



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

*Interim Report* **2014**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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**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.*

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the Board of Directors of Powerwell Pacific Holdings Limited  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 19, which comprise the condensed consolidated statement of financial position of Powerwell Pacific Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2014, the related condensed consolidated statement of comprehensive income for the three-month period then ended and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BDO Limited  
香港立信德豪會計師事務所有限公司

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## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **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.

### **BDO Limited**

*Certified Public Accountants*

### **Lee Ming Wai**

Practising Certificate Number P05682

Hong Kong, 13 August 2014

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 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

## FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$106,252,000 (six months ended 30 June 2013: HK\$80,743,000) for the six months ended 30 June 2014 (the “Period”) which represented a increase of HK\$25,509,000 or 31.6% as compared with the corresponding previous period (“the Previous Period”).
- The profit attributable to owners of the Company was HK\$1,530,000 (six months ended 30 June 2013: HK\$17,187,000) for the Period which represented an decrease of HK\$15,657,000 or 91.1% as compared with the Previous Period. After excluding the non-recurring gain on disposal of a subsidiary of approximately HK\$18,020,000 during the Previous Period, the profit attributable to the owners of the Company in fact turned around to profit for the Period from loss of HK\$833,000 for the Previous Period.
- On 31 July 2014, the Board proposed to pay a special dividend of HK\$0.24 per share, totalling HK\$36,000,000 for the year ending 31 December 2014, such special dividend is conditional on the completion of the Proposed Disposal (note 1).

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three months and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>	3	57,695	41,803	106,252	80,743
Cost of sales		(43,690)	(31,884)	(78,654)	(60,585)
<b>Gross profit</b>		14,005	9,919	27,598	20,158
Other income	4	53	61	166	246
Gain on disposal of interest in a subsidiary	5	—	18,020	—	18,020
Selling and distribution costs		(3,590)	(2,054)	(7,165)	(4,350)
Administrative expenses		(9,104)	(8,908)	(18,126)	(16,785)
Finance costs	7	—	(47)	—	(99)
<b>Profit before income tax</b>	8	1,364	16,991	2,473	17,190
Income tax (expense)/credit	9	(415)	70	(943)	(3)
<b>Profit for the period</b>		949	17,061	1,530	17,187
<b>Other comprehensive income for the period</b>					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences arising on translation of foreign operations		184	52	184	84
<b>Total comprehensive income for the period</b>		1,133	17,113	1,714	17,271
<b>Profit for the period attributable to owners of the Company</b>		949	17,061	1,530	17,187
<b>Total comprehensive income for the period attributable to owners of the Company</b>		1,133	17,113	1,714	17,271
<b>Earnings per share for profit attributable to owners of the Company</b>					
— Basic and diluted	11	HK0.6 cents	HK11.4 cents	HK1.0 cents	HK11.5 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	9,742	4,698
Goodwill		—	—
Other intangible assets		5,747	5,815
		<b>15,489</b>	<b>10,513</b>
<b>Current assets</b>			
Inventories		52,281	42,426
Trade receivables	13	29,899	16,789
Prepayments and deposits	14	6,030	6,649
Prepaid tax		—	265
Cash and cash equivalents		34,468	37,337
		<b>122,678</b>	<b>103,466</b>
<b>Current liabilities</b>			
Trade and other payables	15	82,068	60,024
Provision for income tax		430	—
		<b>82,498</b>	<b>60,024</b>
<b>Net current assets</b>		<b>40,180</b>	<b>43,442</b>
<b>Total assets less current liabilities/ Net assets</b>		<b>55,669</b>	<b>53,955</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		15,000	15,000
Other reserves		40,669	38,955
<b>Total equity</b>		<b>55,669</b>	<b>53,955</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cash used in operations	(866)	(2,161)
Interest paid	—	(99)
Income tax paid	(248)	(973)
Net cash used in operating activities	(1,114)	(3,233)
Net cash (used in)/generated from investing activities	(5,899)	22,449
Net cash generated from/(used in) financing activities	3,750	(26,074)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,263)</b>	<b>(6,858)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>37,337</b>	<b>45,268</b>
Effect of foreign exchange rate changes	394	(322)
<b>Cash and cash equivalents at end of period</b>	<b>34,468</b>	<b>38,088</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014

