

For immediate release

Powerwell Pacific Announces Proposed Listing on GEM of SEHK

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**Watch and Costume Jewelry Sourcing Company Offers 42,000,000 Placing Shares at
Placing Price Between HK\$0.80 and HK\$1.10 per Share
To Raise Maximum Net Proceeds of HK\$30.2 Million**

Investment Highlights

- Strong product design and development capabilities
- Long term relationship with reliable contract manufacturers and suppliers
- A stable and experienced management team
- Ability to deliver quality and reliable products
- Long term relationship with major customers
- Growth opportunities in relation to the new PRC watch business by furthering the brand equity of *Tianba* (天霸), which is amongst the top five domestic PRC watch brands
- Opportunity of cross-selling its products and broadening client bases

Hong Kong, 13 January 2011 – Watch and costume jewelry sourcing company Powerwell Pacific Holdings Limited (“Powerwell” or the “Company”; Stock code: 8265) has announced plans in respect of its proposed listing on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong (“SEHK”) by way of placing. The Company is offering 42,000,000 placing shares at a price of not more than HK\$1.10 and expected to be not less than HK\$0.80 per share.

CIMB Securities (HK) Limited and Access Capital Limited are the joint sponsors of the proposed listing, with CIMB Securities (HK) Limited being the sole bookrunner. The price determination date is scheduled to be on or before Tuesday 18 January 2011. Dealings in the shares of the Company on GEM are expected to commence on Wednesday 26 January 2011.

Powerwell is principally engaged in the sourcing business providing sourcing and procurement solutions to customers who are mainly brand owners and importers. The Company sources a variety of products to its customers which include watches, costume jewelries, and display and packaging products. Finished products for the sourcing business are mostly exported overseas.

Powerwell has established design and product development capabilities in support of its sourcing business. It offers customers attractive product designs according to their requirements. It also works with its customers on their proposed product designs, providing them with advice and support on the production feasibility. These capabilities are one of the principal strengths of the Group which give it an edge over its competitors.

The Group sources and procures for its customers a wide range of (i) parts and components of watches including mechanical and quartz movements, cases, dials and watch bands; (ii) costume jewelries including silver jewelries; and (iii) display and packaging products for their merchandise.

Powerwell Chairman, Executive Director and compliance officer Liu Tin Chak, Arnold (“Mr. Liu”) said: “We believe that throughout the years, we have provided quality service supported by good delivery track

record. This provides confidence to our customers that we are capable of providing a comprehensive sourcing solution to them covering the entire supply chain from the beginning involving product design, product development and sampling, to the middle stage involving sourcing of raw materials and components and coordination and supervision of the production process (by outsourcing to contract manufacturers), and to further to the later stage involving the management of the logistics, the delivery arrangements and overseas sales.”

Taking into account the importance of the PRC market to the Group's long term development and leveraging on its experience in the sourcing business, the Group has expanded into the PRC watch business under the *Tianba* (天霸) and *Harpo* (海霸) brands in March 2010. The two brands were acquired in June 2010, and up to December 2010 the sales network comprised 110 sales points in department stores and shopping malls in 54 cities in the PRC.

According to a watch industry report compiled by China Social Economic Investigation & Research Center in May 2010, *Tianba* (天霸) is one of the top five domestic PRC watch brands in terms of sales in value and in volume in 2009. *Tianba* (天霸) contributed to approximately 2.3% to both total sales in value and in volume of all domestic PRC watch brands.

The above report also pointed out that approximately 71%, 63% and 40% of the watch consumers focus on the quality, fashion style and price of the watches respectively when they make a purchase.

Mr. Liu added: “Watches are gradually becoming fashion accessories and status symbols to the population in the PRC and thus, price and functions of the watches are no longer the major and only determinants towards the consumers' final purchase decisions. Industry statistics highlight the emphasis consumers put on quality and style of watches. Based on the increasing trend of the household expenditure consumption per capita for urban households in the PRC, the prospects of the PRC watch retail market is expected to remain strong in the foreseeable future as consumers spend more of their disposable income on retail and luxury goods.”

The sales network expansion plan for the Group's PRC watch business lays down a target of 150 sales points by end of 2011. To implement such an expansion plan, the Group's latest strategy is to launch an average of four new models of watches each month in order to enrich the product range and selection offers to retail customers. The Group leverages on its experience in sourcing and procurement of watches and packaging and display for brand owners to create a niche market in the middle price range of PRC watches focusing on originality in designs, craftsmanship and functionality matching a modern lifestyle.

