



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 **2011**

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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 Stock 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2011 (the "Period"):

- The Group's revenue amounted to HK\$111,994,000 (2010: HK\$84,214,000) which represented an increase of 33.0% as compared with the corresponding period in 2010 (the "Previous Period").
- The profit attributable to owners of the Company was HK\$5,011,000 (2010: HK\$4,288,000).
- The Board recommended the payment of an interim dividend of HK1.0 cent per share for the year ended 31 December 2011.
- The Group had over 110 sales points in the PRC.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors of Powerwell Pacific Holdings Limited announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2011 together with the comparative unaudited figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Revenue	4	67,138	56,471	111,994	84,214
Cost of sales		(51,085)	(43,008)	(85,762)	(65,118)
Gross profit		16,053	13,463	26,232	19,096
Other income		58	75	162	646
Selling and distribution costs		(2,181)	(393)	(4,339)	(1,122)
Administrative expenses		(7,937)	(5,757)	(15,467)	(11,069)
Other operating expenses		—	(1,239)	—	(1,486)
Finance costs		(6)	(8)	(6)	(17)
Profit before income tax	5	5,987	6,141	6,582	6,048
Income tax expense	6	(1,339)	(1,331)	(1,566)	(1,434)
Profit for the period		4,648	4,810	5,016	4,614
Other comprehensive income for the period					
— Exchange differences arising on translation of foreign operations		113	—	181	—
Total comprehensive income for the period		4,761	4,810	5,197	4,614
Profit for the period attributable to:					
Owners of the Company		4,643	4,455	5,011	4,288
Non-controlling interests		5	355	5	326
		4,648	4,810	5,016	4,614
Total comprehensive income for the period attributable to:					
Owners of the Company		4,756	4,455	5,192	4,288
Non-controlling interests		5	355	5	326
		4,761	4,810	5,197	4,614
Earnings per share attributable to owners of the Company — Basic	8	HK3.1 cents	HK4.1 cents	HK3.3 cents	HK4.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8,988	6,976
Goodwill		230	230
Other intangible assets		5,759	5,555
		14,977	12,761
Current assets			
Inventories		24,286	16,412
Trade receivables	9	33,078	24,575
Prepayments and deposits		5,135	18,857
Prepaid tax		351	1,552
Cash and cash equivalents		32,787	28,262
		95,637	89,658
Current liabilities			
Trade and other payables	10	49,889	68,803
Provision for income tax		2,932	3,239
Interest bearing bank borrowings		3,292	—
		56,113	72,042
Net current assets		39,524	17,616
Total assets less current liabilities		54,501	30,377
EQUITY			
Share capital		15,000	10
Proposed final dividend		—	3,000
Other reserves		39,476	27,347
Equity attributable to owners of the Company		54,476	30,357
Non-controlling interests		25	20
Total equity		54,501	30,377

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Net cash (outflow)/inflow from operating activities	(18,340)	4,618
Net cash (outflow)/inflow from investing activities	(2,565)	14,248
Net cash inflow/(outflow) from financing activities	25,504	(4,284)
Net increase in cash and cash equivalents	4,599	14,582
Cash and cash equivalents at 1 January	28,262	15,215
Effect of foreign exchange rate changes	(74)	—
Cash and cash equivalents at 30 June	32,787	29,797