	Equity attributable to owners of the Company						
	Share capital	Share premium*	Capital reserve*	Merger reserve*	Translation reserve*	Retained profits*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2014 (unaudited)</b>							
<b>At 1 January 2014</b>	15,000	6,937	155	1,033	577	30,253	53,955
Profit for the period	—	—	—	—	—	1,530	1,530
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	—	—	—	—	184	—	184
Total comprehensive income for the period	—	—	—	—	184	1,530	1,714
<b>At 30 June 2014</b>	15,000	6,937	155	1,033	761	31,783	55,669
<b>Six months ended 30 June 2013 (unaudited)</b>							
<b>At 1 January 2013</b>	15,000	6,937	155	1,033	492	34,189	57,806
Special dividend paid (note 10)	—	—	—	—	—	(19,500)	(19,500)
Transaction with owners	—	—	—	—	—	(19,500)	(19,500)
Profit for the period	—	—	—	—	—	17,187	17,187
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	—	—	—	—	84	—	84
Total comprehensive income for the period	—	—	—	—	84	17,187	17,271
<b>At 30 June 2013</b>	15,000	6,937	155	1,033	576	31,876	55,577

\* The total of these balances represented "Other reserves" in the condensed consolidated statement of financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*for the six months ended 30 June 2014*

## 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 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 (together with the Company 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"), as well as the design, manufacture and distribution of the Group's own brands of watches through its sales points 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 13 August 2014.

This condensed consolidated financial information has not been audited.

On 27 June 2014, the Company entered into a conditional disposal agreement with a company, which is a wholly owned subsidiary of Data Champion Limited ("Data Champion"), to dispose of its entire 100% direct equity interest in two subsidiaries, namely Goldnet Holdings Group Limited ("Goldnet (HK)") and Goldnet Holdings Group Limited ("Goldnet (BVI)"), and the benefits of all loans advanced by the Company to Goldnet (HK) and Goldnet (BVI) for a cash consideration of HK\$23,000,000 (the "Proposed Disposal"). Data Champion 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. Goldnet (HK) was incorporated in Hong Kong and is principally engaged in investment holding. The major assets of Goldnet (HK) is its 100% equity interest in 深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited) ("Tianhaiba") which was established in the PRC and carries out the PRC Watch Business. Goldnet (BVI) was incorporated in British Virgin Islands and is principally engaged in investment holding. The Proposed Disposal is subject to approval of independent shareholders and conditional on the completion of the share purchase agreement entered into by Data Champion and an independent third party (the "Purchaser") on 27 June 2014 regarding the sale of 108,000,000 shares of the Company to the Purchaser (the "Share Purchase Agreement"). Details about the Proposed Disposal and the Share Purchase Agreement are set out in the Company's announcement dated 10 July 2014.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the six months ended 30 June 2014 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.

The condensed consolidated financial information do not include all of the information required in annual financial statements which are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2013.

The HKICPA has issued the following new or revised HKFRSs which are effective for the current accounting period of the Group:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

HK (IFRIC) 21 *Levies*

The directors considered the application of the above new or revised HKFRSs has no material impact on the Group's result and financial position.

The Group has not early applied the 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.

Except for the adoption of new and revised HKFRSs as disclosed above, the accounting policies and the computation method used in preparing the condensed consolidated financial information of the Group for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013.

The preparation of the condensed consolidated financial information requires management to make judgements, 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty used in connection to the preparation of the condensed consolidated financial information for the current period are the same as those that applied to the annual financial statements for the year ended 31 December 2013.

