ANNUAL REPORT 2019

GoldenPower®

Golden Power Group Holdings Limited
金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3919

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. Chu King Tien
Ms. Chu Shuk Ching
Mr. Tang Chi Him
Mr. Chu Ho Wa

Independent non-executive Directors
Mr. Hui Kwok Wah
Mr. Ma Sai Yam
Mr. Chow Chun Hin, Leslie

COMPANY SECRETARY
Mr. Tse Kar Keung

AUDIT COMMITTEE
Mr. Hui Kwok Wah *(Chairman)*
Mr. Ma Sai Yam
Mr. Chow Chun Hin, Leslie

REMUNERATION COMMITTEE
Mr. Hui Kwok Wah *(Chairman)*
Mr. Chu King Tien
Mr. Ma Sai Yam

NOMINATION COMMITTEE
Mr. Chu King Tien *(Chairman)*
Mr. Hui Kwok Wah
Mr. Ma Sai Yam

AUTHORISED REPRESENTATIVES
Ms. Chu Shuk Ching
Mr. Tse Kar Keung

COMPLIANCE OFFICER
Ms. Chu Shuk Ching

LEGAL ADVISERS
As to Hong Kong laws
ONC Lawyers

As to PRC laws
Yuan Tai Law Offices

PRINCIPAL BANKERS
DBS Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited

AUDITOR
PKF Hong Kong Limited

REGISTERED OFFICE
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Flat C, 20/F, Block 1
Tai Ping Industrial Centre
57 Ting Kok Road, Tai Po
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR
Ocorian Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE
www.goldenpower.com

BOARD LOT
2,000 shares

STOCK CODE
3919

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (collectively the "**Directors**" and each a "**Director**") of Golden Power Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), it is my pleasure and honour to present the Group's annual results for the financial year ended 31 December 2019 (the "**Year**").

The year of 2019 was another expansion opportunity and challenging year for the Group.

To begin with, starting from financial year ended 31 December 2017, the Company entered into another investing period, through the acquisitions of machinery, strengthening the production capacity and broadening the diversity of production categories. We expand our product category to Hearing Aid Battery ("**HAB**") series products segment with higher specifications that can attract high-end healthcare products customers' attention and strengthen our competitiveness. We dispatched certain samples to our customers for testing and approval.

The newly designed and automatic production line acquired in 2017 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries has commenced production in the first quarter of 2019. The production line was mainly used for the production of four new alkaline cylindrical battery series, namely "MaxiPro", "Power Stay", "Power P+US" and "Super P+US" series, of which the Company commenced its marketing introduction since April 2017.

OVERVIEW OF OUR RESULTS

Revenue for the Year has slightly decreased by approximately 2.88% to approximately HK$314.20 million from approximately HK$323.53 million in the financial year ended 31 December 2018 (the "**Last Year**"). Profit attributable to the shareholders of the Company was approximately HK$7.38 million for the Year as compared to a profit of approximately HK$6.20 million in the Last Year, representing an increase of approximately 19.03%. Earnings per share were HK3.08 cents, as compared to the earnings per share of HK2.58 cents for the Last Year.

REVIEW AND OUTLOOK

2019 was the most challenging year to the Group. During the Year, the Group has been facing the escalating trade frictions between the US and China and the slowdown of economy in China, Hong Kong and Asia. The violability of the exchange rates of foreign currencies, rising interest rates, as well as escalating labour costs in China all exerted pressure on the Group's profit margin, despite the decrease in metal and component prices. Through the cost control over the Year, the Company achieved an increase in the profit margin of the Group in the year.

The trade friction between the US and China, the volatility of the exchange rates of foreign currencies and commodity prices, may continue to cause some uncertainties in the market.

Since the outbreak of the new coronavirus epidemic (the "**Epidemic**") in the People Republic of China (the "**PRC**") in January 2020, a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Epidemic. The Company complied with the relevant requirements issued by the government of the PRC by suspending the operation of the production facilities of the Group in the PRC temporarily after the Chinese New Year in February 2020. In mid February, the production facilities gradually resumed and returned to normal. The outbreak is expected to affect the global economy and the general business activities of the Group in 2020.

The Group will continue its strategy of investing in production facilities and automation to increase cost efficiency and productivity. At the same time, efforts will be made on strengthening brand promotion to tap new opportunities, especially in the mercury free micro button cells included "HAB".

Facing the increase in production costs, the Group will undertake restructuring of its subsidiaries in the PRC to maintain our competitiveness. The synergy effect is expected to bring better efficiency and save costs as a whole.

Despite the challenging condition of the market, the Group has continued to put efforts into enhancing the efficiency of production of disposable batteries. We believe that the demand from our OEM customers for disposable batteries will grow steadily as the market demand for the same is generally increasing. The Group will also continue to put more efforts in improving the product performance, broadening our private label customer base and expanding our retail market business in 2020. We will also strive to expand our product portfolio and to improve and upgrade the quality, reliability and durability of our products.

Going forward, the Group will continue to strengthen its competitiveness in the market by expanding our "Research and Development" inputs for enhancing our products quality and production technology, and to strive for our long term success in the industry.

FUTURE DEVELOPMENT

The Group will continue to invest in its production facilities and upgrade the production lines in order to enhance the production capacity and efficiency in 2020. A newly designed automatic production line has been acquired in 2018 for producing HAB. It will improve the production efficiency and product quality to meet the Group's plan in future expansion.

The Group is developing the retail markets for products bearing our own brand "Golden Power" and other private label business. We have started entering into the global retail markets and will continue to expand our global market shares through our co-operation with some well-developed chain stores, e-commerce, online marketplace and distribution network over the world.

As mentioned above, in order to maintain our market competitiveness, the Group will undertake restructuring as to the subsidiaries in the PRC in the financial year 2020.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to the shareholders, investors, business partners, and staff for their continuous support and dedication to the Group. We will continue to adopt the appropriate expansion plan, stringent cost controls and adaptable strategies to seize market opportunities, in order to maximize returns for our shareholders.

Chu King Tien
Chairman and Executive Director

Hong Kong, 20 March 2020

BUSINESS REVIEW

The Shares were listed on GEM (the "**Listing**") of the Stock Exchange on 5 June 2015 (the "**Listing Date**") and were successfully transferred to the Main Board of the Stock Exchange (the "**Transfer of Listing**") on 10 November 2017.

The Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to the PRC, Hong Kong and international markets under both its own brand "Golden Power" and the brands of its private label and OEM customers. The products are mainly categorised into two segments, namely (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorised into two sub-segments, namely (i) cylindrical batteries; and (ii) micro-button cells. Other battery-related products include battery chargers, battery power packs and electric fans.

The revenue of cylindrical batteries for the Year decreased by approximately HK$5.77 million from approximately HK$222.96 million for the Last Year to approximately HK$217.19 million for the Year, which was equivalent to a decrease in approximately 2.59% in revenue of cylindrical batteries. Such decrease in revenue was mainly due to decrease of the demand in PRC during the Year.

The revenue of micro-button cells for the Year decreased by approximately HK$5.22 million from approximately HK$97.80 million for the Last Year to approximately HK$92.58 million for the Year which was equivalent to a decrease in approximately 5.34% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year increased by approximately HK$1.67 million from approximately HK$2.77 million for the Last Year to approximately HK$4.44 million for the Year which was equivalent to approximately 60.29% increase in revenue of rechargeable batteries and other battery-related products. Such increase in revenue was mainly from Europe and North America market.

Revenue for the Year has decreased slightly by approximately 2.88% to approximately HK$314.2 million from approximately HK$323.53 million in the Last Year. Profit attributable to the shareholders of the Company was approximately HK$7.38 million for the Year as compared to a profit of approximately HK$6.20 million in the Last Year, representing an increase of approximately 19.03%. Earnings per share were HK3.08 cents, as compared to the earnings per share of HK2.58 cents for the Last Year.

FINANCIAL REVIEW

Revenue

Revenue for the Year was approximately HK$314.20 million (2018: approximately HK$323.53 million) representing a slight decrease of approximately 2.88% as compared to the Last Year. Such decrease was mainly attributable to the decrease in demand from PRC, which caused the decrease in revenue of cylindrical batteries, but such decrease was net off by the increase of demand in Europe (including Eastern Europe), Middle East, North and South America during the Year.

The following table sets out the breakdown of the Group's revenue by geographical locations:

	2019 HK$'000	2018 HK$'000
The PRC	93,505	104,516
Hong Kong	58,668	62,834
Asia (except the PRC and Hong Kong)	46,389	60,400
Europe	43,912	35,822
Eastern Europe	7,143	4,185
North America	36,164	33,701
South America	18,869	14,594
Australia	4,475	3,753
Africa	386	146
Middle East	4,692	3,578
	314,203	323,529

The following table sets out breakdown of the Group's revenue by products:

	2019 HK$'000	2018 HK$'000
Cylindrical batteries	217,186	222,958
Micro-button cells	92,581	97,797
Rechargeable batteries and other battery-related products	4,436	2,774
	314,203	323,529

Gross Profit

The Group recorded a gross profit for the Year of approximately HK$74.21 million (2018: approximately HK$65.20 million), representing an increase of approximately 13.82% as compared to the Last Year, which was mainly due to the decrease in cost of sales by approximately HK$18.34 million from approximately HK$258.33 million for the Last Year to approximately HK$239.99 million for the Year, representing a decrease of approximately 7.10%. The decrease was mainly attributable to the decrease in sub-contracting fees and material costs, including steel, zinc, copper and packaging materials, as a whole.

Expenses

During the Year, the selling expenses of the Group decreased by approximately 5.63% to approximately HK$15.92 million as compared to approximately HK$16.87 million in the Last Year. The decrease was mainly due to the decrease in the distribution, marketing and promotion expenses. The Group's general and administrative expenses decreased by approximately HK$1.28 million to approximately HK$52.53 million as compared to approximately HK$53.81 million for the Last Year. The decrease in general and administrative expenses was mainly due to the decrease in professional fees and sundry expenses.

Finance Costs

The finance costs of the Group has increased by approximately 69.01% to approximately HK$6.00 million for the Year as compared to approximately HK$3.55 million in the Last Year. The increase was mainly due to the increase in financial costs on the higher level of utilisation of banking facilities.

Income Tax
The income tax credit of the Group has decreased by approximately HK$1.90 million to approximately HK$0.52 million credit for the Year as compared to approximately HK$2.42 million for the Last Year. The decrease was mainly from over provision in the Last Year.

