



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

First Quarterly Report **2014**

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 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 is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to the “Group”) for the three months ended 31 March 2014 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2013 (the “Previous Period”) as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$48,557,000 (three months ended 31 March 2013: HK\$38,940,000) for the Period, which represented an increase of HK\$9,617,000 or 24.7% as compared with the Previous Period.
- The profit attributable to owners of the Company was HK\$581,000 (three months ended 31 March 2013: HK\$126,000) for the Period, which represented an increase of HK\$455,000 or 361.1% as compared with the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended	
		31 March	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	48,557	38,940
Cost of sales		(34,964)	(28,701)
Gross profit		13,593	10,239
Other income		113	185
Selling and distribution costs		(3,575)	(2,296)
Administrative expenses		(9,022)	(7,877)
Finance costs	5	—	(52)
Profit before income tax	6	1,109	199
Income tax expense	7	(528)	(73)
Profit for the period		581	126
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising on translation of foreign operations		—	32
Total comprehensive income for the period		581	158
Profit for the period attributable to owners of the Company		581	126
Total comprehensive income for the period attributable to owners of the Company		581	158
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted	9	0.4	0.1

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	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
At 1 January 2014 (audited)	15,000	6,937	155	1,033	577	30,253	53,955
Profit for the period/Total comprehensive income for the period	—	—	—	—	—	581	581
At 31 March 2014 (unaudited)	15,000	6,937	155	1,033	577	30,834	54,536
At 1 January 2013 (audited)	15,000	6,937	155	1,033	492	34,189	57,806
Profit for the period	—	—	—	—	—	126	126
Other comprehensive income:							
Exchange difference arising on translation of foreign operation	—	—	—	—	32	—	32
Total comprehensive income for the period	—	—	—	—	32	126	158
At 31 March 2013 (unaudited)	15,000	6,937	155	1,033	524	34,315	57,964

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. 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 Company's shares were listed on the GEM of the Exchange on 26 January 2011.

The principal activity of the Company is investment holding. The principal activities of the Group is 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 design, manufacture and distribution of watches of the Group's own brands of the watches in the People's Republic of China (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 on 12 May 2014.

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 2014, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2014 are consistent with those of the annual financial statements for the year ended 31 December 2013, 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 2013.

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 2013.

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	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Revenue		
Sales of goods	48,397	38,757
Freight income	160	183
	48,557	38,940

4. 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Three months ended 31 March 2014			
(unaudited)			
Reportable segment revenue	34,737	13,820	48,557
Reportable segment profit/(loss)	4,497	(1,177)	3,320
Interest income			110
Corporate income and expenses			(2,321)
Profit before income tax			1,109
Adjusted EBITDA <i>(note)</i>	4,591	(876)	3,715
Three months ended 31 March 2013			
(unaudited)			
Reportable segment revenue	31,453	7,487	38,940
Reportable segment profit/(loss)	2,660	(849)	1,811
Interest income			47
Corporate income and expenses			(1,659)
Profit before income tax			199
Adjusted EBITDA <i>(note)</i>	2,800	(672)	2,128

Notes: 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.

5. FINANCE COSTS

	Three months ended 31 March	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five year	—	52

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	395	311
Net exchange (gain)/loss	381	(46)
Operating lease charges in respect of land and building	728	406

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current income tax — Hong Kong Profits Tax — charge for the period	528	73

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

The Group's subsidiary in other region of the PRC is subject to PRC Enterprise Income Tax ("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 or Previous 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 Period or Previous Period.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (three months ended 31 March 2013: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the profit attributable to the owners of the Company amounting to HK\$581,000 (three months ended 31 March 2013: HK\$126,000), and the weighted average number of shares of 150,000,000 (three months ended 31 March 2013: 150,000,000) in issue throughout the Period.

The Group had no potential dilutive ordinary shares in issue during the Period or Previous Period.

10. CONTINGENT LIABILITIES

At the end of the Period, the Group did not have any guarantees and material contingent liabilities (31 December 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

First quarter of each year is the traditional low shipping season of long Chinese New Year holiday for Sourcing Business, but with increasing orders from our brand owner customer in watch business as the western market is recovering, the Group reported better performance during the Period.