The condensed consolidated financial information are unaudited, but have been reviewed by BDO Limited in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

### 3. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>				
Sales of goods	57,573	41,631	105,970	80,388
Freight income	122	172	282	355
	<b>57,695</b>	<b>41,803</b>	<b>106,252</b>	<b>80,743</b>

### 4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	43	45	153	92
Exchange gain	—	16	—	86
Sundry income	10	—	13	68
	<b>53</b>	<b>61</b>	<b>166</b>	<b>246</b>

## 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 at an aggregate consideration of HK\$24,000,000 (the "Disposal"). The Disposal was completed on 10 May 2013 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 for the six months ended 30 June 2013. Upon completion of the Disposal, Richmind ceased to be a subsidiary of the Group.

The net assets of Richmind at the date of the Disposal on 10 May 2013 were as follows:

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

## 6. SEGMENT INFORMATION

The Group has two reportable segments:

1. Sourcing Business
2. PRC Watch Business

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

	<b>Sourcing Business (Unaudited)</b> <i>HK\$'000</i>	<b>PRC Watch Business (Unaudited)</b> <i>HK\$'000</i>	<b>Total (Unaudited)</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2014</b>			
Reportable segment revenue <i>(note (a))</i>	74,368	31,884	106,252
Reportable segment profit/(loss)	8,381	(1,847)	6,534
Interest income			153
Corporate income and expenses			(4,214)
Profit before income tax			2,473
Adjusted EBITDA <i>(note (b))</i>	8,577	(1,152)	7,425
<b>Six months ended 30 June 2013</b>			
Reportable segment revenue <i>(note (a))</i>	62,610	18,133	80,743
Reportable segment profit/(loss)	3,956	(1,264)	2,692
Interest income			92
Gain on disposal of interest in a subsidiary			18,020
Corporate income and expenses			(3,614)
Profit before income tax			17,190
Adjusted EBITDA <i>(note (b))</i>	4,233	(881)	3,352

## 6. SEGMENT INFORMATION (CONTINUED)

	Sourcing Business (Unaudited) <i>HK\$'000</i>	PRC Watch Business (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Three months ended 30 June 2014</b>			
Reportable segment revenue ( <i>note (a)</i> )	39,631	18,064	57,695
Reportable segment profit/(loss)	3,884	(670)	3,214
Interest income			43
Corporate income and expenses			(1,893)
Profit before income tax			1,364
Adjusted EBITDA ( <i>note (b)</i> )	3,982	(276)	3,706
<b>Three months ended 30 June 2013</b>			
Reportable segment revenue ( <i>note (a)</i> )	31,157	10,646	41,803
Reportable segment profit/(loss)	1,296	(415)	881
Interest income			45
Gain on disposal of interest in a subsidiary			18,020
Corporate income and expenses			(1,955)
Profit before income tax			16,991
Adjusted EBITDA ( <i>note (b)</i> )	1,433	(209)	1,224

## Notes:

- (a) There were no inter-segment sales during the three months and six months ended 30 June 2014 and 2013.
- (b) During the three months and six months ended 30 June 2014 and 2013, 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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank borrowings and bank overdrafts wholly repayable within five years	—	47	—	99

## 8. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	492	236	891	561
Net exchange loss/(gain)	60	(40)	441	(86)
Operating lease charges in respect of land and building	581	590	1,309	820
Loss on disposal of property, plant and equipment	32	—	32	260



## 9. INCOME TAX EXPENSE/CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current income tax:				
Hong Kong Profits Tax				
— charge for the period	412	—	940	—
— over provision in prior year	—	(73)	—	—
PRC Enterprise Income Tax ("PRC EIT") — under provision in prior years	3	3	3	3
Total income tax expense/(credit)	415	(70)	943	3

Hong Kong profits tax is provided has been provide at the rate of 16.5% (2013: 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%. No provision for PRC EIT has been made as the Group did not generate any taxable profits arising in the PRC during the current and prior periods.