Profit attributable to the shareholders of the Company
Profit attributable to shareholders of the Company for the Year was approximately HK$7.38 million (2018: approximately HK$6.20 million), representing an increase of approximately 19.03%. The increase was mainly attributable to the combined effects of i) profit from operations increased by approximately 75.44% to approximately HK$12.86 million for the Year as compared to approximately HK$7.33 million for the Last Year, which was primarily attributable to the decrease in the cost of sales due to the decrease in cost of material and subcontracting fee; ii) finance costs increased by approximately 69.01% to approximately HK$6.00 million for the Year as compared to approximately HK$3.55 million for the Last Year, which was primarily attributable to the increase in the utilisation of the banking facilities; and (iii) the increase was partially offset by the fact that the income tax credit decreased by approximately 78.51% to approximately HK$0.52 million credit for the Year as compared to approximately HK$2.42 million for the Last Year, which was primarily attributable to over provision in the Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group operates a conservative set of treasury policies to ensure that no unnecessary risk is taken with respect to the Group's assets. No financial investment other than cash is currently used.

The cash and bank balances were approximately HK$18.23 million, which was approximately HK$0.88 million lower than the Last Year (2018: approximately HK$19.11 million).

As at 31 December 2019, the Group has utilised banking facilities of approximately HK$187.45 million, which was equivalent to approximately 91.23% of the total banking facilities available for the Year as compared to the utilised amount of approximately HK$169.83 million in the Last Year which was equivalent to approximately 67.14% of the total banking facilities available for the Last Year, which represents an increase in approximately HK$17.62 million in the utilised banking facilities as at 31 December 2019 over 31 December 2018. The increase in the banking facilities was used for the new production line and assets acquisition. The Directors believe that the utilisation rate of the banking facilities has been maintained at a reasonable level. The Directors also believe that the existing banking facilities are at a safe level to support the Group's operating needs.

CHARGES ON ASSETS

The Group's bank borrowing facilities were secured mainly by the Group's plant and office building (including investment properties) with carrying value of approximately HK$152.45 million as at 31 December 2019 (2018: approximately HK$140.82 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The assets, liabilities and transactions of the Group are mainly denominated in Hong Kong dollars, Renminbi and US dollars. Each of the Group's operating entities borrowed in local currencies (Hong Kong dollars for the Hong Kong entities, Renminbi for the PRC entities) and US dollars where necessary in order to minimise currency risk.

As at 31 December 2019, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments.

FINANCIAL KEY PERFORMANCE INDICATORS

	2019	2018
Gross profit margin	23.62%	20.15%
Net profit margin	2.35%	1.91%
Gearing ratio	0.81	0.80

Gross Profit Margin
The gross profit margin increased by approximately 3.47% from approximately 20.15% for the Last Year to approximately 23.62% for the Year. It was mainly due to the decrease in cost of production, including the cost in raw materials and production overhead throughout the Year.

Net Profit Margin
The net profit margin increased by approximately 0.44% to approximately 2.35% for the Year as compared to approximately 1.91% for the Last Year. The increase in the net profit margin was mainly caused by the decrease in the cost of sales, selling expenses and general and administrative expenses.

Gearing Ratio
The gearing ratio increased by 0.01 to 0.81 for the Year as compared to 0.80 for the Last Year. The increase was mainly due to the increase in the total debt during the Year.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: nil).

CAPITAL STRUCTURE

There has been no change in the issued share capital of the Company during the Year. The capital structure of the Group consists of bank borrowings, net of bank balances and cash and equity attributable to shareholders of the Group comprising issued share capital and reserves. The issued share capital of the Group comprises ordinary Shares only. Total equity of the Group amounted to approximately HK$254.80 million as at 31 December 2019 (2018: approximately HK$250.89 million).

DIVIDEND

The Directors did not recommend the payment of any dividend for the Year (2018: nil).

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital expenditures contracted for approximately HK$6.54 million on a newly designed and automatic production line and others auxiliary machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries, micro button cells and Hearing Aid Battery ("**HAB**").

SIGNIFICANT INVESTMENTS HELD

Except for (i) the Company's investment in various subsidiaries; (ii) the investment in two investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories, which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) and respectively leased to two separate independent third parties under two-year term tenancy agreements entered on 23 May 2018 and on 17 July 2019, with monthly rentals at market rate and (iii) Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong (the "**Fortune Plaza Shop**"), which is held by China Scene Limited (an indirect wholly-owned subsidiary of the Company), was leased to an independent third party under three-year term tenancy agreements entered into on 24 October 2018 for commercial purpose with monthly rental at market rate. On 23 October 2019, the tenant of the Fortune Plaza Shop surrendered the lease and the Fortune Plaza Shop was then open to let in the remaining period in 2019.

Save as the above, the Group did not hold any significant Investments as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group has from time to time been exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed in this annual report, the Group does not have any specific plans for material investment or capital asset as at 31 December 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are some principal risks and uncertainties facing the Group, which may materially adversely affect its business, financial condition or results of operations:

The Group has no long-term sales contracts with most of its major customers. If the business relationships with the major customers deteriorates or if any of the major customers reduces substantially its purchases from the Group or terminates its business relationship with the Group entirely, the business, results of operations and financial condition of the Group may be adversely affected.

The demand for disposable batteries in general and alkaline cylindrical batteries depends on the need for such disposable batteries to operate various electronic devices, the demand for which is in turn affected by technological advances and consumer preferences. Further, technological advances and increasing environmental awareness may cause consumer demand to shift from alkaline cylindrical batteries to other disposable batteries, from disposable batteries to rechargeable batteries as a substitute or even to other forms of electronic products or energy which do not require the use of batteries.

The Group's revenue was denominated in Renminbi, Hong Kong dollars and US dollars and the cost of sales was primarily denominated in Renminbi and the remaining denominated in Hong Kong dollars, US dollars and Euros. The value of Renminbi against Hong Kong dollars and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in the PRC.

The Group's business is subject to seasonality, therefore the first quarter of a year may record relatively lower revenue. In particular, the revenue generated during the month of Chinese New Year may be significantly lower than the average revenue generated during a year.

The Group manufactures some of the products on a made-to-stock basis (that is the Group manufactures before the customers place orders with it) with reference to the sales forecast prepared in the light of the customers' historical buying pattern, particularly batteries to be sold to the customers under the Group's branded business which adopt its original design and specifications. If the sales forecast turns out to be inaccurate and the customers do not place orders with the Group in the volumes as expected, the products produced may not be absorbed by other customers, and the Group's business, results of operations and financial condition may be adversely affected.

For more details about the general risks and uncertainties in relation to the Group, please refer to the section headed "Risk Factors" in the prospectus of the Company dated 29 May 2015 (the "**Prospectus**").

EMPLOYEES AND REMUNERATION POLICY

The Directors believe that employees are an important asset to the Group and the quality of the employees is an important factor in sustaining the Group's business growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salary and contributions to the mandatory provident fund, staff benefits also include medical insurance scheme and the share option scheme.

As at 31 December 2019, the Group had a total of 532 employees (2018: 560 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK$50.63 million in the Year (2018: approximately HK$49.25 million) representing an increase of approximately 2.80% for the Year. Directors' remuneration for the Year amounted to approximately HK$6.87 million (2018: approximately HK$6.61 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK$0.46 million (2018: approximately HK$0.46 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in the section headed "Regulatory Overview" in the Prospectus.

To ensure compliance with the applicable environmental regulations and laws, the Group has entered into several service contracts with professional waste disposal service companies for the disposal of hazardous waste produced in the Group's production process. These professional waste disposal service companies have obtained operation permits of hazardous waste for the disposal of hazardous waste listed in the national catalogue of hazardous waste. They have also obtained operation permits of road transport for the transportation of hazardous waste or have entrusted qualified transportation service companies to carry out the transportation of hazardous waste under the relevant laws.

Prior to the entering into waste disposal service agreements with the waste disposal service companies, the Group generally required them to provide copies of the relevant permits, which would be checked against the originals and attached as appendices to the relevant agreements. The Group also conducts regular review on the validity and renewal status of such permits held by the waste disposal service companies engaged by the Group.

The Group has also appointed Mr. Liang Tao, the general manager of Goldtium Jiangmen, an indirect wholly-owned subsidiary of the Company, and one of the senior management members, to supervise and monitor compliance with statutory regulations and our internal standard in respect of environmental matters.

During the Year, the Group was not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

For more information in our environmental policies, please refer to our ESG Report in this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this report, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC for the business operations of the Group in all material respects.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

During the Year, the Board is of the opinion that the Company has complied with all the applicable code provisions set out in the CG Codes.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the Year, the Group has maintained good relationship with its employees, customers and suppliers. The Group will continue to ensure effective communication and maintain good relationship with them.

The Group has been looking for new opportunities and has built up good relationships with its customers so as to accelerate the growth momentum. To retain the existing customers, the Group will provide the technical updates on the products development to cater for the customers' needs. The Group has successfully maintained relationships with a number of customers for more than five years, including the Group's major customers.

The Group selects its suppliers and subcontractors according to the internal quality evaluation system and maintains a list of approved suppliers and subcontractors from time to time. For the purpose of maintaining the quality of the products, the Group only purchases raw materials and trading products from the approved suppliers and outsources its packaging, electroplating and printing processes to the approved subcontractors.

The Group generally does not enter into long-term procurement contracts with its suppliers in order to maintain flexibility in being able to source raw materials at a competitive price. Its major suppliers include suppliers of raw materials and packaging materials. The Group has established an average of more than five years of business relationships with a majority of its major suppliers.

USE OF PROCEEDS FROM LISTING AND THE RIGHTS ISSUE

The net proceeds from the Listing, after deducting related expenses, amounted to approximately HK$40.16 million. After the Listing, the net proceeds have been fully applied in accordance with the section headed "Future Plans and Use of Proceeds" as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing up to 31 December 2019 is set out below:

	Planned use of the net proceeds as stated in the Prospectus up to 31 December 2019	**Actual use of the net proceeds up to 31 December 2019**
	HK$'million	HK$'million
Repayment of bank loans	36.14	36.14
General working capital	4.02	4.02
	40.16	40.16

All net proceeds from the Listing have been used up as at 31 December 2015 according to our implementation plans disclosed in the Prospectus.

