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POWERWELL PACIFIC HOLDINGS LIMITED
宏峰太平洋集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8265)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

The board of directors (the "Board") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 (the "Year") together with the comparative audited figures for the corresponding year in 2012 (the "Previous Year") as follows:

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK$172.6 million for the Year which represented a decrease of approximately HK$25.1 million or 12.7% as compared to approximately HK$197.7 million for the Previous Year.
- The profit attributable to owners of the Company was approximately HK$15.6 million for the Year, which comprised of a gain on disposal of subsidiary of approximately HK$18.0 million and net off with a loss of approximately HK$2.4 million (2012: profit of approximately HK$2.3 million) from its core operating business.
- Basic earnings per share for the Year amounted to HK10.4 cents (2012: HK1.5 cents).
- The Directors do not recommend the payment of a final dividend for the Year (2012: nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**172,640**	197,655
Cost of sales		**(126,599)**	(149,537)
Gross profit		**46,041**	48,118
Other income		**495**	286
Gain on disposal of interest in a subsidiary	4	**18,020**	—
Selling and distribution costs		**(11,947)**	(10,766)
Administrative expenses		**(35,365)**	(33,622)
Other operating expenses		**(860)**	(43)
Finance costs	6	**(99)**	(340)
Profit before income tax	7	**16,285**	3,633
Income tax expense	8	**(721)**	(1,326)
Profit for the year		**15,564**	2,307
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**85**	63
Total comprehensive income for the year		**15,649**	2,370
Profit for the year attributable to owners of the Company		**15,564**	2,307
Total comprehensive income for the year attributable to owners of the Company		**15,649**	2,370
Earnings per share for profit attributable to owners of the Company — Basic and diluted	10	**HK10.4 cents**	HK1.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2013** *HK$'000*	2012 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,698**	3,428
Goodwill		**—**	230
Other intangible assets		**5,815**	5,869
		10,513	9,527
Current assets			
Inventories		**42,426**	28,623
Trade receivables	11	**16,789**	16,624
Prepayments and deposits		**6,649**	9,586
Prepaid tax		**265**	1,017
Cash and cash equivalents		**37,337**	45,226
		103,466	101,076
Assets classified as held-for-sale	4	**—**	5,879
Total current assets		**103,466**	106,955
Current liabilities			
Trade and other payables	12	**60,024**	52,049
Short-term bank borrowings		**—**	6,574
		60,024	58,623
Liabilities classified as held-for-sale	4	**—**	53
Total current liabilities		**60,024**	58,676
Net current assets		**43,442**	48,279
Total assets less current liabilities/Net assets		**53,955**	57,806
EQUITY			
Share capital		**15,000**	15,000
Reserves		**38,955**	42,806
Total equity		**53,955**	57,806

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital *HK$'000*	**Share premium*** *HK$'000*	**Capital reserve*** *HK$'000*	**Merger reserve*** *HK$'000*	**Translation reserve*** *HK$'000*	**Proposed final dividend** *HK$'000*	**Retained profits*** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2012	15,000	6,937	155	1,033	429	3,000	31,882	58,436
2011 final dividend paid *(note 9)*	—	—	—	—	—	(3,000)	—	(3,000)
Transaction with owners	—	—	—	—	—	(3,000)	—	(3,000)
Profit for the year	—	—	—	—	—	—	2,307	2,307
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	—	—	—	—	63	—	—	63
Total comprehensive income for the year	—	—	—	—	63	—	2,307	2,370
At 31 December 2012 and 1 January 2013	**15,000**	**6,937**	**155**	**1,033**	**492**	**—**	**34,189**	**57,806**
Special dividend *(note 9)*	—	—	—	—	—	—	(19,500)	(19,500)
Transaction with owners	—	—	—	—	—	—	(19,500)	(19,500)
Profit for the year	—	—	—	—	—	—	15,564	15,564
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	—	—	—	—	85	—	—	85
Total comprehensive income for the year	—	—	—	—	85	—	15,564	15,649
At 31 December 2013	**15,000**	**6,937**	**155**	**1,033**	**577**	**—**	**30,253**	**53,955**

* The total of these balances represented "Reserves" in the consolidated statements of financial position as at 31 December 2013 and 2012.