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

## 10. DIVIDENDS

The dividends paid during the six months ended 30 June 2013 amounting to HK\$19,500,000 represent a special dividend of HK\$0.13 per ordinary share, which were paid in May 2013.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to the owners of the Company amounting to HK\$1,530,000 (six months ended 30 June 2013: HK\$17,187,000) and the weighted average number of shares of 150,000,000 (six months ended 30 June 2013: 150,000,000) in issue throughout the period.

The calculation of basic earnings per share for the three months ended 30 June 2014 is based on the profit attributable to the owners of the Company amounting to HK\$949,000 (three months ended 30 June 2013: HK\$17,061,000) and the weighted average number of shares of 150,000,000 (three months ended 30 June 2013: 150,000,000) in issue throughout the period.

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

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of approximately HK\$6,044,000 (six months ended 30 June 2013: approximately HK\$1,302,000). Items of property, plant and equipment with a net carrying amount of approximately HK\$38,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK\$260,000), resulting in a loss on disposal of approximately HK\$32,000 (six months ended 30 June 2013: HK\$260,000).

## 13. TRADE RECEIVABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Not past due	24,029	11,753
1–30 days past due	4,082	3,850
31–60 days past due	921	709
61–90 days past due	419	101
Over 90 days past due	448	376
	<b>29,899</b>	<b>16,789</b>

## 14. PREPAYMENTS AND DEPOSITS

Prepayments and deposits as at 30 June 2014 and 31 December 2013 include a rental deposit of HK\$160,000 paid to Richmind, a related company to the Group. The rental deposit is refundable to the Group at the end of the relevant lease terms. Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company, have beneficial interests in Richmind.

## 15. TRADE AND OTHER PAYABLES

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

	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Not past due	22,125	14,506
1-30 days past due	14,414	11,692
31-60 days past due	9,312	4,054
61-90 days past due	1,043	1,708
Over 90 days past due	11,414	6,801
	<b>58,308</b>	<b>38,761</b>
Other payables and accruals	17,406	14,073
Deposit received	6,354	7,190
	<b>82,068</b>	<b>60,024</b>

Included in trade payables as at 30 June 2014 was an amount of approximately HK\$756,000 (31 December 2013: approximately HK\$418,000) which was due to a PRC entity, Guifeng (as defined in note 16).

Included in other payables as at 30 June 2014 was an aggregate amount of RMB8,400,000 (equivalent to HK\$10,500,000) which represented advance from two independent third parties (31 December 2013: RMB5,400,000, equivalent to HK\$6,835,000, advanced from one independent third party). The advances are unsecured, non-interest bearing and repayable as to RMB5,400,000 (equivalent to HK\$6,750,000) (31 December 2013: RMB5,400,000, equivalent to HK\$6,835,000) by 5 December 2014 and RMB3,000,000 (equivalent to HK\$3,750,000) by 9 January 2015.

## 16. RELATED PARTY TRANSACTIONS

- (i) During the six months ended 30 June 2014, the Group carried out the following transactions with its related parties:

		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Nature of Transaction			
深圳市桂峰表業有限公司 (Shenzhen Guifeng Watch Company Limited) ("Guifeng") (note (a))	Assembly of watches	3,603	5,880
Data Champion (note (b))	Disposal of a subsidiary	—	24,000
Richmind (note (b))	Rental expense	480	160

*Notes:*

- (a) A close family member of Mr. Yang Yijun, a director of the Company, has material equity interest in Guifeng.
- (b) Upon completion of disposing Richmind to Data Champion as mentioned in note 5, Richmind ceased to be a subsidiary of the Group and became a related party of the Group. The Group on the same date entered into tenancy agreements with Richmind in relation to the leases of its office premises for a term of three years from the first day of month following the completion of the Disposal. Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company, have equity interests in Data Champion and Richmind.

