



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 **2015**

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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.

This report will remain on the “Latest Company Announcements” page of the GEM website at 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.

The Board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$150,397,000 (nine months ended 30 September 2014: HK\$173,921,000) for the nine months ended 30 September 2015 (the “Period”) which represented a decrease of HK\$23,524,000 or 13.5% as compared with the corresponding previous period (the “Previous Period”). The revenue from the Previous Period comprised of revenue from Sourcing Business (continuing operations) amounted to HK\$129,565,000 and revenue from PRC Watch Business (discontinued operation) amounted to HK\$44,356,000.
- The profit attributable to the owners of the Company was HK\$2,640,000 (nine months ended 30 September 2014: HK\$8,849,000) for the Period, which represented a decrease of HK\$6,209,000 or 70.2% as compared with the Previous Period. After excluding the non-recurring bargain purchase gain recognised in business combination of approximately HK\$4,084,000 and the recognition of the equity-settled share-based payments of approximately HK\$5,130,000 during the Period, the profit attributable to the owners of the Company for the Period was HK\$3,686,000 (nine months ended 30 September 2014: HK\$6,601,000, as adjusted by excluding the non-recurring gain on disposal of subsidiaries of HK\$2,248,000) representing a decrease of HK\$2,915,000 or 44.2% 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	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Continuing operations					
Revenue	3	55,001	55,197	150,397	129,565
Cost of sales		(34,530)	(39,866)	(97,244)	(97,588)
Gross profit		20,471	15,331	53,153	31,977
Other income	4	133	13	344	163
Gain on disposal of interest in subsidiaries	5	—	2,248	—	2,248
Selling and distribution costs		(1,212)	(421)	(3,558)	(851)
Administrative expenses		(13,956)	(7,975)	(41,718)	(20,026)
Bargain purchase gain recognised in business combination	6	—	—	4,084	—
Profit from operations		5,436	9,196	12,305	13,511
Finance costs	8	(227)	—	(523)	—
Profit before Income tax	9	5,209	9,196	11,782	13,511
Income tax expense	10	(2,857)	(1,755)	(5,705)	(2,695)
Profit for the period from continuing operations		2,352	7,441	6,077	10,816
Discontinued operation					
Loss for the period from discontinued operation	5	—	(122)	—	(1,967)
Profit for the period		2,352	7,319	6,077	8,849
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
— Exchange differences arising from translation of foreign operations		(2,325)	—	(1,613)	184
— Reclassification adjustment for disposal of subsidiaries	5	—	(761)	—	(761)
		(2,325)	(761)	(1,613)	(577)
Total comprehensive income for the period		27	6,558	4,464	8,272