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 activity 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 the 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").

The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Group's financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

2. ADOPTION OF NEW/REVISED HKFRSs

(a) New/Revised HKFRSs — effective 1 January 2013

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements

The adoption of these new amendments had no material impact on how the Group's results and financial position for the current and prior years have been prepared and presented except as follows:

Amendments to HKAS 1 (Revised) Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. This new standard affects only disclosure, there is no effect on the Group's financial position and performance. The adoption of this new standard does not result in additional disclosures.

(b) New/Revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

(c) New/Revised HKFRSs that have been issued but are not yet effective

The application of other new and revised HKFRSs issued but not yet effective is not expected to have a material effect on the Group's consolidated financial statements.

3. REVENUE

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

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**171,772**	196,385
Freight income	**868**	1,270
	172,640	197,655

4. DISPOSAL OF INTEREST IN A SUBSIDIARY

On 21 December 2012, one of the Group's subsidiaries, Good Destination Co. Limited ("Good Destination") entered into a conditional agreement to dispose of its entire 100% equity interest in a subsidiary, Richmind International Investment Limited ("Richmind"), which is engaged in holding of properties, and to transfer the benefit of a loan of approximately HK$2,119,000 advanced by Good Destination to Richmind (the "Loan") to Data Champion Limited at an aggregate consideration of HK$24,000,000 (the "Disposal"). Data Champion Limited is a controlling shareholder of the Company which is owned by Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter and Mr. Wong Yu Man, Elias, executive directors of the Company. The Disposal was completed on 10 May 2013 and a gain of approximately HK$18,020,000 arising on the Disposal was realised which is included in the consolidated statement of comprehensive income. Upon completion of the Disposal, Richmind ceased to be a subsidiary of the Group.

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

As at 31 December 2012, the following major classes of assets and liabilities relating to Richmind have been classified as held-for-sale in the Group's consolidated statement of financial position.

	HK$'000
Property, plant and equipment	**5,753**
Prepayment and deposits	**84**
Bank balances and cash	**42**
Total assets classified as held-for-sale	**5,879**
Provision for income tax	**53**
Total liabilities classified as held-for-sale	**53**

5. SEGMENT INFORMATION

The Group is principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products which is identified as a reportable segment as the "Sourcing Business", the operating result over which has been regularly reviewed by the executive directors in assessing the performance of the Group and making decision for resource allocation. In respect of Sourcing Business, the Group provides customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing and production outsourcing; and procurement management solutions including quality assurance and control, logistics and delivery handling services. The products are mainly exported to overseas countries. In addition, the Group has established the necessary procurement and production facilities and its own sales network for the design, manufacturing and distribution of its own brands of watches in the PRC. This line of business is identified as another reportable segment as the "PRC Watch Business".

Segment revenue, segment results and segment assets

Information regarding the Group's reportable operating segments including the reconciliations to profit before income tax and total assets are as follows.

	Sourcing Business *HK$'000*	PRC Watch Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2013			
Reportable segment revenue *(note (a))*	**127,808**	**44,832**	**172,640**
Reportable segment profit/(loss)	**11,364**	**(5,786)**	**5,578**
Interest income			**189**
Corporate income and expenses			**10,518**
Profit before income tax			**16,285**
Adjusted EBITDA *(note (c))*	**11,827**	**(4,335)**	**7,492**
At 31 December 2013			
Reportable segment assets	**61,380**	**52,128**	**113,508**
Prepaid tax			**265**
Corporate assets			**206**
Total assets			**113,979**
Year ended 31 December 2013			
Other information:			
Interest expenses	**99**	**—**	**99**
Depreciation of property, plant and equipment	**365**	**850**	**1,215**
Loss on disposal of property, plant and equipment	**2**	**258**	**260**
Impairment loss on property, plant and equipment	**—**	**150**	**150**
Impairment loss on goodwill	**—**	**230**	**230**
Impairment loss on other intangible assets	**—**	**220**	**220**
Addition to non-current assets *(note (b))*	**237**	**2,637**	**2,874**