**16. RELATED PARTY TRANSACTIONS (CONTINUED)****(ii) Compensation of key management personnel**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	3,677	3,566
Post-employment benefits	68	60
	<b>3,745</b>	<b>3,626</b>

**17. OPERATING LEASE COMMITMENTS**

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

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,285	2,479
Within two and five years	4,259	6,189
	<b>6,544</b>	<b>8,668</b>

The Group leases certain properties under operating leases. The leases run for an initial period of one to five (31 December 2013: one to five) years, with options to renew the lease terms at the expiry dates or other dates as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

In March 2014, one of the above leases was terminated and accordingly, the Group has no operating lease commitments for this lease subsequent to the termination.

**18. EVENT AFTER REPORTING DATE**

On 31 July 2014, the Board of Directors of the Company proposed to pay a special dividend of HK\$0.24 per share, totalling HK\$36,000,000 (the "Proposed Distribution") for the year ending 31 December 2014. Such Proposed Distribution is conditional on the completion of the Proposed Disposal as mentioned in note 1.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

On 27 June 2014, the Company entered into a conditional disposal agreement with Golden Business Development Limited, which is a wholly owned subsidiary of Data Champion Limited (“Data Champion”), to dispose of its entire 100% direct equity interest in two subsidiaries, namely Goldnet Holdings Group Limited (“Goldnet (HK)”) and Goldnet Holdings Group Limited (“Goldnet (BVI)”), and the benefits of all loans advanced by the Company to Goldnet (HK) and Goldnet (BVI). The Goldnet (HK) and Goldnet (BVI), collectively the “Goldnet Group”) principally engaged in the PRC Watch Business. The management believed that the disposal of the Goldnet Group would remove the Group’s exposure to the loss-making PRC Watch Business and enable it to focus its management and financial resources on developing its Sourcing Business. Details of the disposals are set out in the circular of the Company date 31 July 2014.

### Sourcing Business

Benefited from the increasing orders from our brand owner customer in watch business as the western market is recovering, the Group’s overall revenue increased during the Period as compared to same period last year.

Our key customer of display and packaging products business is focusing on the launch of new display program in the second half of 2014. Hence, shipment remained slow for the Period. Meanwhile, we continued to develop businesses with other new brand owner customers during the Period amidst keen competition in the market.

Turnover of our costume jewelries business remained stable as comparable to same period last year.

### PRC Watch Business

Further costs and expenses were incurred and the PRC Watch Business continued to endure a loss for the Period. As discussed above, the management believe that the disposal of the Goldnet Group would remove the Group’s exposure to the loss-making PRC Watch Business.

## Financial Review

### *Revenue*

For the Period, the Group reported overall revenue of approximately HK\$106,252,000 (six months ended 30 June 2013: HK\$80,743,000) representing an increase of approximately HK\$25,509,000 or 31.6% from the Previous Period. It comprised of Sourcing Business revenue of approximately HK\$74,368,000 (six months ended 30 June 2013: HK\$62,610,000), an increase of approximately HK\$11,758,000 or 18.8% mainly as a result of increased orders for watch products from our brand owner customer, and PRC Watch Business revenue of approximately HK\$31,884,000 (six months ended 30 June 2013: HK\$18,133,000), an increase of approximately HK\$13,751,000 or 75.8% mainly due to continued market development and growth in number of sales outlets during the Period.

### *Gross Profit*

For the Period, the Group's gross profit increased by approximately HK\$7,440,000 or 36.9% to approximately HK\$27,598,000 (six months ended 30 June 2013: HK\$20,158,000), of which approximately HK\$16,646,000 (six months ended 30 June 2013: HK\$12,574,000) was contributed by the Sourcing Business and approximately HK\$10,952,000 (six months ended 30 June 2013: HK\$7,584,000) was contributed by the PRC Watch Business. Gross margin of Sourcing Business improved from about 20.1% to 22.4%, mainly attributable to the growth in watch business, while that of PRC Watch Business declined from approximately 41.8% to 34.3% due to discount pricing strategy to boost sales of past season inventory and focused on low-end market with products with lower margin.