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period attributable to:					
Owners of the Company		1,099	7,319	2,640	8,849
Non-controlling interests		1,253	—	3,437	—
		2,352	7,319	6,077	8,849
Total comprehensive income for the period attributable to					
Owners of the Company		(736)	6,558	1,455	8,272
Non-controlling interests		763	—	3,009	—
		27	6,558	4,464	8,272
Earnings per share from continuing and discontinued operations					
— Basic and diluted	12	0.80 cents	4.53 cents	2.64 cents	5.48 cents
Earnings per share from continuing operations					
— Basic and diluted	12	0.80 cents	4.61 cents	2.64 cents	6.70 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										
	Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2015 (audited)		15,000	6,937	155	1,033	–	–	1,052	24,177	–	24,177
Profit for the period		–	–	–	–	–	–	2,640	2,640	3,437	6,077
Other comprehensive income											
Exchange differences arising on translation of foreign operations		–	–	–	–	–	(1,185)	–	(1,185)	(428)	(1,613)
Total comprehensive income for the period		–	–	–	–	–	(1,185)	2,640	1,455	3,009	4,464
Issue of new shares upon open offer		8,800	52,800	–	–	–	–	–	61,600	–	61,600
Issue of new shares through placing		3,520	22,000	–	–	–	–	–	25,520	–	25,520
Issue and allotment of consideration shares		2,600	20,540	–	–	–	–	–	23,140	–	23,140
Non-controlling interest arising from acquisition of subsidiaries		–	–	–	–	–	–	–	–	9,838	9,838
Recognition of equity-settled share-based payments		–	–	–	–	5,130	–	–	5,130	–	5,130
Share issuing expenses		–	(2,207)	–	–	–	–	–	(2,207)	–	(2,207)
At 30 September 2015 (unaudited)		29,920	100,070	155	1,033	5,130	(1,185)	3,692	138,815	12,847	151,662
At 1 January 2014 (audited)		15,000	6,937	155	1,033	–	577	30,253	53,955	–	53,955
Profit for the period		–	–	–	–	–	–	8,849	8,849	–	8,849
Other comprehensive income											
Exchange differences arising on translation of foreign operations		–	–	–	–	–	184	–	184	–	184
Reclassification adjustment for disposal of subsidiaries	5	–	–	–	–	–	(761)	–	(761)	–	(761)
Total comprehensive income for the period		–	–	–	–	–	(577)	8,849	8,272	–	8,272
Special dividend paid	11	–	–	–	–	–	–	(36,000)	(36,000)	–	(36,000)
At 30 September 2014 (unaudited)		15,000	6,937	155	1,033	–	–	3,102	26,227	–	26,227

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 Units 610–611 of Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

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

This 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 5 November 2015.

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 on 1 January 2015, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2015 are consistent with those of the annual financial statements for the year ended 31 December 2014, 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 2014.

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.

As mentioned in note 5, the disposal of Goldnet Group was completed on 26 August 2014. As the operation carried out by the Goldnet Group represents a separate major line of the Group’s business, namely the PRC Watch Business, the financial performance of Goldnet Group had been classified as discontinued operation in accordance with HKFRS 5.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The preparation of these 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 2014.

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 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Continuing operations				
Revenue				
Sales of goods	41,635	55,040	120,663	129,126
Freight income	107	157	338	439
Retail of silverware	13,259	—	29,396	—
	55,001	55,197	150,397	129,565
Discontinued operation				
Sales of goods	—	12,472	—	44,356
	55,001	67,669	150,397	173,921

4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Continuing operations				
Bank interest income	70	12	195	163
Sundry income	63	1	149	—
	133	13	344	163
Discontinued operation				
Bank interest income	—	—	—	2
Sundry income	—	—	—	14
	—	—	—	16
	133	13	344	179

5. DISPOSAL OF INTEREST IN SUBSIDIARIES AND DISCONTINUED OPERATION

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, 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)”) (collectively referred to as the “Goldnet Group”), which included property, plant and equipment of HK\$9,021,000, intangible assets of HK\$5,747,000, inventories of HK\$38,365,000, trade and other receivables of HK\$16,181,000, cash and cash equivalents of HK\$605,000, trade and other payables of HK\$48,406,000 and the benefits of all loans of approximately HK\$43,462,000 advanced by the Company to the Goldnet Group for a cash consideration of HK\$23,000,000 (the “Disposal of Goldnet Group”). Goldnet (HK) was incorporated in Hong Kong and is principally engaged in investment holding. The major assets of Goldnet (HK) was 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 design, manufacture and distribution of the Group’s own brands of watches through its sales points in the PRC (the “PRC Watch Business”). Goldnet (BVI) was incorporated in British Virgin Islands and was principally engaged in investment holding. The Disposal of Goldnet Group was completed on 26 August 2014 and the net loss from operation from 1 January 2014 to the date of completion of HK\$1,967,000 included revenue of HK\$44,356,000, other income of HK\$16,000 and income tax expense of HK\$3,000. A gain of approximately HK\$2,659,000 arising on the Disposal of Goldnet Group was realised which was included in the condensed consolidated statement of comprehensive income for the previous Period. Upon completion of the Disposal of Goldnet Group, Goldnet Group ceased to be subsidiaries of the Group.