The net proceeds from the Rights Issue, after deducting related expenses, amounted to approximately HK$31 million. During the financial year ended 31 December 2017, the net proceeds of the Rights Issue have been fully applied in accordance with the intended use of proceeds as set out in the prospectus of the Rights Issue dated 27 March 2017.

FUTURE DEVELOPMENT

The Group will continue to invest in its production facilities and upgrade the production lines in order to enhance the production capacity and efficiency in 2020. A newly designed automatic production line has been acquired in 2018 for producing HAB. It will improve the production efficiency and product quality to meet the Group's plan in future expansion.

The Group is developing the retail markets for products bearing our own brand "Golden Power" and other private label business. We have started entering into the global retail markets and will continue to expand our global market shares through our co-operation with some well-developed chain stores, e-commerce, online marketplace and distribution network over the world.

In order to maintain our market competitiveness, the Group will undertake restructuring as to the subsidiaries in the PRC in the financial year 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chu King Tien, aged 65, an executive Director and chairman of the Group, was appointed as a Director on 7 June 2012, the date of incorporation of the Company, and has been serving as the executive Director and chairman of the Company since 1 April 2013. He is responsible for the overall corporate development and strategic planning of the Group. Mr. Chu has extensive experience in the disposable battery industry and has been engaged in such business for over 44 years.

In January 1983, Mr. Chu became a director of Golden Power Industries Limited ("**Golden Power Industries**"), an indirect wholly-owned subsidiary of the Company, and has been holding the position since then. From May 1993 to April 2000, Mr. Chu had been the executive director of China Oil and Gas Group Limited, the holding company of Golden Power Industries at the time, which was listed on the Stock Exchange, and was mainly responsible for assisting in corporate planning, marketing and overall administration. In July 2003, Mr. Chu, together with an independent third party, acquired Golden Power Investments (B.V.I.) Limited and its subsidiaries through Golden Villa Ltd. ("**Golden Villa**").

Mr. Chu and Golden Villa, which is wholly-owned by Mr. Chu, are the controlling shareholders (as defined under the Listing Rules) of the Company. Mr. Chu also serves as a director of all the subsidiaries of the Group. Mr. Chu is the father of Mr. Chu Ho Wa, an executive Director of the Company.

Ms. Chu Shuk Ching, aged 57, an executive Director and chief executive officer of the Company, was appointed as a Director on 7 June 2012, the date of incorporation of the Company, and has been serving as an executive Director and the chief executive officer of the Company since 1 April 2013. She is responsible for the overall management, administration and implementation of policy of the Group. Ms. Chu has been engaging in the disposable battery industry for over 32 years.

Ms. Chu graduated from the York University in Canada with a bachelor degree of Administrative Studies in 1985. Ms. Chu had served as the general manager of Golden Power Industries from March 2000 to March 2005 and she has become a director of Golden Power Industries since July 2003. Ms. Chu has also become the director and general manager of Golden Power Corporation since April 2005.

Ms. Chu is currently the director of twelve subsidiaries of the Company, namely Best Kind Holdings Limited, Golden Power Corporation (Hong Kong) Limited ("**Golden Power Corporation**"), Gain Smart Limited, Giant Moral Limited, Golden Power Industries, Champ Profit Development Limited, Big Power Limited, Golden Pilot Limited, Pointway Corporation Limited, Ample Top Enterprises Limited, Golden Power Properties Limited and Merchant Port Limited. She is also the younger sister of Ms. Chu Suk Man, the deputy general manager of Golden Power Corporation.

Mr. Tang Chi Him, aged 48, an executive Director, has been serving as an executive Director since 1 April 2013 and is also the general manager of the Group. He is mainly responsible for overseeing the overall management of the Group's production facilities located in Dongguan and Jiangmen and administrating the manufacturing operations of the production facility in Dongguan and Jiangmen as well.

Mr. Tang graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1994 with a higher diploma in manufacturing engineering. He further acquired a bachelor degree of manufacturing engineering in 1999 and a master of science in engineering management in 2005 from the City University of Hong Kong. Mr. Tang joined Golden Power Industries in 1995 as an engineer and assistant superintendent. He left the Group in 2000 and rejoined Golden Power Industries in 2005 as a manager and was later transferred and become the general manager of Golden Power Corporation since 2012.

Mr. Chu Ho Wa, aged 35, an executive Director, has been serving as an executive Director since 1 April 2013 and is also the marketing manager and corporate business development manager of the Group, who is mainly responsible for developing and implementing the strategic sales and marketing plans, looking for new marketing opportunities and liaising with existing customers. Mr. Chu is currently the director of a subsidiary of the Company, namely Merchant Port Limited.

Mr. Chu acquired the bachelor of science degrees in Mathematics and Chemistry from the Imperial College of Science, Technology and Medicine of the University of London in the United Kingdom in 2006 and 2009, respectively. Mr. Chu joined the Group in 2009 as an assistant to director in Golden Power Corporation and had been its senior marketing executive from 2011 to 2014 and a manager of its corporate business development department since 2013.

Mr. Chu Ho Wa is the son of Mr. Chu King Tien.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Kwok Wah, aged 47, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015, and serves as the chairman of the audit committee and remuneration committee of the Company. He is responsible for giving independent advice to the Group. Mr. Hui has extensive experience in the accountancy field and has been engaging in such profession for over 22 years.

Mr. Hui obtained a bachelor of arts degree in accountancy from the City University of Hong Kong in 1996. After graduation, Mr. Hui worked for international accounting firms, including Moores Rowland and KPMG. He founded Kenny K. W. Hui & Co., CPA in May 2013 and has been its sole proprietor since then.

Mr. Hui is a member of the Hong Kong Institute of Certified Public Accountants since 2000 and has been a practicing member since May 2013. Being a certified tax adviser, Mr. Hui is also a fellow member of the Taxation Institute of Hong Kong since 2010.

Mr. Ma Sai Yam, aged 56, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to the Group. Mr. Ma has extensive experience in the legal field and has been engaging in such profession for over 21 years.

Mr. Ma obtained a bachelor of science degree in economics from the University of London in the United Kingdom as an external student in 1991. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong and a master degree in laws from Renmin University of China in the PRC in 2012.

Mr. Ma was admitted to practise law as a solicitor in Hong Kong in 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma founded Messers. Ma Tang & Co. and has been its partner since then.

Mr. Ma has been an independent non-executive director of Jiande International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 865) since 25 October 2016.

Mr. Ma also has been an independent non-executive director of Artini Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 789) since 13 February 2020.

Mr. Chow Chun Hin Leslie, aged 36, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to the Group. Mr. Chow has extensive experience in financial advising and has been engaging in such profession for over 13 years.

Mr. Chow graduated from the University of California in the United States in 2005 with a bachelor of arts degree in business economics. Mr. Chow is currently the chief financial officer of Takung Art Company Limited, and his responsibilities include planning, implementing, managing and controlling all financial-related activities of the company, which includes accounting, finance, forecasting, strategic planning, investor and public relationships, and private and institutional financing functions.

Mr. Chow was an independent non-executive director of PPS International (Holdings) Limited (a company listed on GEM of the Stock Exchange, stock code: 8201) from 23 September 2015 to 25 April 2016.

SENIOR MANAGEMENT

Mr. Liang Tao, aged 53, is currently the general manager of Goldtium Energy, an indirect wholly-owned subsidiary of the Company. He is responsible for overseeing all the production and quality control matters of the Group's production facility in Jiangmen as well as the management, PRC compliance and research and development of the Group.

Mr. Liang has over 24 years' experience in the disposable battery industry. He became the general manager and quality control and production superintendent of Goldtium Energy since 2011 and has been holding this position in the Group since then.

Ms. Chu Suk Man, aged 60, has been the deputy general manager of Golden Power Corporation since 2005. She is responsible for overseeing the global sourcing department and carrying out strategic planning for procurement of raw materials and semi-finished products to meet the production needs of the Group.

Ms. Chu was the accounting manager of Golden Power Industries from 1989 to 2000. She then left the Group and rejoined Golden Power Industries in 2002. She was transferred to Golden Power Corporation on 1 April 2005 and has been a deputy general manager since then.

Ms. Chu Suk Man is the elder sister of Ms. Chu Shuk Ching, an executive Director and the chief executive officer of the Group.

Ms. Wong In San, aged 55, has been the general manager of Golden Power Corporation since 2018. She is responsible for managing the human resources and administration department to formulate and execute human resources management policies and procedures of the Group.

Ms. Wong graduated from The Chinese University of Hong Kong in 1987 with a bachelor degree in social sciences. She joined the Group in 1988 and had served as an export manager and then a deputy general manager of Golden Power Industries. She was transferred to Golden Power Corporation on 1 April 2005 and has become the general manager in 2018.

Mr. Wong Kai Hung, aged 55, has been the deputy general manager of Golden Power Corporation since 2008. He is responsible for planning, developing and implementing the strategic sales and marketing plans as well as leading and managing a team of salespersons of the Group.

Mr. Wong joined the Group in 1992 as a trading executive of Golden Power Industries. He was transferred to Golden Power Corporation and promoted to be a senior sales and marketing manager of the Group and has subsequently become the deputy general manager of the Group since April 2008.

Ms. Fung Ching Yee, aged 42, has been the deputy general manager of Golden Power Corporation. She is responsible for planning, developing and implementing the strategic sales and international marketing as well as leading and managing an international marketing team of salespersons of the Group.

Ms. Fung joined the Group in 2007 as an assistant marketing manager of Golden Power Corporation. She holds a Bachelor Degree from the Uni of Wollongong in 2000 and a Master of Commerce Degree in University of New South Wales in 2001.

Mr. Tse Kar Keung, aged 51, the financial controller and company secretary, joined the Group in March 2010. He is responsible for reviewing and supervising the Group's overall internal control system and accountancy function.

Mr. Tse acquired a master degree in science in applied accounting and finance in the Hong Kong Baptist University in 2011. He has been a member and a fellow of the Association of Chartered Certified Accountants since 2008 and 2013, respectively. He has also been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since 2009 and 2016 respectively. Mr. Tse also obtained a master degree in science in professional accounting and corporate governance in the City University of Hong Kong in 2016. He has also been a member and a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in 2017 and 2018, respectively. He joined the Group in 2010 as a senior accounting manager and assistant to chairman of Golden Power Corporation.