The Group utilises various media channels, such as television commercials, print media, as well as outdoor advertisements in the PRC, to convey the brand image and product information of *Tianba* (天霸) to the market. The Group will continue its direct media marketing campaigns and also explore celebrity sponsorship and endorsement to enhance the brand equity of *Tianba* (天霸). The Group is now offering 英雄本色 (Hero series*), 智者本色(Sage series*), 勇者本色 (Bravery series*), and 名仕本色(Prestige series*) which cover a wide range of watch wearing.

The Group has established an assembly line in Shenzhen exclusively used for *Tianba* (天霸) and *Harpo* (海霸) watches. It has the production capacity of around 6,300 pieces per month. The Group may expand the assembly line according to customers' demand of its products in the future. The Group believes that having its own assembly line enables it to closely monitor the quality control of its watches and to ensure production quality.

The net proceeds from the placing are estimated to be approximately HK\$24.1 million, assuming the mid-point placing price of HK\$0.95 per share. The proceeds are intended to be used for corporate expansion and for expanding the PRC watch business.

The Group's top five customers accounted for approximately 95.1%, 92.8% and 91.0% of the Group's total revenue for each of the two years ended 31 December 2009, and for the six months ended 30 June 2010 ("Track Record Period"), respectively. The Group has been actively seeking new customers to reduce the risk of over-reliance on its major customers. During the Track Record Period, it has successfully broadened its customer base to over 60 customers. The Group has established on-going trading record with its major customers.

Having set the correct cornerstones upon which the Group's successful sourcing business may grow, the Group will further develop its capabilities in product designs and development by investing in advanced equipment to meet the Group's customers' needs on more advanced and sophisticated product.

The Group excels in identifying its customers' needs and it sources and procures the suitable products for them. It has a strong ability in identifying the synergies between different existing products. As such, it will further develop on this ability and cross-sell its services and products among customers of its various products. The Group's existing three product lines, being watches, costume jewelries and packaging and display products, are complementary to each other.

In addition, the Group is exploring co-operation and collaboration opportunities with other prominent consumer product and service providers in the PRC to source and produce for them premium and gift items for promotion and marketing purpose. The Group believes this market segment is becoming more significant when the PRC market becomes more and more consumers driven and oriented.

The Company will have a market capitalisation of HK\$120,000,000 and HK\$165,000,000 based on the placing prices of HK\$0.80 and HK\$1.10 respectively. The Group's gearing ratios were 1.1% and 0.8% as at 31 December 2009 and 30 June 2010 respectively.

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Track Record

Summary of combined results

	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Revenue	199,128	164,511	78,987	84,214
Gross profit	39,470	38,604	18,266	19,096
Profit/Total comprehensive income for the year/period	11,388	17,566	8,225	4,614

Revenue by business

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	<i>HK'000</i>	%	<i>HK'000</i>	%	<i>HK\$'000</i> (unaudited)	%	<i>HK'000</i>	%
Sourcing business:								
• Watches	114,399	57.4	71,790	43.6	28,106	35.6	38,769	46.0
• Display and packaging	68,950	34.6	73,246	44.5	41,089	52.0	34,346	40.8
• Costume jewelries	15,779	8.0	19,475	11.9	9,792	12.4	8,460	10.1
Subtotal:	199,128	100.0	164,511	100.0	78,987	100.0	81,575	96.9
PRC watch business	-	-	-	-	-	-	2,639	3.1
Total:	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Gross profit margin

	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
	%	%	% (unaudited)	%
Sourcing business:				
• Watches	13.8	15.9	15.2	14.5
• Display and packaging	27.1	27.2	25.4	25.6
• Costume jewelries	31.4	37.1	36.2	42.2
PRC watch business	-	-	-	42.1
Overall gross profit margin	19.8	23.5	23.1	22.7

Major financial ratios

	At 31 December		At 30 June
	2008	2009	2010
Trade receivables turnover days	43.4	44.4	51.8
Trade payables turnover days	60.0	45.5	66.2
Inventory turnover days	21.1	4.2	38.9
Return on equity	29.6%	46.2%	11.6%
Gearing ratio	2.3%	1.1%	0.8%
Current ratio	2.0	2.4	1.5
Quick ratio	1.7	2.3	1.2
Return on assets	14.9%	27.7%	5.0%