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital	Share premium*	Capital reserve*	Merger reserve*	Translation reserve*	Proposed final dividend	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	10	—	155	1,033	170	3,000	25,989	30,357	20	30,377
Transactions with owners:										
Dividend paid (note 7)	—	—	—	—	—	(3,000)	—	(3,000)	—	(3,000)
Capitalisation issue	10,790	(10,790)	—	—	—	—	—	—	—	—
Placing of Shares	4,200	29,400	—	—	—	—	—	33,600	—	33,600
Share placement expenses	—	(11,673)	—	—	—	—	—	(11,673)	—	(11,673)
	15,000	6,937	155	1,033	170	—	25,989	49,284	20	49,304
Total comprehensive income for the period	—	—	—	—	181	—	5,011	5,192	5	5,197
At 30 June 2011 (unaudited)	15,000	6,937	155	1,033	351	—	31,000	54,476	25	54,501
At 1 January 2010 (audited)	—	—	—	10	—	—	35,727	35,737	1,078	36,815
Transactions with owners:										
Dividend paid	—	—	—	—	—	—	(4,180)	(4,180)	—	(4,180)
Acquisition of non-controlling interests	—	—	155	—	—	—	—	155	(1,384)	(1,229)
Capital contribution to a subsidiary	—	—	—	1,033	—	—	—	1,033	—	1,033
	—	—	155	1,043	—	—	31,547	32,745	(306)	32,439
Profit/Total comprehensive income for the period (audited)	—	—	—	—	—	—	4,288	4,288	326	4,614
At 30 June 2010 (audited)	—	—	155	1,043	—	—	35,835	37,033	20	37,053

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

Notes:

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. 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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 January 2011 (the "Listing").

The principal activity of the Company is investment holding. The principal activity of the Company's subsidiaries is provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the "Sourcing Business") and design, manufacture and sale of watches in the People's of Republic of China (the "PRC") (the "PRC Watch Business").

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 4 August 2011.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2011, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated interim financial information of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the Period.

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 unaudited condensed consolidated interim financial information of the Group.

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

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2010.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Directors.

The adjusted earnings before interest, taxation, depreciation and amortisation ("Adjusted EBITDA") has been regularly reviewed by the Directors as a basis of measurement in assessing the performance of the Group and making decision for resources allocation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as the unrealized fair value gain or loss on financial instruments. Interest income, finance costs and depreciation of property, plant and equipment are not allocated to operating segments, as this type of activity is driven by the central treasury function. Other information provided to the Directors is measured in the same manner consistent with this condensed consolidated interim financial information.

3. SEGMENT INFORMATION (CONTINUED)

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

	Sourcing Business	PRC Watch Business	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended				
30 June 2011 (unaudited)				
Total segment revenue	103,567	8,580	(153)	111,994
Inter-segment revenue	—	(153)	153	—
Revenue from external customers	103,567	8,427	—	111,994
Adjusted EBITDA	12,148	(1,760)	—	10,388
Interest income				14
Finance costs				(6)
Depreciation of property, plant and equipment				(609)
Corporate income and expenses				(3,205)
Profit before income tax				6,582
Six months ended 30 June				
2010 (audited)				
Revenue from external customers	81,575	2,639	—	84,214
Adjusted EBITDA	8,763	(1,087)	—	7,676
Interest income				113
Finance costs				(17)
Fair value gain on financial instruments				501
Depreciation of property, plant and equipment				(489)
Corporate income and expenses				(1,736)
Profit before income tax				6,048

4. 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Revenue				
Sales of goods	66,666	56,044	111,250	83,512
Freight income	472	427	744	702
	67,138	56,471	111,994	84,214

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Depreciation of property, plant and equipment	609	489
Net exchange gain	(19)	(23)
Fair value gain on financial instruments	—	(501)
Listing expenses (included in "Other operating expenses")	—	1,482
Operating lease charges in respective of land and building	466	233
Loss on disposal of property, plant and equipment	—	3

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Current income tax:		
Hong Kong Profits Tax		
— charge for the period	1,755	1,434
— over-provision in prior year	(192)	—
	1,563	1,434
PRC Enterprise Income Tax — under-provision in prior year	3	—
Total income tax expense	1,566	1,434

6. INCOME TAX EXPENSE (CONTINUED)

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for that financial year. The estimated average annual tax rate used for the year ending 31 December 2011 is 20.8%.

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 periods.

7. DIVIDENDS

Final dividend that relates to the year ended 31 December 2010 and that amounts to HK\$3,000,000 was paid in May 2011 (2010: Nil).

Subsequent to 30 June 2011, the Board declared the payment of an interim dividend of HK1.0 cent per ordinary share for the year ended 31 December 2011. This interim dividend has not been recognised as a liability at the Period end date. It will be recognised in shareholders' equity in the year ending 31 December 2011.