COMPANY SECRETARY

Mr. Tse Kar Keung was appointed as the company secretary of the Company on 18 April 2013. Mr. Tse, being also the financial controller of the Group, is also a member of the senior management of the Group. For his biography, please refer to the paragraph headed "Senior Management" under this section.

COMPLIANCE OFFICER

Ms. Chu Shuk Ching is the compliance officer of the Company. For details of her biography, please refer to the paragraph headed "Executive Directors" under this section.

Pursuant to paragraph 36 of Appendix 16 of the Listing Rules, the Board is pleased to present the corporate governance report of the Company for the Year.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and are dedicated to identifying and formalizing the best practice in relation to corporate governance. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. Save as disclosed below, the Company has complied with all the code provisions in the CG Code for the Year.

During the Year, the Board is of the opinion that the Company has complied with all the applicable code provisions set out in the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the required standards for securities transactions by Directors. The Company has made specific enquiries of each of the Director and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

Board Diversity Policy

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the CG Code, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company recognises and benefits from the diversity of Board members. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed:

- To attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents.

- To maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives.

- To assess regularly the diversity profile of the Board and, where applicable, senior management prepared for the Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any.

- To ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered.

- To set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions.

- To ensure that changes to the Board's composition can be managed without undue disruption.

While appointments of all members of the Board will continue to be made on a merit basis, the Company will ensure that the Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skill, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The goal of the Board diversity is to ensure that a balanced composition of skill, experience and expertise offered by different Directors in the Board can provide a wider range of prospectives, insights and solutions to the Company and enable the Board to discharge its duties effectively and support the sustainable growth of the Company in the long run.

Composition of the Board

As at the date of this report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Chu King Tien *(the chairman of the Group)*
Ms. Chu Shuk Ching
Mr. Tang Chi Him
Mr. Chu Ho Wa

Independent non-executive Directors
Mr. Hui Kwok Wah
Mr. Ma Sai Yam
Mr. Chow Chun Hin Leslie

In compliance with rule A.2.1 of Appendix 14, the roles of chairman and chief executive officer of the Group are separated and performed by different individuals, namely Mr. Chu King Tien and Ms. Chu Shuk Ching, respectively.

In compliance with the requirements set out in Rule 3.10(2) of the Listing Rules, the Board consists of three independent non-executive Directors during the Year. One of them, namely Mr. Hui Kwok Wah, possesses appropriate professional qualifications or accounting or related financial management expertise. During the Year and as of the date of this report, the number of independent non-executive Directors represents at least one-third of the Board which is in compliance with Rule 3.10A. As such, the Company believes that there is sufficient independence element in the Board to safeguard the interests of the shareholders of the Company.

Specific enquiry has been made by the Company to each independent non-executive Director to confirm their independence pursuant to rule 3.13 of the Listing Rules, and each of them confirmed that he is independent of the Company and there has been no circumstances which would render them not to be independent as contemplated under the Listing Rules. Based on the confirmations received, the Board considers that all the independent non-executive Directors are independent within the meaning of the Listing Rules.

In accordance with code provision A.4.1 of the Code, the Company has entered into an appointment letter with each of the independent non-executive Directors for a fixed term of two years commencing from June 2018 subject to re-election, which may be terminated by either the Company or the Director in accordance with the terms thereof.

Pursuant to article 108 of the articles of association of the Company (the "**Articles**"), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election.

Saved as disclosed in the section "Biographical Details of Directors and Senior Management" in this report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Functions of the Board

The overall management of the Company's operation was vested in the Board. The principal function of the Board is to make key decisions, consider and approve the overall plans and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business and to which the Board has delegated the authority and responsibility for implementing the Group's policies and strategies.

All Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. During the Year, in accordance with the Code provision C.1.2, all the Directors are provided with monthly updates on the Company's performance, position and prospect to enable the Board as a whole and each Director to discharge their duties.

Board and General Meetings

During the Year, four board meetings were held on 20 March 2019, 16 May 2019, 22 August 2019 and 28 November 2019, respectively. During the Year, an annual general meeting was held on 16 May 2019 (the "**2019 AGM**"). Save for the 2019 AGM, no other general meeting was held during the Year. Subsequent to the Year and up to the date of this report, one board meeting was held on 20 March 2020. The forthcoming annual general meeting of the Company is scheduled to be held on Thursday, 21 May 2020 (the "**2020 AGM**").

The individual attendance record of each Director at the Board meetings during the Year is set out below:

Name of the Directors	**Attendance/ Number of Board meetings**
Executive Directors	
Mr. Chu King Tien *(Chairman)*	4/4
Ms. Chu Shuk Ching	4/4
Mr. Tang Chi Him	4/4
Mr. Chu Ho Wa	4/4
Independent non-executive Directors	
Mr. Hui Kwok Wah	3/4
Mr. Ma Sai Yam	4/4
Mr. Chow Chun Hin, Leslie	3/4

The company secretary of the Company attended all the Board meetings held during the Year to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance of the Group.

The individual attendance record of each Director at the 2019 AGM are set out below:

Name of the Directors	Attendance at 2019 AGM
Executive Directors	
Mr. Chu King Tien *(Chairman)*	Yes
Ms. Chu Shuk Ching	Yes
Mr. Tang Chi Him	Yes
Mr. Chu Ho Wa	Yes
Independent non-executive Directors	
Mr. Hui Kwok Wah	Yes
Mr. Ma Sai Yam	Yes
Mr. Chow Chun Hin, Leslie	No

Corporate Governance Functions and Conduct of Meetings

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions as set out in provision D.3.1 of the Code, such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Provision A.1.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are required to be given. An agenda and accompanying board papers are sent to all Directors at least three days before each Board meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Directors also have separate independent professional advice at the Company's expense to assist them in performing their duties to the Company.

Minutes of all Board meetings recording sufficient details of matters considered and decisions made are duly kept by the secretary of the meetings and open for inspection on reasonable notice by the Directors.

Directors' continuous training and professional development

Pursuant to provision A.6.5 of the Code, all the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all the Directors have participated in continuous professional development by attending training courses or reading relevant materials on the topics related to corporate governance and relevant update of the Listing Rules.

The individual training record of each Director received during the Year is summarised below:

Name of Directors	Attending seminar(s)/ reading relevant materials on the topics related to corporate governance and Listing Rules
Executive Directors	
Mr. Chu King Tien *(Chairman)*	Yes
Ms. Chu Shuk Ching	Yes
Mr. Tang Chi Him	Yes
Mr. Chu Ho Wa	Yes
Independent non-executive Directors	
Mr. Hui Kwok Wah	Yes
Mr. Ma Sai Yam	Yes
Mr. Chow Chun Hin, Leslie	Yes

BOARD COMMITTEES

The Board has established three Board committees to oversee specific aspects of the Group's affairs and assist it in the execution of its responsibilities. Each committee has its specific written terms of reference which clearly outline the committees' authority and duties, and which require the committee to report on its decisions or recommendations to the Board. All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") on 15 May 2015 with written terms of reference in compliance with the Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Hui Kwok Wah (chairman of the Audit Committee), Mr. Ma Sai Yam and Mr. Chow Chun Hin, Leslie.

All members of the Audit Committee possess appropriate knowledge and financial experience to perform their duties. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee, among other things, are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and requirements under the Listing Rules and oversee the independence and qualifications of the external auditors and objectivity and the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee has reviewed the consolidated financial statements for the Year and the Audit Committee is of the opinion that the audited financial statements of the Group of the Year comply with the applicable accounting standards and the Listing Rules and adequate disclosures have been made therein.

Meetings of the Audit Committee shall be held not less than twice a year.

Four Audit Committee meetings were held during the Year. The attendance records of each member of the Audit Committee at the said meetings are as follows:

Name of the Directors	Attendance/ Number of Audit Committee meetings
Independent non-executive Directors	
Mr. Hui Kwok Wah *(Chairman)*	3/4
Mr. Ma Sai Yam	4/4
Mr. Chow Chun Hin, Leslie	3/4

In performing its duties in accordance with its terms of reference, the works performed by the Audit Committee during the Year included, among other things, the followings:

A. reviewed and supervised the financial reporting process and internal control system of the Group;

B. made recommendations to the Board on the appointment of external auditor and gave approval of their remuneration;

C. met with external auditor and reviewed their independent audit reports; and

D. reviewed the financial statements for the relevant periods.

AUDIT COMMITTEE — ADOPTION OF REVISED TERMS OF REFERENCE

Reference was made to the Code Provision C.3.2 in the CG Code which was amended with effect from 1 January 2019, the cooling off period for appointing a former partner of the Company's audit firm as an Audit Committee member would be extended from 1 year to 2 years.

On 25 October 2018, the revised Terms of Reference of the AC was approved and adopted by the Board so as to keep the Terms of Reference of Audit Committee in line with the update of the CG Code.

Remuneration Committee

The Company has established a remuneration committee (the "**Remuneration Committee**") on 15 May 2015 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee comprises one executive Director, namely, Mr. Chu King Tien and two independent non-executive Directors, namely, Mr. Hui Kwok Wah and Mr. Ma Sai Yam, with Mr. Hui Kwok Wah being appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which should include benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, to ensure none of the Directors or any of his associate is involved in deciding his own remuneration, and make recommendations to the Board on the remuneration of the independent non-executive Directors.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting of the Remuneration Committee was held during the Year. The attendance records of each member of the Remuneration Committee at the said meeting are as follows:

Name of the Directors	Attendance/ Number of Remuneration Committee meetings
Executive Director	
Mr. Chu King Tien	1/1
Independent non-executive Directors	
Mr. Hui Kwok Wah *(Chairman)*	1/1
Mr. Ma Sai Yam	1/1

During the Year, the Remuneration Committee has, among other things, reviewed the remuneration package of the Directors and senior management of the Group and recommendation was made to the Board in relation to their remuneration package.

Nomination Committee

The Company has established a nomination committee (the "**Nomination Committee**") on 15 May 2015 with written terms of reference in compliance with the Listing Rules. The Nomination Committee comprises one executive Director namely, Mr. Chu King Tien and two independent non-executive Directors, namely, Mr. Hui Kwok Wah and Mr. Ma Sai Yam, with Mr. Chu King Tien being appointed as the chairman of the Nomination Committee.

The roles and functions of the Nomination Committee include, among other things, reviewing the structure, size and composition of the Board at least once a year, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of the Directors and making succession planning for Directors, in particular the chairman and the chief executive officer.