	Sourcing Business *HK$'000*	PRC Watch Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2012			
Reportable segment revenue *(note (a))*	168,021	29,634	197,655
Reportable segment profit/(loss)	16,282	(4,221)	12,061
Interest income			214
Corporate income and expenses			(8,642)
Profit before income tax			3,633
Adjusted EBITDA *(note (c))*	17,317	(3,670)	13,647
At 31 December 2012			
Reportable segment assets	68,232	41,067	109,299
Prepaid tax			1,017
Assets classified as held-for-sale			5,879
Corporate assets			287
Total assets			116,482
Year ended 31 December 2012			
Other information:			
Interest expense	340	—	340
Depreciation of property, plant and equipment	695	551	1,246
Loss on disposal of property, plant and equipment	—	43	43
Addition to non-current assets *(note (b))*	257	1,187	1,444

Notes:

(a) There were no inter-segment sales during the year.

(b) Addition to non-current assets represents additions to property, plant and equipment and other intangible assets.

(c) 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 and impairment losses on non-financial assets are not included in the Adjusted EBITDA.

Other than the above, the executive directors regularly review revenue analysis by products, including watches, display and packaging products, and costume jewelleries, which is presented below:

	2013 ***HK$'000***	2012 *HK$'000*
Sales of		
— watches	**122,920**	129,429
— display and packaging products	**36,841**	48,556
— costume jewelries	**12,879**	19,670
	172,640	197,655

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue by geographical locations is determined based on shipment destination instructed by customers. The Group's non-current assets by geographical locations are determined based on physical location of the assets or location of operations in case of intangible assets.

Analysis of the Group's revenue and non-current assets by geographical locations are as follows:

	Revenue from external customers		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**14,989**	22,472	**846**	991
The PRC, excluding Hong Kong	**37,132**	21,891	**9,667**	8,536
USA	**49,254**	74,392	**—**	—
Europe				
— Germany	**38,565**	12,222	**—**	—
— Denmark	**7,017**	31,828	**—**	—
— United Kingdom	**6,578**	4,212	**—**	—
— France	**2,637**	5,728	**—**	—
— Italy	**170**	2,715	**—**	—
— Others	**5,032**	8,542	**—**	—
Asia	**4,676**	5,826	**—**	—
Others	**6,590**	7,827	**—**	—
Total	**172,640**	197,655	**10,513**	9,527

The Company is an investment holding company incorporated in Bermuda where the Group does not have activities. Since the major operations of the Group are conducted in Hong Kong, Hong Kong is considered as the Group's place of domicile for the disclosure purpose of HKFRS 8.

Information about major customers

During the year, there were two (2012: two) customers from the Group's Sourcing Business, each of whom contributed 10% or more of the Group's total revenue. Revenue derived from these two customers during the year amounted to HK$82,933,000 (2012: HK$101,850,000) and HK$19,296,000 (2012: HK$31,029,000) individually.

6. FINANCE COSTS

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**99**	340

7. PROFIT BEFORE INCOME TAX

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

	2013 *HK$'000*	2012 *HK$'000*
Auditor's remuneration:		
Audit fee	**560**	558
Fee for non-audit services	**200**	—
	760	558
Cost of inventories recognised as expenses, comprising:		
Amount of inventories recognised as expenses	**117,367**	145,312
Inventories write-off	**109**	—
Depreciation of property, plant and equipment	**1,215**	1,246
Net exchange (gain)/loss	**(97)**	451
Operating lease charges in respective of land and building	**2,434**	1,218
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**26,266**	24,914
Retirement benefit — defined contribution plans[1]	**984**	794
	27,250	25,708
Loss on disposal of property, plant and equipment[2]	**260**	43
Impairment on property, plant and equipment[2]	**150**	—
Impairment on goodwill[2]	**230**	—
Impairment on other intangible assets[2]	**220**	—