At the date of disposal, Data Champion Limited was owned by Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, who are the former executive directors of the Company.

6. ACQUISITION OF A SUBSIDIARY

On 8 December 2014, the Company and Mr. Chow Tsi Tung (the "Vendor") has entered into SPA, pursuant to which the Company has agreed to acquire the entire issued share capital in Core Kingdom Limited and corresponding shareholder's loan due by Core Kingdom Limited, which indirectly owns 51% equity interest in 浙江通銀貴金屬經營有限公司 (for identification purpose, Zhejiang Tong Yin Precious Metal Operation Company Limited) ("Tong Yin"), a company engages in retail of luxury brand silverware and silver utensils in the PRC. The consideration to be settled in the following manner upon completion of the acquisition:

- (i) HK\$4,800,000 in cash upon signing of the SPA as the refundable deposit;
- (ii) HK\$31,200,000 which shall be satisfied by allotment and issue of the 26,000,000 consideration shares upon completion.

The acquisition has been completed on 27 February 2015 (the "Complete Date").

The following table summarises the fair value of consideration paid to the Vendor and the fair value of acquisition of Core Kingdom Group assets acquired and liabilities assumed at the acquisition date.

6. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Acquisition-related costs of approximately HK\$362,000 have been charged to “administrative expenses” in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2015.

HK\$'000

Consideration satisfied by:

– Cash	4,800
– Consideration shares (i)	23,140
– Sale loan (ii)	(7,293)
– Profit guarantee, at fair value (iii)	(20,536)

Total consideration

111

Net assets acquired:

Property, plant and equipment	3,150
Inventories	3,013
Prepayments, deposits and other receivables	1,002
Cash and cash equivalents	16,627
Trade and other payables	(2,466)
Amount due to the shareholder	(7,293)

Total identifiable net assets

14,033

Less: Non-controlling interests	(9,838)
Bargain purchase gain recognised in business combination	(4,084)

Total consideration

111

Net cash inflow on business combination:

Consideration paid in cash	(4,800)
Cash and cash equivalents acquired	16,627
Net cash inflow	11,827

6. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Notes:

- (i) The fair value of 26,000,000 ordinary shares of the Company issued as part of the consideration paid for acquisition of Core Kingdom Group (HK\$23,140,000) was based on the spot price of the Company's share price as at the Completion Date, which is HK\$0.89 per share.
- (ii) The sale loan represents the shareholder's loan, owing by Core Kingdom Limited to the Vendor as at Completion Date, is amounted to approximately HK\$7,293,000. Pursuant to the agreement, the Vendor transfer and assign the shareholder's loan due by Core Kingdom Limited to the Company.
- (iii) Pursuant to the SPA entered in relation to the acquisition, the Vendor has guaranteed that the audited profit after tax of Tong Yin for the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 shall not be less than RMB20,000,000, RMB24,000,000 and RMB30,000,000 (each the "Profit Guarantee") respectively.

In case the Profit Guarantee is not fulfilled for the corresponding year, the Vendor shall pay 51% of the shortfall ("Shortfall") to the Company within seven days of the delivery of the audited financial statements, and for the avoidance of doubt, if Tong Yin sustained loss for such financial year, 51% of the amount of such loss shall be included as part of the Shortfall.

The Vendor expressly agrees that 10,000,000 of the Consideration Shares ("Escrow Shares") shall be deposited into a securities account in the name of the Vendor but all tradings of such account can only be operated by the Company singly and no amount shall be withdrawn from such account except with joint instruction of the Vendor and the Company, until the obligations and liabilities of the Vendor have been fully discharged and satisfied.

The gross contractual amount of the profit guarantee at fair value, amounted to approximately HK\$20,536,000.

Impact of acquisition on the results of the Group

Included in the profit for the period of approximately HK\$7,014,000 was attributable to the additional business generated by Core Kingdom Group. Revenue for the period includes HK\$29,396,000 in respect of Core Kingdom Group.