The Nomination Committee shall meet at least once a year. One meeting of the Nomination Committee was held during the Year. The attendance records of each member of the Nomination Committee at the said meeting are as follows:

Name of the Directors	Attendance/ Number of Nomination Committee meetings
Executive Director	
Mr. Chu King Tien *(Chairman)*	1/1
Independent non-executive Directors	
Mr. Hui Kwok Wah	1/1
Mr. Ma Sai Yam	1/1

During the Year, the Nomination Committee has, among other things, reviewed the structure, size, composition and diversity of the Board, considered the appointment or re-appointment of the Directors, reviewed the independent non-executive Directors' annual confirmation on their independence and assessed their independence according to the independence criteria set out in Rule 3.13 of the Listing Rules. The Nomination Committee will continue to review the necessity of more competent staff to join for the expansion of the Group.

Pursuant to the amended Mandatory Disclosure Requirement L.(d)(ii) in the Corporate Governance Report as contained in Appendix 14 of the Listing Rules, the Company should disclose its policy for nomination of directors and the summary of work performed by the Nomination Committee in its corporate governance report.

Nomination Criteria
In evaluating and selecting any candidate for the directorship, the following criteria would be considered:

- the candidate's character and integrity;

- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- any measurable objectives adopted for achieving diversity on the Board;

- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures
The Company has put in place the following Director nomination procedures:

Appointment of New and Replacement Directors
(i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

(ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

On 25 October 2018, the Director nomination policy was approved and adopted by the Board.

DIVIDEND POLICY

The Company has on 25 October 2018 adopted a divided policy (the "**Dividend Policy**"), the summary of which is set out below:

1) the Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company and also take into account the following factors of the Group when considering the declaration and payment of dividends:

   - financial results;
   - cash flow situation;
   - balance of distributable reserves;
   - business conditions and strategies;
   - future operations and earnings;
   - capital requirements and expenditure plans;
   - interests of shareholders;
   - any restrictions on the payment of dividends; and
   - any other factors that the Board may consider relevant;

2) depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

   - interim dividend;
   - final dividend;
   - special dividend; and
   - any distribution of net profits that the Board may deem appropriate;

3) any final dividend for a financial year will be subject to shareholders' approval;

4) the Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate; and

5) any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

The Board will review the Policy as appropriate from time to time.

COMPANY SECRETARY

Mr. Tse Kar Keung was appointed as the company secretary of the Company on 18 April 2013. Mr. Tse is also the financial controller of the Group and a member of the senior management. For his biography, please refer to the section headed "Biographical Details of Directors and Senior Management" in this report. During the Year, he has undertaken not less than 15 hours of relevant professional training.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules and other statutory requirements.

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the Year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit work, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the Independent Auditor's Report in this report.

AUDITOR'S REMUNERATION

For the Year, the fee paid/payable to the Group's external auditor, PKF Hong Kong Limited, for the audit and non-audit services provided amounted to approximately HK$0.82 million and HK$0.02 million, respectively. The total amount of fees paid/payable to other firms for providing audit and non-audit services for the Year amounted to approximately HK$0.10 million and HK$0.21 million respectively. The non-audit services incurred mainly consist of fees of approximately HK$0.03 million for internal audit and approximately HK$0.18 million for taxation services.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control system. The Board conducts regular review and evaluation of the Group's internal control system and is satisfied with the effectiveness of the internal control system of the Group during the Year.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner in accordance with relevant regulatory requirements.

A) General Meetings

The general meetings of the Company provide a good opportunity for communication between the shareholders of the Company and the Board. An annual general meeting of the Company shall be held in each year and at such time and place to be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The 2019 AGM was held on 16 May 2019. The 2020 AGM is scheduled to be held on 21 May 2020. A circular containing, among other matters, further information relating to the 2020 AGM will be despatched to the shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

B) Rights and Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 64 of the Articles, any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself(themselves) may convene the general meeting in the same manner, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to him (them) by the Company.

C) Procedures for Shareholders to Propose for Election as a Director

Shareholders may propose a person for election as Director. The procedures are set out in the document entitled "Procedures for Nomination of Directors by Shareholders" is available on the Company's website at www.goldenpower.com.

D) Right to Put Enquiries to the Board

Shareholders of the Company have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories for the attention of the Board or the company secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is the key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through the publication of its annual and interim reports and/or circulars, notices and other announcements. The corporate website of the Company (www.goldenpower.com) has provided an effective communication platform to the shareholders and the public.

CONSTITUTIONAL DOCUMENTS

Pursuant to resolutions of the shareholders passed on 15 May 2015, the Articles were adopted by the Company with effect from the Listing Date. Since the Listing and up to the date of this annual report, no change has been made to the Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

TABLE OF CONTENTS

1. COMPANY PROFILE

The Company is principally a manufacturer and seller of a wide array of batteries for various electronic devices in the PRC, Hong Kong and international markets under both its own brand "Golden Power" and the brands of its private label and OEM customers. The products are mainly classified into two segments, namely (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorised into two sub-segments, namely (i) cylindrical batteries; and (ii) micro-button cells. Other battery-related products include battery chargers, battery power packs and electric fans.

On account of the tightened policies and regulations in the European Union and the PRC, the demand in international battery markets for hazardous substance-free batteries has been evolving. In response to the market trend towards a higher standard of environmental protection, the Group has developed hazardous substance-free batteries under its "ecototal" series which are mercury-free, cadmium-free and lead-free. Additionally, the Group has been running its business in compliance with all applicable local laws and regulations regarding environmental, labour and anti-corruption.

Meanwhile, continuing to meet the increasing needs for high-end healthcare products, the Group has been allocating resources to (i) research and development; and (ii) manufacturing and selling batteries in new products, including HAB and batteries for other medical devices. The Group will continue to lead the way through advanced and diversified battery manufacturing.

2. ABOUT THIS REPORT

2.1. REPORTING STANDARD, PERIOD AND SCOPE

This report was prepared in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Guide ("**the Guide**") set out in Appendix 27 of the Listing Rules. The Group strictly adheres to the principles of materiality, quantitative, balance and consistency to report on the sustainability measures and performances from 1 January 2019 to 31 December 2019 (the "**reporting period**"). More in-depth information regarding corporate governance is addressed in the section of corporate governance in the annual report according to Appendix 14 of the Listing Rules. In addition, the Group's senior management team was proactively involved throughout the process of report preparation to guarantee its standards.

In comparison with the previous year, there was no significant change in Golden Power's operation locations, share capital structure and production facilities. The scope of this ESG Report includes the Group's major business operating areas: Hong Kong Headquarters, Dongguan Production Facility and Jiangmen Production Facility.

The Company has appointed an external consultant, Allied Environmental Consultants Limited (stock code: 8320), for the preparation of this ESG report.

2.2. CONTACT DETAILS

To continuously refine and reinforce the Group's sustainability strategy, we welcome any feedbacks and suggestions concerning this report and the Group's sustainability performance. If you have any comments or enquiries, please contact the Group at:

Golden Power Group Holdings Limited
Flat C, 20/F, Block 1, Tai Ping Industrial Centre
57 Ting Kok Road, Tai Po
N.T., Hong Kong

Tel: (852) 3125 2288
Fax: (852) 3125 2000
E-mail: ir@goldenpowergroup.com

3. MESSAGE FROM CHAIRMAN

Dear Stakeholders,

The Company has over 48-year experience in manufacturing battery products of premium quality and energy efficiency. In an effort to cater to evolving customers' needs, it is our enduring commitment to advanced product research and development, and hence manufacturing diversified and high-quality batteries.

We are pleased to build on the success in introducing product lines of HAB and various types of hazardous substance-free batteries. From healthcare to smart living, we are devoted to expanding product variety to improve the livelihoods of families and bring convenience to their daily lives. The Company will continue to work closely with different parties to innovate battery products in safeguarding the well-being of the society.

Moving forward, we will continue to place great importance on strict compliance with social and environmental laws and regulations within our operations since we strive to build the Company's strong reputation as a responsible battery manufacturer.

This ESG report theme is "Energising the city in a sustainable and diversified way", which epitomises the focus areas of the report:

1. Energising the city — Delivering high-quality, energy-efficient and safe batteries for our customers across the globe in support of their wide daily uses, and constantly listening to stakeholders' needs through effective engagement;

2. Sustainable — Adhering to stringent quality assurance, and developing professional teams with environmental awareness in order to contribute to sustainable development of society in a practical manner; and

3. Diversified — Manufacturing a broad range of batteries for various electronic devices to support customers' daily activities in diversified ways.

The Company is keen on fostering continuous dialogues with stakeholders, which helps refine our sustainability vision and address upcoming challenges. Last but not least, I hereby would like to express my sincere gratitude to our management team and staff for their contributions to positioning the Company for sustainable and healthy growth.

Chu King Tien
Chairman and Executive Director

4. REACHING OUT TO OUR STAKEHOLDERS

4.1. STAKEHOLDER ENGAGEMENT

In order to foster cohesive dialogues with stakeholders and disseminate sustainability-related information on a regular basis, the Group is dedicated to engaging with stakeholders, and attaining continuous improvement in the Group's environmental, social and sustainability governance performance. During the reporting period, the Group made consistent efforts to communicate with numerous stakeholders and understand their views on the Group's products and services.

Over the past years, different stakeholders including customers, suppliers and employees have been invited to respond to the Group's sustainability surveys. During the reporting period, senior management members were invited to rate the importance of topics related to environmental, social and sustainability to the Company's business. The survey collected 17 responses in total and the findings of top-ranked respective issues were shown according to the three aspects (environment, social and sustainability governance) as follows:

Environment	Social	Sustainability Governance
• Hazardous waste management	• Compliance with relevant laws and regulations	• Formation of sustainability committee
• Wastewater management	• Occupational health and safety	• Reinforcement of sustainable development framework
• Air quality control	• Business ethics	
• Water consumption		

Based on the results of the survey, the Group identified the compliance with all applicable laws and regulations throughout the operations as one of the most significant aspects to the Company's business. Moreover, through identifying the areas that matter the most to our stakeholders, the Group is enabled to prioritise the most crucial sustainability issues and allocate resources to implement various measures correspondingly.

In addition to stakeholder surveys, the Group constantly took part in local and international exhibitions with the aim of reaching out to its customers and investors, and updating them on its latest product development. The Group aspires to understand the customers' perspectives in regard to the Group's products, and hence identifying the areas with room for improvement to align with customers' expectations.