1 no forfeited contributions available for offset against existing contributions during the year and in prior year

2 included in "other operating expenses" in the consolidated statement of comprehensive income

8. INCOME TAX EXPENSE

	2013 *HK$'000*	2012 *HK$'000*
Current tax — Hong Kong profits tax		
— charge for the year	**965**	1,884
— over provision in prior years	**(247)**	(558)
	718	1,326
Current tax — PRC Enterprise Income Tax ("EIT")		
— under provision in prior years	**3**	—
Income tax expense	**721**	1,326

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

The Group's subsidiary, 深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited) ("Tianhaiba"), a PRC entity, is subject to PRC EIT at the tax rate of 25%. No provision for PRC EIT has been made for the year or in prior year as the directors estimate that taxable income arising in the PRC, if any, is not significant to the Group.

9. DIVIDENDS

Dividends proposed or declared by the Company during the year and in prior year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Special dividend — HK$0.13 (2012: nil) per ordinary share	**19,500**	—

The dividends paid during the year ended 31 December 2013 amounting to HK$19,500,000 represent a special dividend of HK$0.13 per ordinary share, which were paid in May 2013 and financed by the net proceeds generated from the Disposal (note 4).

The dividends paid during the year ended 31 December 2012 amounting to HK$3,000,000 represent the final dividend for the year ended 31 December 2011, which were paid in May 2012.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to the owners of the Company amounting to HK$15,564,000 (2012: HK$2,307,000), and the weighted average of 150,000,000 shares (2012: 150,000,000 shares) in issue throughout the year.

The Group had no potential dilutive ordinary shares in issue during the year and in prior year.

11. TRADE RECEIVABLES

The ageing analysis (based on due date) of the Group's trade receivables net of impairment provision is as follows:

	2013	2012
	HK$'000	*HK$'000*
Not past due	**11,753**	13,171
1–30 days past due	**3,850**	2,226
31–60 days past due	**709**	406
61–90 days past due	**101**	465
Over 90 days past due	**376**	356
	16,789	16,624

The Group normally allows credit period of 30 to 60 days (2012: 30 to 60 days) to its major customers. Credit period is normally not granted to other customers.

12. TRADE PAYABLES

Included in trade and other payables are trade payables of the Group with an ageing analysis (based on due date) at the reporting date shown as follows:

	2013	2012
	HK$'000	*HK$'000*
Not past due	**14,506**	14,199
1–30 days past due	**11,692**	6,868
31–60 days past due	**4,054**	2,348
61–90 days past due	**1,708**	1,719
Over 90 days past due	**6,801**	6,891
	38,761	32,025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2013 was very challenging and the results are mixed. Our business of providing sourcing and procurement solutions of watches, costume jewelries and display and packaging products to customers ("Sourcing Business") was in line with the slow recovery of worldwide consumer market and tightening control of costs was administered during the Year to minimize the effect on the result of Sourcing Business. On the other hand, we have been incurring expenses on promotion to strengthen our business of design, manufacturing and distribution of watches of our own brand Tianba, in the People's Republic of China (the "PRC") ("the PRC Watch Business") and distribution network in PRC. Moreover, the Group disposed certain properties during the Year as mentioned in note 4 of this announcement. The Disposal was a good opportunity to realize a return from the relevant properties and the subsequent introduction by the government of extra stamp duty on property transactions (including non-residential properties) served to reaffirm the management's decision of the Disposal.

Sourcing Business

Affected by the slow economic recovery in the western countries where is the main source of our Sourcing Business revenue, we recorded a decrease in sales for the Year in each of our watches, costume jewelries and display and packaging products business comparing with year ended 31 December 2012.