Had these business combinations been effected at 1 January 2015, the revenue of the Group would have been HK\$38,446,000, and the profit for the period would have been HK\$9,956,000. The directors consider these 'pro-forma' numbers to represent an approximately measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

7. SEGMENT INFORMATION

The Group has two reportable segments:

1. Sourcing Business
2. PRC Silverware Business

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

	Three months ended 30 September				Nine months ended 30 September			
	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	PRC		PRC Watch Business	Total	PRC		PRC Watch Business	Total
	Sourcing Business	Silverware Business			Sourcing Business	Silverware Business		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Three months and Nine months ended 30 September 2015 (unaudited)								
Reportable segment revenue (note a)	41,742	13,259	—	55,001	121,001	29,396	—	150,397
Reportable segment profit	4,004	4,660	—	8,664	12,152	10,299	—	22,451
Interest income				70				195
Corporate income and expenses				—				4,084
Gain on bargain purchase				(87)				(260)
Interest on secured loan				(227)				(523)
Legal and professional fee				(1,056)				(2,443)
Operating lease charges in respect of land and building				(306)				(918)
Share-based payment				—				(5,130)
Others				(1,852)				(5,674)
Profit before income tax				5,206				11,782
Adjusted EBITDA (note b)	4,123	5,106	—	9,229	12,552	11,146	—	23,698
Three months and Nine months ended 30 September 2014 (unaudited)								
Reportable segment revenue (note a)	55,197	—	12,472	67,669	129,565	—	44,356	173,921
Reportable segment profit/(loss)	10,576	—	(120)	10,456	18,957	—	(1,967)	16,990
Interest income				12				165
Gain on disposal of interest in subsidiaries				2,248				2,248
Corporate income and expenses				(3,642)				(7,856)
Profit before income tax				9,074				11,547
Adjusted EBITDA (note b)	10,693	—	249	10,942	19,270	—	(903)	18,367

7. SEGMENT INFORMATION (CONTINUED)

Notes:

- (a) There were no inter-segment sales during the three months and nine months ended 30 September 2015 and 2014.
- (b) During the three months and nine months ended 30 September 2015 and 2014, 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 base is consistent with that of the segment results except that interest expenses and depreciation charge are not included in the Adjusted EBITDA.

8. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on secured loan wholly repayable within five years	227	—	523	—

9. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	652	486	1,507	1,377
Net exchange loss	32	32	186	473
Operating lease charges in respect of land and building	2,296	527	4,291	1,836
Loss on disposal of property, plant and equipment	—	—	—	32
Share-based payment	—	—	5,130	—
Interest on secured loan wholly repayable within five years	227	—	523	—
Bargain purchase gain	—	—	(4,084)	—

10. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations				
Current income tax:				
Hong Kong Profits Tax				
— Charge for the period	716	1,755	2,369	2,695
PRC Enterprise Income Tax ("EIT")				
— Charge for the period	2,141	—	3,336	—
	2,857	1,755	5,705	2,695
Discontinued operation				
— Under provision in prior years	—	—	—	3
Total income tax expense	2,857	1,755	5,705	2,698

Hong Kong Profits Tax is provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits.

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

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

11. DIVIDENDS

The dividends paid during the Period was HK\$Nil (nine months ended 30 September 2014: HK\$36,000,000). The dividends paid during the Previous Period represented a special dividend of HK\$0.24 per ordinary share, which were paid in August 2014 and mainly financed by the net proceeds generated from the disposal of Goldnet Group (note 5).

The Board does not recommend the payment of an interim dividend for the Period.

12. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and nine months ended 30 September 2015 are based on the respective profits for each period attributable to the ordinary shareholders of the Company of approximately HK\$2,352,000 and HK\$6,077,000 (three months and nine months ended 30 September 2014: HK\$7,319,000 and HK\$8,849,000) and the respective weighted average number of shares of approximately 293,843,000 and 230,272,000 (three months and nine months ended 30 September 2014: 161,492,000, as adjusted to reflect the effect of issuance of shares upon open offer in May 2015) in issue throughout the corresponding periods.