8. 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\$5,011,000 (2010: HK\$4,288,000) and on the basis of 150,000,000 (2010: 108,000,000) ordinary shares of the Company in issue.

No diluted earnings per share has been presented as there is no outstanding potential ordinary share at the reporting date.

9. TRADE RECEIVABLES

The Group normally allows credit period of 45 to 60 days to its major customers. Credit period is normally not granted to other customers.

Trade receivables — net of the Group of HK\$33,078,000 (2010: HK\$24,575,000) with an aged analysis (based on due date) at the reporting date are as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Not past due	28,389	22,174
1–30 days past due	4,427	2,378
31–60 days past due	183	13
61–90 days past due	76	10
Over 90 days past due	3	—
	33,078	24,575

10. TRADE PAYABLES

Included in trade and other payables are trade payables of the Group of HK\$33,827,000 (2010: HK\$33,609,000) with an aged analysis (based on due date) at the reporting date as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Not past due	13,201	14,057
1–30 days past due	16,204	9,803
31–60 days past due	2,643	9,707
61–90 days past due	168	42
Over 90 days past due	1,611	—
	33,827	33,609

11. GUARANTEES

The Company had given unlimited corporate guarantees to a bank in connection with general banking facilities granted by a bank to subsidiaries.

At the end of the Period, such facilities was drawn down by the subsidiary to extent of HK\$3,292,000 (31 December 2010: Nil). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK\$3,292,000 (31 December 2010: Nil). No recognition was made because the fair value of the guarantee was insignificant and that the Directors did not consider it is probable that a claim would be made against the Company under the guarantee.

The Group did not have any other significant contingent liabilities as at the end of the Period (31 December 2010: Nil).

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sourcing Business

The Group achieved continuous growth in all three product lines of its Sourcing Business during the Period amidst speculations of credit downgrading and default in the United States of America (“US”) and sovereign debt crisis in some European countries, highlighting our customers’ confidence in and competitiveness of our products.

Our ability to deliver quality and reliable products is particularly demonstrated in our increased sales and undisrupted delivery of watches to customers following the 11 March 2011 earthquake that hit northeast Japan and affected the supply of Japanese watch movements worldwide. Earlier in 2011 we utilised our internal reserve to stock up suitable watch movements, which enable us to have a normal supply of the Japanese movements during the critical period. The supply of movements has since been resolved in the beginning of June 2011 and we shall continuously monitor and assess the supply of watch movements and have planned to apply part of the listing proceeds to maintain an appropriate inventory level of movement to ensure smooth operation of our watch sourcing business.

As always, we strive to keep abreast of market situation and maintain a close and trusted relationship with our customers to position ourselves to take on business opportunities, challenges and meet our customers’ needs.

PRC Watch Business

To cater for the diversity and expansion in the PRC domestic market, we have since segregated the business of our subsidiary, Shenzhen Tianhaiba Watches Company Limited 深圳市天海霸鐘錶有限公司 (“Tianhaiba”) into five divisions comprising retail, wholesale, internet sales, bulk purchase and export. After the reorganization, we have experienced growth in revenue from HK\$3,453,000 for the last quarter to HK\$4,974,000 for this quarter and from HK\$2,639,000 for the Previous Period to HK\$8,427,000 for the Period. As at 30 June 2011, Tianhaiba had over 110 sales points in the PRC. To facilitate the expansion of the PRC Watch Business, we have brought in Mr. Yang Meng as our PRC business development advisor and Chief Operation Officer of Tianhaiba to better develop, manage and focus on individual sections of the market. Mr. Yang Meng has over 15 years of experience in sales of consumer products in various industries, including watches, cosmetics, health products and beverages. He obtained EMBA from Graduate School at Shenzhen of Tsinghua University in 2008.

We are determined to put strong focus on the wholesale distribution to enhance penetration of Tianba and Harpo watches in the market. We expect there will be a steady increase in the number of sales points in coming 6 months.