Although orders from our major brand owner customer resumed and revenue had picked up in the second half of the Year, overall revenue of watch business for the Year dropped as compared to last year due to the weaker performance in first half of the Year.

For our display and packaging products business, as usual, the result is hinged on the marketing and display programme cycle of our brand owner customers. As mentioned previously, our major display customers are now focusing on developing new display programme for launch in 2014. Hence, revenue remained slow for the Year.

The decrease in sales of our costume jewelries business was mainly due to drop in sales of silver jewelries items as a result of slow recovery in US retail market where our brand owner customer focused on.

PRC Watch Business

Revenue from our PRC Watch Business continued to grow for the Year and we have expanded our market share as a result of our effort in brand building of "Tianba" through various channels including television commercial, promotional campaigns and adopted celebrity endorsement to enhance our brand identity among end consumers. We successfully launched our first series of digital watch, T-watch, which is equipped with multimedia player function during the first half of the Year. However, due to additional resources spent on brand building and marketing campaign for market development, the operating results remained at a loss for the Year.

By the end of year 2013, we had over 260 self-operated retail outlets and 180 distributor outlets in China, as compared to approximately 130 self-operated and 100 distributor outlets at the end of year 2012.

Prospects

Despite the slow recovery of the western economy and uncertain business environment, we are seeing increasing orders for our new watch design and display development from our brand owner customers. The Group will continue to be cautious in cost control and to uphold quality assurance of our products in the Sourcing Business in order to remain competitive for our valuable customers. We will also keep developing new brand customers and enhance new business relationship to stimulate growth. We shall 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. However, with much resources spent on brand building, we continued to endure a loss for the Year. We will keep monitoring the existing sales network's performance closely and consolidate strategic partnership with reputable and reliable local wholesalers in order to fine tune business strategies in a timely manner and monitoring the efficiency and effectiveness of cost deployment at the same time.

FINANCIAL REVIEW

Revenue

Affected by the global market instability and uncertainty and slow recovery in the western economy, the Group reported a total revenue of approximately HK$172.6 million (2012: approximately HK$197.7 million) for the Year, a year-on-year decrease of approximately HK$25.1 million or 12.7% from the Previous Year.

Revenue mainly came from the Sourcing Business of approximately HK$127.8 million, representing approximately 74.0% of total revenue for the Year and it recorded a decline of approximately 23.9% or approximately HK$40.2 million compared with approximately HK$168.0 million for the Previous Year.

Sourcing of watches generated the largest revenue to the Group of approximately HK$78.1 million for the Year, recorded year-on-year decrease of approximately HK$21.7 million or 21.7% comparing to approximately HK$99.8 million for the Previous Year. Revenue from sourcing of costume jewelries representing approximately 7.5% (2012: 10%) of the Group's total revenue, which was fairly consistent with Previous Year. It recorded a sales of approximately HK$12.9 million for the Year, an decline of approximately 34.5% or HK$6.8 million comparing to approximately HK$19.7 million for the Previous Year.

Sourcing business of display and packaging products contributed revenue of approximately HK$36.8 million for the Year, representing a reduction of approximately HK$11.8 million or 24.3% from approximately HK$48.6 million for the Previous Year.

The performance of PRC Watch Business is encouraging. Revenue rose to approximately HK$44.8 million for the Year from approximately HK$29.6 million for the Previous Year, representing an increase of approximately HK$15.2 million or 51.4% comparing to the Previous Year and representing approximately 26.0% (2012: 15.0%) of the Group's total revenue. To cater for sustainable growth, and maximize and expedite market penetration, Tianhaiba continued to develop channels of distribution by refining current sales outlets and extending its distribution to wholesalers and independent watch retailers during the Year.

Cost of Sales and Gross Profit

Cost of sales of the Group decreased by approximately 15.3% from approximately HK$149.5 million for the Previous Year to approximately HK$126.6 million for the Year.