Photo 1: The Group participated in an exhibition booth with the theme of "infiltrating products into customers and end-users' lives" in Hong Kong Electronics Exhibition (Autumn Edition) in October 2019.

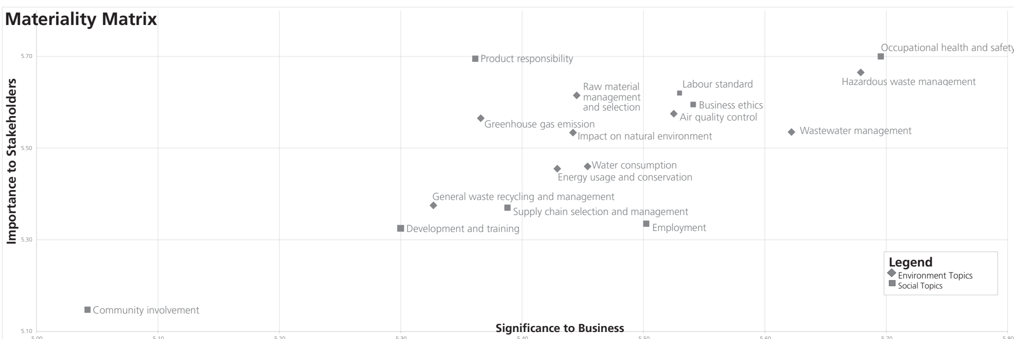
4.2. MATERIALITY ASSESSMENT

By consolidating the survey responses from senior management members with that from customers, suppliers and employees, the Group was able to generate its updated materiality matrix, which in turn allowed the Group to address sustainability issues by defining core business strategy.

In the surveys, the importance of 17 different environmental and social material topics was evaluated. The topics are listed as follows:

Environmental Topics	Social Topics
• Air quality control	• Employment
• Greenhouse gas emission	• Labour standards
• Energy usage	• Occupational health and safety
• Water consumption	• Development and training
• Wastewater management	• Supply chain selection and management
• General waste recycling and management	• Product responsibility
• Hazardous waste management	• Business ethics
• Raw material management and selection	• Community involvement
• Impact on natural environment	

The consolidated results from stakeholders' responses are displayed in the following materiality matrix:



The following environmental and social topics were prioritised as top three material issues to the Group's business:

Environmental Topics	Social Topics
1. Hazardous waste management	1. Occupational health and safety
2. Wastewater management	2. Labour standards
3. Air quality control	3. Business ethics

The Group endeavours to meet the needs and expectations of its stakeholders and revise its sustainability approach accordingly. To this end, the Group has made transparent and in-depth disclosures on the measures and management approaches of the above material topics throughout this report for stakeholders' deeper understandings.

With the aim of forming a more comprehensive and accurate materiality matrix, the Group will remain committed to maintaining ongoing conversations with stakeholders to gain diverse and valuable perspectives for continuous improvement of its sustainable development initiatives.

5. OUR PRODUCTION

In an effort to maintain its competitive edge and sustain the business development, the Group remains committed to serving customers with high-quality and diverse battery products that cater to their needs. With great determination to delivering sustainable supply chain management, rigorous quality assurance and product responsibility, the Group fulfils its corporate social commitments and strives to meet customers' satisfaction.

Placing great importance on advanced production facilities and systematic quality control procedures, the Group managed to obtain a number of prestigious qualifications that acknowledge its battery manufacturing technology. To further cement its position in the battery manufacturing industry, the Group will continue to explore other feasible methods of manufacturing safe, durable and eco-friendly battery products. Below sets forth the qualifications obtained or held by the Group during the reporting period:

Qualification	Issuing Authority
High-tech Enterprise	Guangdong Science and Technology Department
Guangdong Jiangmen Engineering and Technology Research Centre	Jiangmen Science and Technology Bureau
Guangdong Environmental Protection High Performance Primary Battery Engineering and Technology Research Centre	Guangdong Science and Technology Department

5.1. RESPONSIBLE SUPPLY CHAIN

The Group recognises the impact of its supply chain on the environment, society and the economy and takes on responsibilities for managing the impacts in a meticulous manner. The Group pursues efforts to promote sustainable supply chain management and procurement. The Group has assigned a professional procurement team to supervise the whole procurement process, ranging from assessment of suppliers to raw material management.

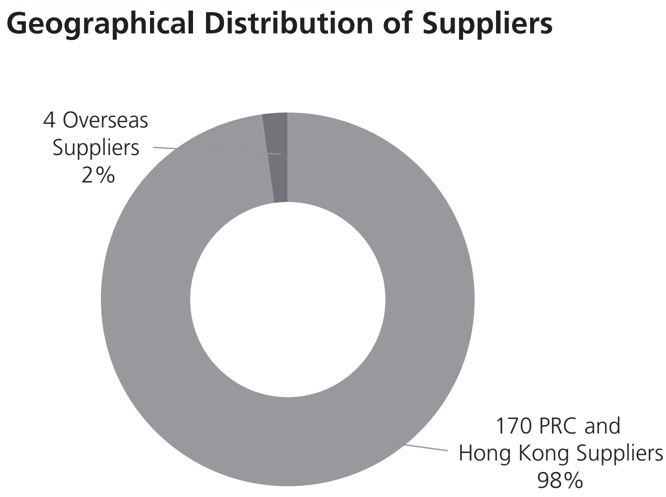
Supplier Assessment

Under the frameworks of ISO 9001:2008 Quality Management System and ISO 14001:2004 Environmental Management System, the Group has established a robust supply chain selection system by incorporating ESG-related factors into assessment of its suppliers. For instance, the supplier audit mechanism prioritises suppliers with holistic environmental management system, management of harmful chemical waste and corporate social responsibility.

After scrutinising the suppliers' profiles, the Group required the suppliers to provide a product sample for proceeding to thorough content analysis, which were critical steps of inspection and quality assurance before committing to a purchase. The suppliers were also asked to provide a third-party test report showing their materials meet environmental compliance.

Apart from the preliminary product examination, the Group also provided the suppliers with material safety data sheets ("**MSDS**") to fill out in a bid to protect customers' health and safety. This is to ensure that all the materials did not contain any hazardous chemical substances and they fully complied with the Group's safety standards and quality control. Should there be any suppliers' non-conforming standards noticed, the procurement team shall provide a remedial action plan for the suppliers to improve within a specific timeframe. The Group may consider terminating the contracts with suppliers if no improvement has been made.

In particular, the Group is committed to sourcing locally by prioritising local suppliers. Local procurement not only effectively minimises the environmental footprints incurred by transportation, but also shows support for the local economy.



Raw Material Management

A majority of manufacturing raw materials are hazardous chemical substances. Therefore, in addition to the MSDS that collected sufficient information about the safety level of materials in advance, the Group also carried out on-site testing to validate the chemical properties that are aligned with the Group's standards before proceeding to manufacture. The Group has assigned a technical supervisor to oversee the entire chemical mixing process in terms of proper procedures, right formula and high productivity, with the aim of assuring product quality and avoiding material wastage.

The Group places emphasis on safety precautions in handling dangerous chemicals. In respect of this, the Group ensures all hazardous and toxic chemicals shall be identified and accompanied by material information sheets, guidelines and specific warning signs. Besides, the containers for material storage shall be chemically inert and leak free so as to eliminate work hazards due to mishandling of raw materials.

5.2. STRINGENT QUALITY CONTROL

As one of the well-established and reputable battery manufacturers, the Group is committed to maintaining operational excellence through rigorous quality assurance so as to deliver durable and high-quality products to its valuable customers. With reference to international product quality standards including ISO 9001:2015 Quality Management System, Restriction of Hazardous Substances ("**RoHS**") and International Electrotechnical Commission ("**IEC**"), the Group ensures that its products meet high standards, in terms of energy efficiency, cost effectiveness, safety performance and eco-friendly features. The Group's batteries are in accordance with the Directive 2013/56/EU (2006/66/EC) the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**").

With strict adherence to the standardised quality control system, the Group endeavours to oversee every aspect of the battery manufacturing process. Apart from providing testing guidelines, and conducting on-site supervisions and inspections, the Group has set up an in-house laboratory to detect defects and non-conformities of products and monitor the daily productivity of the production facilities. The laboratory is also responsible for providing technical supports in temperature cycling tests in a bid to guarantee product quality and lengthen product durability.

In addition, the Group regularly reviewed the needs of refining its production workflows, upgrading its equipment and machines, and expanding its production lines during the reporting period. In this way, the operational efficiency and product performance could be improved continuously. During the reporting period, the Group had undergone routine checks and machinery maintenance, and replaced the worn engineering parts.

With the purpose of reducing the chances for human errors and work hazards, the Group has gradually shifted its focus from intensive manual production to automation in all battery production lines. For instance, the Group has adopted advanced and automated packaging technology that is capable of detecting defected items and improving packaging design.

In response to the evolving changes in customers' needs and expectations, the Group has devoted efforts and resources to its research and development team. From conceptual design to final production, the team supports new product development not only by trial and error, but also through benchmarking analysis that enables comparison of leading industry standards. On account of the Group's stringent production assurance, the Group achieved 0% recall of products sold or shipped for safety and health reasons.

5.3. CONTINUOUS PRODUCT DEVELOPMENT

Golden Power is committed to providing a wide variety of battery products for its customers with different needs. Incorporating the element of sustainability into the Group's products, the Group successfully launched the "**Greenergy**" and "**ECOTOTAL**" series. Moreover, in its pursuit of continuous improvement in product development, the Group invested in other types of battery products for healthcare and smart living devices.

Eco-friendly Battery

Through delivering environmentally friendly alternative products, the Group is committed to enhancing its customers' environmental awareness. As one of its green products highlights, rechargeable batteries of Golden Power can bring smaller environmental footprints due to disposal. Building on the success of its "**Greenergy**" series of primary batteries, the Group unveiled another eco-friendly product line called "**Ecototal**" series. These batteries are free of hazardous substances and heavy metals such as mercury, cadmium and lead. The Group will continue to spare no efforts in developing other green battery products to enhance the society's environmental awareness.

Powering Healthcare and Smart Living Products

In response to the increasing demands for medical devices arising from ageing population, the Group has succeeded in launching the production line of HAB in a bid to provide the ageing and disabled people with better healthcare support and more convenience. With the aim of further expanding applications of its batteries in healthcare services, the Group is dedicated to manufacturing batteries for blood pressure monitors. Beauty products such as heated lash curlers are powered by the Group's batteries as well.