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

13. EVENTS AFTER THE REPORTING PERIOD

On 30 October 2015, the potential vendors and the Company entered into a memorandum of understanding in relation to the possible acquisition of land, buildings, machineries and equipment (Collectively referred to as the "Sale Assets") by the Company or its subsidiary at the consideration for which may be satisfied by way of issue of new shares and/or convertible bonds by the Company. All the Sale Assets are situated in Huzhou city, Zhejiang Province, the PRC and now being used by the potential vendors for production and sale of new electric vehicles and lithium-ion batteries for new electric vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

Similar to the previous months, the results in the Sourcing Business was mixed. We are maintaining a similar level of revenue in our watches business and stable orders received from our major brand owner customer.

Revenue in display and packaging business dropped mainly due to the stalling of shipment of our major brand owner customers during the Period. We are seeking for improvement for the months of October and November 2015. Less orders were received from one of our major customers in costume jewelries business during the Period which was mainly affected by the shrinking U.S. economy, we expect to receive more orders in the coming year.

PRC Silverware Business

This segment has first-time contributed to the Group's revenue, representing HK\$29,396,000 or 19.5% of the Group's total revenue during the Period. The profit of this segment for the Period amounted to HK\$10,299,000.

Financial Review

Revenue

The Group reported a total revenue of HK\$150,397,000 (nine months ended 30 September 2014: HK\$129,565,000 from continuing operations and HK\$44,356,000 from discontinued operation), representing a decrease of HK\$23,524,000 or 13.5% as compared with the Previous Period. The decrease in revenue was mainly due to the disposal of the PRC Watch Business in 2014. Nonetheless, the revenue of Sourcing Business has declined by HK\$8,564,000 or 6.6% from HK\$129,565,000 to HK\$121,001,000. The reduction in revenue was mainly due to the shrinking U.S. economy which result in decrease in number of orders of costume jewelries business. On the other hand, the revenue from the PRC Silverware Business was HK\$29,396,000 for the Period (nine months ended 30 September 2014: Nil).

Gross Profit

The Group reported a gross profit of HK\$53,153,000 (nine months ended 30 September 2014: HK\$31,977,000, which represented an increase in gross profit of HK\$21,176,000 or 66.2% during the Period).

Net Profit

The Group's overall profit before income tax for the Period was HK\$11,782,000 (nine months ended 30 September 2014: HK\$13,511,000), representing a decrease of HK\$1,729,000 or 12.8% as compared with the Previous Period. The profit attributable to the owners of the Company for the Period was HK\$2,640,000 (nine months ended 30 September 2014: HK\$8,849,000), representing a decrease of HK\$6,209,000 or 70.2% as compared with the Previous Period. However, after excluding the non-recurring bargain purchase gain recognised in business combination of approximately HK\$4,084,000 and the recognition of equity-settled share-based payment of approximately HK\$5,130,000 during the Period, the profit attributable to the owners of the Company for the Period would be HK\$3,686,000 (nine months ended 30 September 2014: HK\$6,601,000, as adjusted by excluding the non-recurring gain on disposal of subsidiaries of HK\$2,248,000), representing a decrease of HK\$2,915,000 or 44.2% as compared with the Previous Period.

The Group's profit before income tax for the Period comprised of profits from Sourcing Business of HK\$12,295,000 (nine months ended 30 September 2014: HK\$19,000,000) and the segment profit on the PRC Silverware Business was HK\$10,350,000 (nine months ended 30 September 2014: HK\$Nil) and the total of interest income, net corporate expenses and income tax expenses was HK\$16,377,000 (nine months ended 30 September 2014: HK\$10,389,000).