The overall gross profit of the Group decreased from approximately HK$48.1 million for Previous Year to approximately HK$46.0 million for the Year, representing an decrease of approximately 4.4%. The gross profit of the Sourcing Business dropped by approximately HK$7.6 million to approximately HK$28.3 million (2012: approximately HK$35.9 million). Gross profit margin of the Sourcing Business was approximately 22.1%, similar to approximately 21.4% of the Previous Year. The PRC Watch Business contributed gross profit of approximately HK$17.7 million (2012: approximately HK$12.2 million), with gross profit margin of approximately 39.6% (2012: 41.0%), to the Group's total gross profit for the Year.

Expenses

As a result of the expansion of PRC Watch Business and more spending on Tianba brand building and promotion during the Year, overall selling and distribution costs for the Year were approximately HK$11.9 million (2012: approximately HK$10.8 million), increased by approximately HK$1.1 million.

Overall administrative and other operating expenses for the Year were approximately HK$36.2 million (2012: approximately HK$33.7 million), increased by approximately HK$2.5 million mainly due to the expansion of PRC Watch Business and impairment loss on non-financial assets of PRC Watch Business of HK$0.6 million (2012: nil) for the Year.

Profit

The Group's profit attributable to owners of the Company was approximately HK$15.6 million for the Year, which comprised of a gain on disposal of a subsidiary of approximately HK$18.0 million and net off with a loss of approximately HK$2.4 million (2012: profit of approximately HK$2.3 million) from its core operating business,

The Group's loss on core operating business comprised of the segment profit on Sourcing Business of approximately HK$11.4 million (2012: profit of approximately HK$16.3 million) net off with the segment loss on PRC Watch Business of approximately HK$5.8 million (2012: loss of approximately HK$4.2 million) and net corporate expenses (excluded gain on disposal) and income tax expense of totally approximately HK$8.0 million (2012: approximately HK$9.8 million) for the Year.

Result on Sourcing Business was affected by the uncertain business environment and slow recovery of western economy during the Year. However, the Group cautiously controlled the costing and managed to maintain profitability in Sourcing Business. On the other hand, loss on PRC Watch Business for the Year mainly due to further costs incurred by the Group in Tianba brand building and promotion in order to enhance the brand identity.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 31 December 2013, the Group had bank balances and cash of approximately HK$37.3 million (2012: approximately HK$45.2 million) and did not have any bank borrowings (2012: approximately HK$6.6 million). The Group had cancelled all banking facilities and was released from the respective guarantees during the Year. The gearing ratio representing the ratio of total borrowings to the total equity of the Group was approximately 11% as at 31 December 2012. Taking into account cash and other current assets of approximately HK$103.5 million as at 31 December 2013, the Group has sufficient financial resources to satisfy its working capital requirement and to achieve its business objectives.

Charges on Assets

As at 31 December 2013, the Group did not have any charges on its assets.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in United States dollars ("US$"), Hong Kong dollars and Renminbi ("RMB"). 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 if it is significant to the Group.

Contingent Liabilities and Capital Commitment

As at 31 December 2013, the Group did not have any material contingent liabilities or capital commitment.

Dividends

A special dividend of HK$19.5 million was paid during the Year (2012: nil). The Directors do not recommend the payment of a final dividend for the Year (2012: nil).

Employees and Remuneration Policies

The Group had 353 (2012: 284) employees as at the end of the Year. The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

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

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 Year.

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 has complied with the Corporate Governance Code contained in Appendix 15 of the GEM Listing throughout the Year.

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 Year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee is currently composed 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 primary duties of the Audit Committee include the following:

(a) monitor and ensure a proper relationship with the Company's auditor;

(b) review of the Group's quarterly, interim and annual reports and compliance with accounting standards, the GEM Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and internal control system.

The Audit Committee has reviewed the audited financial statements of the Group for the Year and recommended to the Board the approval and announcement of such financial statements.

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

Hong Kong, 25 March 2014

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from its date of posting and on the designated website of this Company at www.hklistco.com/8265.