Apart from healthcare products, the Group also focuses on other daily uses of batteries, ranging from car keys and electronic hotel door locks, to keyboards, mouse and remotes. The Group aspires to add care, convenience and safety to customers' everyday lives.

5.4. PRODUCT RESPONSIBILITY

Highly valuing customers' feedback, the Group has taken product responsibility and customers' satisfaction into account in its sustainable business development.

Having distributed customer satisfaction surveys during the reporting period, the Group collected customers' ratings and opinions on its products and services. The average customer satisfaction score obtained from the surveys was 90.5 out of 100, which the Group viewed as a recognition as well as motivation to keep up with high-quality products and services for customers. The follow-up data analysis and evaluation could assist the Group in understanding customers' expectation and needs, as well as identifying the areas of refinement. The Group proactively sought ways to engage different departments in responding to the customers' views.

Moreover, as a reliable battery manufacturer for customers, the Group is dedicated to providing after-sales service as a part of strategic brand loyalty development. In this regard, the sales and marketing department is responsible for overseeing the after-sales support, ranging from processing complaints to handling product recalls in a timely manner. All complaints and product recalls were logged in details including the description, remedial actions and results of the problem raised by the customers. Meanwhile, the Group would thereafter implement preventive measures to avoid similar incidents in the future.

During the reporting period, four complaints in total were received, which concern the unsatisfactory appearance of products, like skew fonts on labels, and dirty surface of battery. The Group deployed prompt follow-up actions, from filing the complaints and investigating the root causes, to implementing remedial measures such as change in storage methods, more frequent cleaning of the conveyor belt and strengthening staff training.

As a means of maintaining a good reputation, the Group has registered trademarks for its brand, logo and products such as "**G Device**", "**goldenpower**" and "**ECOTOTAL**" in various geographical regions where Golden Power's products are merchandised. Additionally, the Group constantly develops new products and register for patents in relation to the production of batteries to broaden its product offering. These measures not only prevent unauthorised use of the Group's brand, trademarks and infringement of intellectual property rights, but also keep its competitive advantages in the market.

The intellectual property rights and privacy of customers are equally important to the Group's business integrity and standing. The Group has formulated intellectual property rights management system since 2017, stipulating that Golden Power has zero tolerance towards infringement of intellectual property rights during research and development, procurement, production, sales and external partnership processes. Besides, as elucidated in the Employees' Manual, employees shall take necessary precautions to eliminate the risk of confidential data leakage and misuse.

6. OUR WORKPLACE

In compliance with the requirements set out under Social Accountability 8000 Standard (SA 8000), the Group demonstrates its well-defined commitment to fair and ethical treatment of workers along the supply chain. By holding itself to high labour standards and occupational safety rigour, the Group strives to safeguard employment rights. Meanwhile, the Group also places great emphasis on professional training and development of employees as one of its valuable assets. Through ongoing engagement with the staff, the Group pledges to continue to maintain the professionalism of its teams and provide a working environment with strong cohesion.

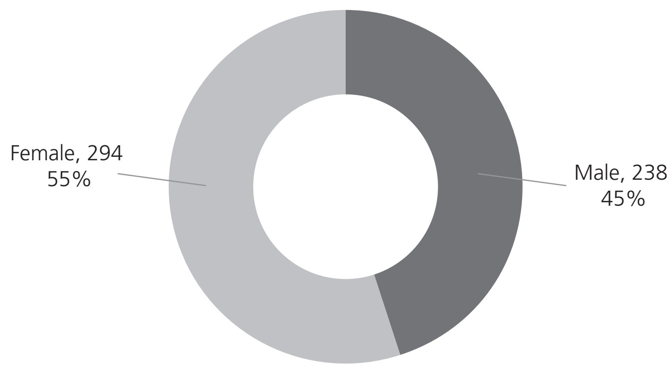
6.1. EMPLOYMENT AND LABOUR STANDARDS

Striving to build an ideal working environment that allows employees' talents to flourish, the Group attaches strict adherence to fair and appropriate employment practices and labour standards.

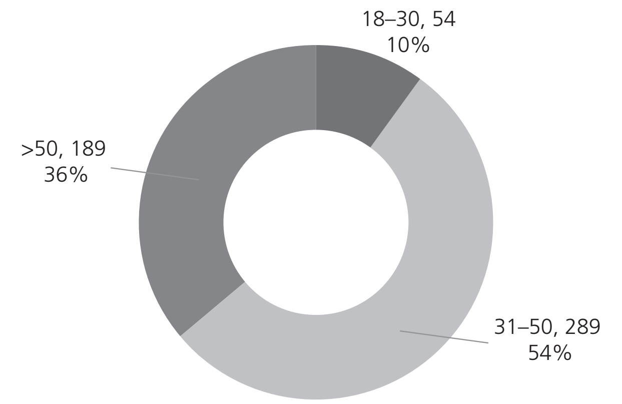
With an anti-discriminatory and equal-opportunity policy in place, the Group aims to ensure every staff and job applicant is granted equal opportunities of employment and promotion, eliminating all kinds of discrimination owing to personal characteristics and background such as gender, age, disability, race and religion.

In addition, as a part of talent attraction and retention, the Group endeavours to offer competitive remuneration packages and welfare, reasonable work hours and comply with relevant local laws and regulations. Moreover, the Group carried out regular performance appraisal as a means of communicating feedback with its staff effectively to drive improvement in their individual careers. During the reporting period, the Group had employed a total of 532 staff while the overall turnover rate was 13%. The employee compositions and details are as follows:

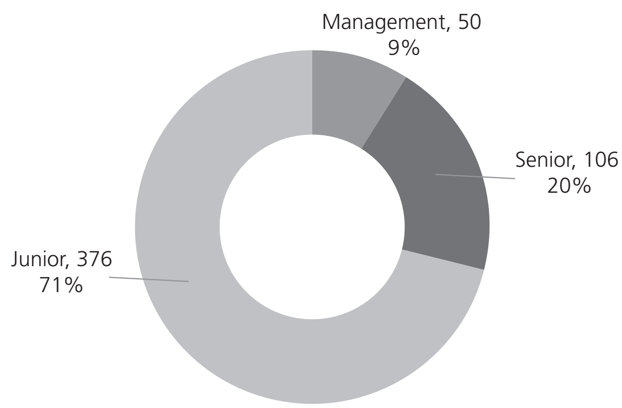
2019 Employee Breakdown by Gender



2019 Employee Breakdown by Age



2019 Employee Breakdown by Employment Category



2019 Turnover Rate		Percentage
Overall		13%
By Gender	Male	14%
	Female	13%
By Age Group	18–30	48%
	31–50	11%
	> 50	3%

Firmly opposing the use of child and forced labour, the Group appointed the Human Resources ("**HR**") Department and production units to rigorously verify the identity and age of job candidates.

In case of employment of child and forced labour, the HR Department shall take prompt disciplinary actions, including terminating the employment contract with labours involved and reporting the incidents to the local labour departments. Meanwhile, the Group shall be responsible for reviewing the current employment practices to prevent similar cases from occurring again. During the reporting period, the Group was not aware of any non-compliance in relation to employment and labour standard.

In recognition of the importance of a highly engaged workforce, the Group highly values opinions and feedbacks from its employees. In this regard, the Group is dedicated to providing them with diverse communication channels. For instance, comment boxes were offered in the workplace in order to encourage the employees to share their views on all matters related to Golden Power. The consolidated opinions were then raised at monthly staff meetings, where the departments discussed the feasibility of turning the feedbacks into actions, such that the Group could attain ongoing operational improvement.

Also, greatly appreciating the hard works by its employees, the Group regularly organised staff gatherings such as Lunar New Year Banquet and rice dumpling distribution. Through holding various forms of activities for employees, Golden Power hopes to foster an ideal and harmonious workplace, draw staff closer and create shared values with each other.

6.2. BUSINESS ETHICS AND INTEGRITY

Realising that business ethics and integrity are elements of sustainable operation, the Group places high importance to anti-corruption practices throughout its operations. In view of this, the Group stringently oversaw the implementation of the Code of Conduct, which elucidated that all forms of corrupting behaviours such as bribery, extortion, fraud and money laundering activities were strictly prohibited. All staff members would receive the Code of Conduct and have to sign their commitments to avoid and declare all possible conflict of interest and advantages and entertainment, including gifts received during the discharge of duties.

With whistle-blowing mechanisms such as comment box and telephone in place, the Group has appointed the audit committee to conduct investigations into all reported cases in a fair and timely manner. The committee shall also report to the Board, which may thereafter take immediate disciplinary actions when necessary.

The Group was not aware of any complaint or reported or concluded case in relations to corrupting practices such as bribery, extortion, fraud, and money laundering during the reporting period. Moreover, in June 2019, the Production Facilities in Jiangmen were honoured to receive an award, 'Guangdong Province Enterprise of Observing Contract and Valuing Credits', from the Market Supervision Administration of Jiangmen Municipality, in recognition of ethics and integrity in business practices.

Photo 2: Production Facilities in Jiangmen were awarded 'Guangdong Province Enterprise of Observing Contract and Valuing Credits'

6.3. OCCUPATIONAL HEALTH AND SAFETY

Placing great emphasis on employees' good health and well-being, the Group is committed to creating and maintaining a workplace with minimised occupational hazards as a part of reinforcing the Group's management approach to sustainability development. To this end, the Group has formulated a safety contingency plan for its production facilities, setting out occupational safety practices, and proper emergency response procedures in case of incidents including dangerous chemical spills.

Additionally, the Group provided its staff with safety trainings, covering first aid, hazardous substances handling and fire safety. The trainings ensured the employees were well equipped with safety-related knowledge and awareness. At operational sites, frontline workers shall wear personal protective equipment such as helmets, goggles and ear plugs to reduce the potential occupational safety risks. In an effort to further enhance the safety awareness of the staff, the Group has hung clear safety signage on sites. Besides, in compliance with relevant local regulation, the Production Facilities in Jiangmen built an on-site emergency pond for fire-fighting.

As batteries are normally manufactured and packaged in bulk quantity, the Group is aware of the occupational hazards caused by repetitive and manual wrapping process prior to shipment. In this connection, Golden Power has introduced a shrink wrap machine to automate the labour-intensive wrapping process and thus lower employees' work hazards.