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 30 September 2015, the Group had cash and cash equivalents of HK\$142,672,000 (31 December 2014: HK\$32,340,000) and the net assets value of approximately HK\$151,662,000 (31 December 2014: HK\$24,177,000). The Group did not have any bank borrowings, guarantee and banking facilities. The increase was mainly attributable to the completion of the Acquisition (as defined below) during the Period.

Taking into account the net current assets of HK\$132,905,000 as at 30 September 2015 (31 December 2014: HK\$16,508,000), 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 to obtain a loan of HK\$15,000,000. The exclusive purpose of the loan was to provide working capital to the Group. 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 by not later than 12 months from the drawdown date. Subject to certain conditions, the Company shall have the right to extend the repayment date by 12 months after the original repayment date.

During the Period, the interest expense on secured loan amounted to HK\$523,000 (nine months ended 30 September 2014: Nil).

Capital Structure

During the Period, the issued share capital of the Company had increased from 150,000,000 ordinary shares of HK\$0.10 each (the “Shares”) to 299,200,000 Shares as a result of (i) the issuance of 26,000,000 new Shares on 27 February 2015 pursuant to the completion of the Acquisition of a Subsidiary; (ii) the issuance of 88,000,000 offer shares on 20 May 2015 by way of open offer in terms of one offer share for every two shares held by the qualifying shareholders at a subscription price of HK\$0.7 per offer share (the “Open Offer”); and (iii) the issuance of 35,200,000 shares by way of placement on 27 July 2015 at the subscription price of HK\$0.725 per share (the “Placement”). Details of issuance of shares are set out in the sections headed “Significant Investments held Material Acquisitions”, “Open Offer” and “Placement of New Shares under General Mandate” below.

Significant Investments held Material Acquisitions

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

Save as aforesaid, there were no other significant investments and material acquisitions during the Period.

Possible Acquisition of Equity Interest in a Company

On 6 August 2015, the Company entered into a memorandum of understanding with an independent third party in relation to a possible acquisition by the Company of an effective 35% equity interest in a company established in the PRC which is principally engaged in the sales of silver and related activities including provision of investment information consultancy services and business information consultancy services (primarily on the pricing information for silver) in the PRC. The possible acquisition has not been materialised up to the date of this report. Further details were set out in the announcement of the Company dated 6 August 2015.

Formation of a Joint Venture

On 23 September 2015 International Faith Limited, an indirect wholly-owned subsidiary of the Company (the “Subscriber”), has entered into a subscription agreement pursuant to which the Subscriber has agreed to subscribe for the subscription shares, representing 1,200 shares or 10% of the issued shares of Brighsun Ev-tech Co., Limited as enlarged by the subscription, at the consideration of HK\$9,000,000. The subscription was completed on 15 October 2015.

Further details were set out in the announcements of the Company dated 23 September 2015 and 15 October 2015.

Possible Acquisition of Sale Assets of a Company

On 30 October 2015, the potential vendors and the Company entered into a memorandum of understanding in relation to the possible acquisition of land, buildings, machineries and equipment (Collectively referred to as the “Sale Assets”) by the Company or its subsidiary at the consideration for which may be satisfied by way of issue of new shares and/or convertible bonds by the Company. All the Sale Assets are situated in Huzhou city, Zhejiang Province, the PRC and now being used by the potential vendors for production and sale of new electric vehicles and lithium-ion batteries for new electric vehicles. Further details were set out in the announcement of the Company dated 30 October 2015.

Fund Raising Activities

Placement of Bonds

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

Open Offer

On 31 March 2015, the Company announced its proposal to raise funds by way of open offer in terms of one offer share for every two shares held by the qualifying shareholders at a subscription price of HK\$0.70 per offer share (the “Open Offer”). The Open Offer was fully underwritten by Emperor Securities Limited (the “Underwriter”) pursuant to the underwriting agreement (the “Underwriting Agreement”) dated 30 March 2015 entered into between the Company and the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter conditionally agreed to underwrite all the 88,000,000 offer shares subject to the terms and conditions set out in the Underwriting Agreement. The aggregate nominal value of the offer shares was HK\$8,800,000. The net proceeds from the Open Offer was approximately HK\$59.4 million. Further details of the Open Offer were set out in the Company’s announcement dated 31 March 2015 and the prospectus issued by Company dated 28 April 2015 and results of the Open Offer were set out in the Company’s announcement dated 19 May 2015.