### *Net Profit*

The Group's overall profit before taxation for the Period was approximately HK\$2,473,000 (six months ended 30 June 2013: HK\$17,190,000) and profit attributable to owners of the Company of approximately HK\$1,530,000 for the Period, representing a period-on-period decrease of approximately HK\$15,657,000 or 91.1% compared to approximately HK\$17,187,000 for the Previous Period; however, after excluded the non-recurring gain on disposal of a subsidiary of approximately HK\$18,020,000 for the Previous Period, the Group has in fact successfully turned around to profit for the Period from loss of HK\$833,000 for the Previous Period, which was wholly contributed to the increase in profits on Sourcing Business.

The Group's profit before income tax comprised of profits on Sourcing Business for the Period of approximately HK\$8,423,000 (six months ended 30 June 2013: HK\$3,956,000) and loss on PRC Watch Business for the Period of approximately HK\$1,842,000 (six months ended 30 June 2013: loss of HK\$1,254,000) and corporate expenses of approximately

HK\$4,108,000 (six months ended 30 June 2013: income of HK\$14,488,000). Further loss on PRC Watch Business for the Period owing to continuous brand building and promotional expenses incurred.

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

The Group generally finances its daily operations from internally generated cash flows. As at 30 June 2014, the Group had cash and cash equivalents of HK\$34,468,000 (31 December 2013: HK\$37,337,000) and the net assets value of approximately HK\$55,669,000 (31 December 2013: HK\$53,955,000). The Group did not have any bank borrowings, guarantee and banking facilities.

Taking into account the current assets of HK\$122,678,000 as at 30 June 2014 (31 December 2013: HK\$103,466,000), the Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

### **Charges on Assets**

As at 30 June 2014, the Group did not have any charges on its assets.

### **Foreign Exchange Exposure**

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out and the management will consider hedging the foreign exchange exposure if it is significant to the Group.

### **Contingent liabilities and Capital Commitment**

As at 30 June 2014, the Group did not have any material contingent liabilities or capital commitment.

### **Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets**

Save for those disclosed in note 1 in this report, there were no other significant investments held as at 30 June 2014, nor were there material acquisitions and disposals of subsidiaries during the Period. There is no plan for material investments or capital assets as at the date of this report.



## Employees and Remuneration Policies

The Group had 429 (2013: 353) employees as at the end of the Period. The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees by providing competitive remuneration package to our employees including salaries, allowances, insurance, discretionary bonus, and training for human resources upskilling.

## Prospect

After the Proposed Disposal, the Group will concentrate on developing Sourcing Business and remain cautious on cost control and to uphold quality assurance of products in order to remain competitive for its valuable customers. The Group will also keep developing new brand customers and enhance new business relationship to stimulate growth. It will continue to maintain the overall costing level until signs of recovery is noticed in Sourcing Business.

Under the present economic environment in the PRC, it is expected that the Proposed Disposal would remove the Group's exposure to the loss-making PRC Watch Business and enable it to focus its management and financial resources on developing Sourcing Business. The Group's Sourcing Business is relatively well established and has been self-sustainable in terms of working capital. After the Proposed Disposal, the Group will no longer require to reserve cash resources to finance the business development of the loss-making Goldnet Group.

## 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 2014, 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 30 June 2014, 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*

<b>Name of shareholder</b>	<b>Capacity/Nature of interest</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Data Champion Limited	Beneficial owner	108,000,000	72.00%

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited ("Messis Capital"), as at 30 June 2014, 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**

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 Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules throughout the Period.

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

## **DIRECTORS SECURITIES TRANSACTIONS**

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

## AUDIT COMMITTEE

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

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

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

Hong Kong, 13 August 2014

*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.*