Financial Review

The Group is pleased to announce a profit attributable to owners of the Company of HK\$5,011,000 for the Period, representing a period-on-period increase of HK\$723,000 or 16.9% compared to HK\$4,288,000 for Previous Period largely due to our strategy to focus on our core business.

The Group's growth momentum is carried forward from Previous Period to the Period. For the Period, the Group reported a total revenue of HK\$111,994,000 (2010: HK\$84,214,000) representing an increase of HK\$27,780,000 or 33.0% from the Previous Period. The revenue increase was attributed to increase in our primary business segment in the Period, the Sourcing Business, grew by 27.0% or HK\$21,992,000 period-on-period, largely due to sustained market demand for the Group's watches and costume jewelries products, which achieved desirable growth by 42.9% and 68.4% to HK\$55,397,000 (2010: HK\$38,769,000) and HK\$14,249,000 (2010: HK\$8,460,000) respectively.

For the Period, the Group's gross profit increased by 37.4% or HK\$7,136,000 to HK\$26,232,000 (2010: HK\$19,096,000), of which HK\$22,187,000 (2010: HK\$17,984,000) was contributed by Sourcing Business and HK\$4,045,000 (2010: HK\$1,112,000) by PRC Watch Business, representing an increase by 23.4% or HK\$4,203,000 and 263.8% or HK\$2,933,000 respectively.

Gross profit margin of the Group was increased to 23.4% from 22.7% of Previous Period. The increase was mainly attributable to the Group's new PRC Watch Business, which has a higher gross profit margin of 48.0% for the Period (2010: 42.1%)

The Group recorded a continuous growth in Adjusted EBITDA by 35.3% or HK\$2,712,000 to HK\$10,388,000 (2010: HK\$7,676,000), largely contributed by the Sourcing Business of amounted to HK\$12,148,000 (2010: HK\$8,763,000).

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows, the net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus (the "Placing") and bank borrowings. As at 30 June 2011, the Group had cash and cash equivalents of HK\$32,787,000 (2010: HK\$28,262,000) and outstanding bank borrowings of HK\$3,292,000 (2010: Nil), which were repayable within one year.

The gearing ratio representing the ratio of total borrowings to the total assets of the Group was 3.0% as at 30 June 2011 (2010: Nil). Taking into account the cash and other current assets of HK\$95,637,000 as at 30 June 2011, the Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2011 and 31 December 2010.

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 by the management and the management will consider hedging the foreign exchange exposure should the need arise.

Contingent liabilities and Capital Commitment

As at 30 June 2011, 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 this report, there were no significant investments held as at 30 June 2011, 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 233 employees as at the end of the Period, comprised of 55 employed in Hong Kong and 178 in the PRC. The Group's remuneration policies 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. The remuneration payable to our employees includes salaries and allowances. Other benefits include training, discretionary bonus and share option scheme.

Interim Dividend

The Board has declared an interim dividend of HK1.0 cent per share for the year ending 31 December 2011 payable on or about 8 September 2011, Thursday to shareholders whose name appear on the register of members of the Company as at the close of business on 30 August 2011, Tuesday.

Use of Proceeds

The net proceeds from the Placing were approximately HK\$17.5 million, which was different from the estimated net proceeds of approximately HK\$24.1 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We intend to adjust the use of proceeds in the same manner and proportion as shown in the Prospectus, and approximately HK\$10.2 million, HK\$5.8 million and HK\$1.5 million were adjusted for the corporate expansion of the Group, the expansion of the PRC Watch Business and general working capital respectively for the Review Period. As stated in the Prospectus, we plan to expand the Group's Sourcing Business and PRC Watch Business in the forthcoming future. As at the date of this report, we do not anticipate any change to the plan. During the Review Period, the Group has applied the net proceeds as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus for the Review Period	Actual usage
	<i>HK\$'million</i>	<i>HK\$'million</i>
Sourcing Business	3.0	3.0
PRC Watch Business	1.6	1.6
General working capital	0.4	0.4
	5.0	5.0