Our display and packaging products business was hinged on the launching of new display program of our brand owner customers. Our major customer is now focusing on developing new display program for launch in the later part of 2014. Hence, revenue remained low for the Period. We continue to develop businesses with other new brand owner customers during the Period amidst keen competition in the market.

For our costume jewelries business, as there was a sign of recovery in US retail market where our brand owner customer focused on, the result for the Period has improved as compared to the Previous Period.

PRC Watch Business

We achieved continuous growth in revenue in our PRC Watch Business during the Period through our effort in brand building of “Tianba” including the promotional campaign and celebrity endorsement adopted in previous years. Due to the expansion and additional resources were spent for market development, the results remained at a loss for the Period.

By the end of the Period, we had over 300 self-operated retail outlets and 180 distributor outlets in China, which represented a significant increase as compared to approximately 130 self-operated and 120 distributor outlets at the end of the Previous Period.

Financial Review

Revenue

For the Period, the Group reported a total revenue of HK\$48,557,000 (three months ended 31 March 2013: HK\$38,940,000) representing an increase of HK\$9,617,000 or 24.7% from the Previous Period, mainly due to the increase in the revenue of the Sourcing Business by HK\$3,284,000 or 10.4%, to HK\$34,737,000 (three months ended 31 March 2013: HK\$31,453,000) for the Period. Moreover, revenue from our PRC Watch Business significantly increased by HK\$6,333,000 or 84.6% to HK\$13,820,000 (three months ended 31 March 2013: HK\$7,487,000) attributed by the expansion and growth in number of sales outlets during the Period.

Gross Profit

For the Period, the Group's gross profit increased by HK\$3,354,000 or 32.8% to HK\$13,593,000 (three months ended 31 March 2013: HK\$10,239,000), of which HK\$8,510,000 (three months ended 31 March 2013: HK\$6,736,000) was contributed by the Sourcing Business.

Net Profit

The Group's profit attributable to owners of the Company of HK\$581,000 for the Period, representing a period-on-period increase of HK\$455,000 or 361.1% compared to HK\$126,000 for the Previous Period mainly due to better performance in our Sourcing Business.

The Group's profit attributable to owners of the Company comprised of the segment profit on Sourcing Business of approximately HK\$4,497,000 (three months ended 31 March 2013: HK\$2,660,000) and net off with the segment loss on PRC Watch Business of approximately HK\$1,177,000 (three months ended 31 March 2013: loss of HK\$849,000) and the total of interest income, net corporate expenses and income tax expense of approximately HK\$2,739,000 (three months ended 31 March 2013: HK\$1,685,000) for the Year.

The Group recorded a increase in adjusted EBITDA by approximately HK\$1,587,000 or 74.6% to HK\$3,715,000 (three months ended 31 March 2013: HK\$2,128,000), attributed by the Sourcing Business amounted to HK\$4,591,000 (three months ended 31 March 2013: HK\$2,800,000) and PRC Watch Business amounted to loss of HK\$876,000 (three months ended 31 March 2013: loss of HK\$672,000). Sourcing Business's result improved mainly due to better performance in watch business during the Period. However, losses recorded in PRC Watch Business for the Period was mainly results of expansion of the PRC Watch Business and spending on Tianba brand building and promotion.

As at 31 March 2014, the Group had bank balances and cash of approximately HK\$35,178,000 (31 December 2013: 37,337,000) and the net assets value of HK\$54,536,000 (31 December 2013: HK\$53,955,000). The Group has kept sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

Prospect

We are seeing increasing orders for our new watch design from our major brand owner customer in watch business. Although the performance in our display and packaging products business remained low, we look forward to receiving orders from new display program launch by major display customer and shipment is expected to be picked up in the later part of 2014. Meanwhile, 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 continue to maintain the overall costing level until signs of recovery is noticed in the Sourcing Business.

Growth in revenue of our PRC Watch Business is our motivation to excel. Resources were spent on brand building, we continued to endure a loss for the Period. We will focus on monitoring the existing sales outlet's performance and the efficiency and effectiveness of its cost deployment. At the same time, we will continuously consolidate strategic partnership with reputable and reliable local wholesalers and fine tune business strategies in a timely manner.

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 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 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 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 31 March 2014, 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 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

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 31 March 2014, except for the compliance adviser agreement entered into between the Company and the 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.

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, 12 May 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.