Placement of New Shares under General Mandate (the “Placement”)

On 14 July 2015 (after trading hours), the Company entered into a placing agreement with the placing agent and the Placement was completed on 27 July 2015 in accordance with the terms and conditions of the placing agreement. The closing price of the share as quoted on the Stock Exchange on the date of the placing agreement was HK\$0.90. An aggregate of 35,200,000 placement shares have been successfully placed by the placing agent to not less than six placee at a price of HK\$0.725 per share. The net proceeds from the Placement amounted to approximately HK\$25.0 million. Further details of the Placement have been set out in the Company’s announcements dated 15 July 2015, 16 July 2015 and 27 July 2015.

Foreign Exchange Exposure

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

Contingent Liabilities and Capital Commitment

As at 30 September 2015, the Group did not have any material contingent liabilities or capital commitment.

Employees and Remuneration Policies

The Group had 106 (nine months ended 30 September 2014: 41) 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 employees.

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

Grant of Share Options

Share Option Scheme

On 27 May 2015 (the "Date of Grant"), the Company granted share options (the "Share Options") to the eligible persons 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. As at 30 September 2015, no option has been exercised and no option has lapsed. There are 15,000,000 options outstanding under the share option scheme. Details of the Grant of Share Options was set out in the announcement of the Company dated 27 May 2015.

Change of Auditors

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

Change of Company Secretary

Mr. Chan Kwong Leung, Eric (“Mr. Chan”) has tendered his resignation as the company secretary and authorised representative of the Company with effect from 4 August 2015. Following the resignation of Mr. Chan, Ms. Hui Wai Man, Shirley has been appointed as the company secretary and authorised representative of the Company with effect from 4 August 2015.

Prospects

Sourcing Business

The market condition of our sourcing business remained mixed and uncertain as affected by the shrinking retail distribution markets in Europe and US. We shall remain cautious on cost control and to uphold quality assurance of products in order to remain competitive for our valuable customers. It is also our ongoing objective to develop business with new brand customers and enhance existing business relationship to stimulate growth and continue to maintain the overall costing level.

PRC Silverware Business

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

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

As at 30 September 2015, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

Long positions in shares of the Company

(a) Interest in the shares of the Company

Director	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Fei Jie	Corporate interest (<i>Note</i>)	156,390,000	52.27%

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

(b) Interest in the shares of an associated corporation

Name of associated corporation: King Full Inc Limited

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

Save as disclosed above, as at 30 September 2015, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares and underlying shares of the Company

Name of shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
King Full Inc Limited	Beneficial owner <i>(Note 1)</i>	156,390,000	52.27%
Ms. Wu Wen	Interest in spouse <i>(Note 2)</i>	156,390,000	52.27%

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 156,390,000 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 156,390,000 shares by virtue of the SFO.

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

SHARE OPTION SCHEME

The Company operates a share option scheme 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 30 September 2015	Date of grant of share options	Validity period of share options	Exercise price of share options
	At 1 January 2015	Granted during the Period	Exercised during the Period	Expired during the Period	Lapsed during the Period				
<i>HK\$ per share</i>									
Eligible persons									
In aggregate	–	15,000,000	–	–	–	15,000,000	27-05-2015	27-05-2015 to 26-05-2018	1.17
	–	15,000,000	–	–	–	15,000,000			

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules throughout the Period, save as disclosed below:

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

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

DIRECTORS SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and chaired by Mr. Sit Sai Hung, Billy, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

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

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

Hong Kong, 5 November 2015

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