transfer of the Loan	23,670

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:

	Sourcing Business	PRC Watch Business	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nine months ended 30 September 2013			
Reportable segment revenue (note (a))	101,231	31,769	133,027
Reportable segment profit/(loss)	9,093	(2,683)	6,410
Interest income			106
Gain on disposal of interest in a subsidiary			18,020
Corporate income and expenses			(5,360)
Profit before income tax			19,176
Adjusted EBITDA (note (b))	9,462	(2,117)	7,345
Nine months ended 30 September 2012			
Reportable segment revenue (note (a))	142,806	18,531	161,337
Reportable segment profit/(loss)	15,701	(3,189)	12,512
Interest income			158
Corporate income and expenses			(5,964)
Profit before income tax			6,706
Adjusted EBITDA (note (b))	16,349	(2,825)	13,524

6. SEGMENT INFORMATION (CONTINUED)

Notes:

- (a) There were no inter-segment sales during the nine months ended 30 September 2013 and 2012.
- (b) During the nine months ended 30 September 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

	Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	99	270

8. PROFIT BEFORE INCOME TAX

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

	Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	842	887
Net exchange (gain)/loss	(63)	364
Operating lease charges in respect of land and building	1,446	902
Loss on disposal of property, plant and equipment	260	—

9. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current income tax:		
Hong Kong Profits Tax		
— charge for the period	324	1,878
PRC Enterprise Income Tax ("PRC EIT")		
— under provision in prior years	3	—
Total income tax expense	327	1,878

Hong Kong Profits Tax is provided at the rate of 16.5% on estimated assessable profits.

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 Period.

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2013 is based on the profit for the period attributable to owners of the Company amounting to HK\$18,849,000 (nine months ended 30 September 2012: HK\$4,828,000) and the weighted average number of shares of 150,000,000 (nine months ended 30 September 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. GUARANTEES

During the Period, 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 September 2013, all the above guarantees and general banking facilities had been released and cancelled. The Group did not have any significant contingent liabilities as at 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

Slow economic recovery continues to affect branded goods distribution globally. As a result, revenue of our Sourcing Business has been hampered since the beginning of the year 2013. The Group' performance in Sourcing Business was weak compared with the Previous Period.

Although revenue has picked up on the 3rd quarter of 2013 and was in par with same time last year, overall revenue of Watch Business dropped in 2013 as compared to the Previous Period. Focusing in the US market, our Costume Jewelry Business was also affected by the slow recovery.

For our Display and Packaging Business, as usual, the result is hinged on the marketing and display programme cycle of our brand owner customers. As mentioned previously, our major display customers are now focusing in developing new display programme for launching in 2014. Hence, turnover of our Display and Packaging Business remains slow.

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

PRC Watch Business

We are now currently having over 220 self-operated retail outlets and 170 distributor outlets throughout 120 cities in China, as compared to approximately 130 self-operated and 100 distributor outlets at the end of 2012. With much effort and resources spent on brand building and marketing campaign in the past few years, including television commercial, celebrity endorsement and trade exhibitions, revenue growth was achieved for the Period and the 3rd quarter of 2013 as compared to the Previous Period and the 3rd quarter of 2012. However, the operating results remained at a loss and showed only minor sign of improvement.

During the first half of 2013, we successfully launched our first series of digital watch, T-watch, which is equipped with multimedia player function targeting young consumer market. We had also participated in 24th China Watch & Clock Fair in boosting the brand identity among our end consumers during this quarter.

Financial Review

The Group's profit attributable to owners of the Company was HK\$18,849,000 (nine months ended 30 September 2012: HK\$4,828,000) for the Period, which comprised a gain on disposal of a subsidiary of HK\$18,020,000 and a profit of HK\$829,000 from core operating business. The profit from core operating business represented a decrease of 82.8% as compared with the Previous Period, due to the contraction of revenue of the Group's Sourcing Business.

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\$133,027,000 (nine months ended 30 September 2012: HK\$161,337,000) representing a decrease of HK\$28,310,000 or 17.6% from the Previous Period, due to the decrease in the Sourcing Business by HK\$41,575,000 or 29.1%, to HK\$101,231,000 (nine months ended 30 September 2012: HK\$142,806,000) for the Period.

For the Period, the Group's gross profit decreased by 9.8% or HK\$3,779,000 to HK\$34,818,000 (nine months ended 30 September 2012: HK\$38,597,000).

The staff cost of the Group's Sourcing Business decreased by HK\$672,000 or 7.6% to HK\$8,192,000 for the Period (nine months ended 30 September 2012: HK\$8,864,000), resulted from the cost control measurement imposed by the management, since the beginning of 2013, the Group has adjusted its staff force in line with the contraction of revenue in the Sourcing Business.

The Group recorded a decrease in Adjusted EBITDA by approximately 84.1% or HK\$6,179,000 to HK\$7,345,000 (nine months ended 30 September 2012: HK\$13,524,000), largely attributed by the decrease of HK\$6,887,000 in Sourcing Business to HK\$9,462,000 (nine months ended 30 September 2012: HK\$16,349,000).

As at 30 September 2013, the Group had bank balances and cash of approximately HK\$36,184,000 (as at 30 June 2013: HK\$38,088,000). The Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

Prospect

Despite the slow recovery of the Western economy and uncertain business environment, we are seeing increasing requirements in products development and display development from our brand owner customers. The Group will continue to be cautious in cost control and to uphold quality assurance of our products in the Sourcing Business in order to remain competitive for our valuable customers. We will also keep developing new brand customers and enhance new business relationship to stimulate growth. We shall continuous to maintain the overall costing level until signs of recovery is noticed in the Sourcing Business.

In our PRC Watch Business, we will continue to develop new products and keep refining sales network. It is envisaged that additional resources will be deployed in order to keep up the growth momentum. Meanwhile, we will keep monitoring the existing sales network's performance closely and consolidate strategic partnership with reputable and reliable 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 report, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance (the "SFO"), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

Long positions in shares of the Company

(a) Interest in the share of the Company

Director	Capacity/Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Liu Tin Chak, Arnold	Corporate interest (Note)	108,000,000	72.00%

Note: These shares are held by an associated corporation Data Champion Limited. Directors' interests in an associated corporation are as disclosed immediately below.

(b) Interest in the share of an associated corporation

Name of associated corporation: Data Champion Limited

Director	Capacity/Nature of interest	Number of shares held	Percentage of shareholding
Mr. Liu Tin Chak, Arnold	Beneficial owner	952	47.60%
Mr. Lam Chi Wai, Peter	Beneficial owner	476	23.80%
Mr. Wong Yu Man, Elias	Beneficial owner	476	23.80%

Save as disclosed above, as at the date of this report, 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 report, 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 September 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 report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, which is of the opinion that such statements comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 11 November 2013

As at the date of this report, 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.