The remaining unused net proceeds as at 30 June 2011 have been placed as interest bearing deposits with licensed bank in Hong Kong and will be need as intended and as stated in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 December 2010, being the latest practicable date as defined in the Prospectus to 30 June 2011 (the “Review Period”) is set out below:

Business objectives for the Review Period	Actual business progress for the Review Period
Sourcing Business	
Strengthen our current Sourcing Business capabilities	<p>Regular email contacts and visits have been arranged in due course by the sales team to strengthen the networking with existing customers.</p> <p>Continue to develop design on new product series.</p> <p>The Group’s websites were updated regularly with the latest information.</p>
Cross-selling of our products and broadening our client bases	<p>We have attended Hong Kong International Jewellery Show 2011, Hong Kong Gifts & Premium Fair, and Basel World 2011, and registered to attend Hong Kong Watch & Clock 2011.</p> <p>Evaluation on current product range and mix is carrying out.</p>
Enhancing our level of inventory	<p>Evaluated the level of plastic raw materials and watch movements.</p>
PRC Watch Business	
Expanding our PRC Watch Business	<p>We have launched new models to enrich product range and drive sales performance</p> <p>We continuously review the sales performance of all sales points in order to enhance the profitability of the sales points</p> <p>We have successfully developed new businesses with bulk purchase customers and export sales to overseas customers which improved our sales effectiveness as a whole</p>
Enhancing brand equity of Tianba in the PRC	<p>We have renewed our sale points counter design, display items and light box advertising in major shopping malls to enhance brand image</p> <p>We have launched promotional campaigns for occasions and festivals during Lunar New Year, Women’s Day, etc.</p> <p>We have placed advertisements on (i) the billboards outside target shopping malls, such as Nanjing Central Shopping Mall, (ii) watches magazines, such as “Moment”, and “Watch & Clock”, and (iii) ChinaWatchNet.com and our official website</p>

Prospects

The Group was listed on the GEM of The Stock Exchange on 26 January 2011. The funds raised from the Listing have helped to strengthen a solid foundation for the future development of the Group. We are cognizant of the uncertainty of global economy.

The Group is optimistic and cautiously confident that the economy will show stable growth momentum over the next few years. The Group is committed to provide our customers with a comprehensive sourcing and management solutions, strengthen our product design and development capability, continuous improvement in quality and efficiency management our contracted manufacturers, and delivery of quality and reliable products.

Looking forward, the Group will remain committed to the development of our core business. We intended to refine our distribution network and further develop and manage our presence of sales networks in a systematic way for the PRC Watch Business. We would actively make substantial progress to enhance growth and strive for potential business opportunities to synergize with our existing businesses and product lines.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 30 June 2011, 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.

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 2011, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange pursuant to the model code for securities transactions by Directors of the Company (the "Model Code"), 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%

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance 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

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, CIMB Securities (HK) Limited ("CIMB"), as at 30 June 2011, except for the compliance adviser agreement entered into between the Company and the CIMB dated 3 December 2010, neither CIMB or its directors, employees or associates had any interest in relation to the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 August 2011, Friday to 30 August 2011, Tuesday, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 August 2011, Thursday.

DIRECTORS SECURITIES TRANSACTIONS

The Company adopted the Model Code on terms no less exacting than the required standard of dealings set out in Rule 5.46 to 5.67 of the GEM Listing Rules effective from 26 January 2011 upon the listing of the Company. On specific enquiry made, all the Directors have confirmed compliance with the Model Code since its effective date up to the Period ended.

CORPORATE GOVERNANCE PRACTICES

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.

The Company adopted the provisions of Appendix 15 Code on Corporate Governance Practices of the GEM Listing Rules as its own code (the "CG Code") effective from 26 January 2011 (the "Listing Date") upon the listing of the Company and had complied with the CG Code since then and up to the Period ended.

AUDIT COMMITTEE

The Audit Committee comprises of the 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 Stock 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 and Executive Director

Hong Kong, 4 August 2011