With frequent and rigorous safety audits, the Group reviewed the execution and effectiveness of safety practices, and conducted thorough maintenance checks on facilities and manufacturing machines. As a result, the Group has made continuous improvement in occupational health and safety performance.

Owing to the stringent in-house safety practices, the Group had attained a zero-fatality rate in the workplace. However, the Group was aware of 6 work-related injured cases during the reporting period, resulting in 110 lost working days. The incidents took place due to inattentive slips and trips, as well as cuts and lacerations. The cases were handled and filed according to internal accident handling procedures such as offering timely medical assistance, and reports were made to the relevant authority in compliance with the law. The filed cases will be used as training materials to enhance employees' safety awareness and thus prevent reoccurrence of similar workplace accidents.

6.4. TRAINING AND DEVELOPMENT

The Group recognises competency of its employees as one of the key factors in delivering satisfactory products and services that meet the customers' needs, and hence cementing the position of the Group as a leading battery manufacturer. Therefore, the Group remains committed to allocating ample resources to staff training and development, nurturing talents and steering the professionalism of the Group.

In order to assist newly hired employees in settling into their new roles at the Group, the Group offered a robust orientation program that explains the details about the workflow.

With a wide variety of internal and external professional training for employees, the Group allows them to grasp the opportunities of acquiring work-related knowledge and skills, and thus they could further improve their working performance in their current roles. The trainings primarily covered four main areas: quality control, technical operational skills, occupational health and safety, and environmental protection. Besides, the Group also arranged managerial trainings for senior-grade staff members, which promoted effective leadership and project management.

For ongoing refinement of training and development policy, the Group appointed the HR Department to arrange and promote related staff trainings with the help of the relevant department heads mapping the staff's needs, keep individual training records of employees and make corresponding suggestions during the annual performance appraisal. With reference to the relevant training data, the department heads and the HR Department shall evaluate the effectiveness of trainings in terms of their performances. The Group's focus on talent development assists in attracting and retaining talents for sustainable business development of the Group.

Employee by Gender and Category	Average Training Hour (hour)
Male	15.3
Female	12.4
Management	11.4
Senior	13.8
Junior	16.9

7. OUR ENVIRONMENT

As a responsible battery manufacturer, the Group pursues efforts to adopt eco-friendly operational practices and hence effectively mitigate its environmental footprints in relation to the Group's activities, products and services. Through implementing in-house environmental policy, as well as ample resource management initiatives, the Group is able to enhance the environmental consciousness in the workplace and scale up the positive impacts of green operational practices.

Strictly adhering to stringent environmental control and high resource efficiency throughout the production process, the Group's battery products have successfully been certified with a renowned ecolabel, the Nordic Ecolabelling Licence. The certification recognises the responsible and environmentally friendly operation of the Group.

7.1. ENVIRONMENTAL POLICY

Following the Plan-Do-Check-Act cycle as epitomised in the standard of ISO 14001:2004 Environmental Management System, the Group has developed environmental policies in place to outline its firm commitment to environmental management. The policies aim to reduce the use of resources and encourage employees' participation in environmental matters.

The Group has appointed responsible staff for implementation and control of the following environmental measures:

- Comply with local environmental laws and regulations;
- Adopt energy-efficient, low pollution materials, manufacturing design and equipment;
- Offer staff training on ISO14001 to promote optimisation of resource usage in manufacturing systems;
- Keep track of environmental performance and seek feasible solutions and methods for improvement; and
- Disseminate related environmental information to employees, suppliers, customers, factories in partnership and other stakeholders regularly.

In the hope of attaining continuous improvement of environmental performance, the senior management staff members and department heads were responsible for evaluating the environmental performance and discussing practical solutions to effectively manage environmental impacts of the Group.

7.2. EMISSION CONTROL AND ENERGY EFFICIENCY

In response to stakeholders' concern about air emission control, the Group endeavours to implement various initiatives to maintain both indoor and outdoor air quality in the workplace and neighbourhood.

Air Quality Control

In an effort to keep the air emissions of the Group's production units under effective control, the Production Facilities in Jiangmen have been installed with exhaust filters that facilitate removal of air pollutants such as nitrogen dioxide and particulate matters from production units.

As for dealing with the indoor air pollutants, the Group set up an activated carbon ventilation system which was able to eliminate the gaseous and vapour contaminants and impurities, and prevent unpleasant odour in recirculated air. The ventilation system aimed to improve the indoor air quality for promoting better health of the Group's employees. Additionally, exhaust fans were also installed with dust removal systems for dust prevention and suppression.

Energy Use and Greenhouse Gases Emission

The major source of energy consumption by power equipment and facilities at Hong Kong headquarters, Dongguan and Jiangmen Production Facilities was electricity that was supplied by local grids. Meanwhile, the Group is aware of the indirect greenhouse gas ("**GHG**") emissions (Scope 2) incurred by electricity usage, and regards direct GHG emissions (Scope 1) as not significant to the Group's operation.

Electricity Consumption by the Group

	2019	2018
Electricity consumption (in '000kWh)	**9,364**	10,226
Intensity (in '000kWh/million revenue)	**29.8**	31.6

GHG Emission by the Group

	2019	2018
GHG emission (in tonnes CO_2 equivalent, "tCO_2e")	**4,967**	5,913
Intensity (in tCO_2e/million revenue)	**15.8**	18.3

During the reporting period, the Group had invested in hardware in order to promote energy reduction and hence mitigate its operating impacts on climate change. For instance, the Group regularly monitored the electricity consumption patterns by installing Variable Speed Drive at all production facilities. Additionally, the Group not only replaced traditional lights with more energy-efficient LED lights, but also substituted one of the production machines for a more energy-saving model.

Although the Group had less production during the reporting period, the Group has demonstrated sound environmental management in its operation as reflected by the reduction in intensities. Through the implementation of good energy management practices during the reporting period, there was a 6% decrease in electricity consumption intensity, leading to 14% decrease in GHG emission intensity as compared to the last year. The Group will consistently review energy consumption and implement reduction measures whenever possible.

7.3. WATER CONSUMPTION AND WASTEWATER MANAGEMENT

The Group considers water as one of the most valuable natural resources to its operation since it supports daily operation of facilities and equipment cleaning at the production units.

As water is supplied by the local government as a provision of municipal services, the Group did not encounter any significant issue of water sourcing. Despite that, Golden Power is still dedicated to nurturing eco-friendly culture of water conservation in the workplace. For instance, the Group made use of water reuse and recirculation for cooling down its machines so as to significantly reduce water usage and discharge. Besides, the Group conducted regular inspection of water pipes, and replaced broken taps with new ones so as to prevent water leakage.

Water Consumption by the Group

	2019	2018
Water consumption (in ’000m^3)	**93.3**	119.3
Intensity (in ’000m^3/million revenue)	**0.30**	0.37

Despite the decrease in production volume, the Group had managed to further reduce water consumption with effective water saving practices in the workplace. During the reporting period, the water intensity had been lowered by 19% compared to the previous year. The Group will continue to monitor the pattern of daily water usage and further improve water efficiency.

Wastewater management has been prioritised by a majority of the Group’s stakeholders. In this regard, the Group pursues constant efforts to seek advance technological wastewater solutions throughout its operation in a bid to prevent water pollution and to ensure compliance of relevant environmental laws and regulation.

The Group works relentlessly hard on pre-treatment of many kinds of wastewater so as to guarantee the water quality of its effluents from production units. Focusing on the industrial wastewater that mainly stemmed from the cleaning of chemical containers and surface run-off, the Production Facilities in Jiangmen have been installed with wastewater treatment facility. The wastewater treatment facility could treat an estimate of 10 cubic metres of wastewater per day prior to standardised discharge.

In addition, the Group also invested in design and implementation of a diffluence of rain and sludge facility in the Production Facilities in Jiangmen, technically separating drainage and sewerage systems. Similar to the wastewater treatment facility, the rain and sludge separation facility is able to treat 10 cubic metres of rainwater and surface run-off per day.

Since the Dongguan Production Facility only produced a small amount of wastewater, eligible third-party wastewater treatment contractor was employed to handle the wastewater during the reporting period, instead of constructing a wastewater treatment facility there. These wastewater management facilities and measures have effectively minimised environmental impacts and favoured environmentally-friendly operation.

7.4. WASTE REDUCTION AND MANAGEMENT

Guided by the waste management approach towards waste minimisation, reduction, reuse and recycling, the Group identified its main source of waste as hazardous and non-hazardous manufacturing waste and general refuse generated at the Dongguan and Jiangmen Production Facilities, while Hong Kong headquarters mainly produced general office waste.

In accordance with local government regulations, the Group has formulated a waste disposal manual that applies to all production units. The manual elucidates proper procedures for sorting and handling various types of waste such as hazardous waste, domestic refuse and recyclables, and task responsibility assignment in relation to waste management, ranging from classification and labelling to disposal of waste.

During the reporting period, the Group employed reputable and qualified waste contractors for removal of refuse and collection of recyclables such as metal, paper and plastics. In an effort to avoid generation of damaged products as a result of malfunctioning machines and equipment, the maintenance department plays a chief role in monitoring machinery and equipment condition.

The Group also implemented initiatives for better waste management. For instance, in case there are chemicals running overtime during the chemical mixing process, the Group underwent chemical re-mixing under supervision of senior technical staff, instead of discarding the chemicals directly, which also ensures the performance of such chemicals.

Both the Group and its stakeholders are conscious of the unavoidable generation of hazardous waste during the battery manufacturing and maintenance processes. For employees' health and safety, as well as environmental conservation, the Group has paid extra attention to the treatment of hazardous waste such as machine oil, waste batteries and waste activated carbon. The hazardous waste was accumulated and stored separately at a designated area. The Group only appointed senior grade employees to handle the waste with care and in compliance with applicable regulations.

Waste Generation and Management by the Group

Type of Waste	2019	2018
Non-hazardous waste disposed (tonnes)	**18**	18
Paper waste recycled (tonnes)	**77**	73
Metal waste recycled (tonnes)	**256**	202
Plastic waste recycled (tonnes)	**58**	35
Solid hazardous waste disposed (tonnes)	**2**	3
Total waste generated (tonnes)	**411**	331
Total waste recycled (tonnes)	**391**	310
Recycling rate (%)	**95.1**	93.7
Total disposed waste intensity (tonnes/million revenue)	**0.065**	0.066

Guided by well-rounded and appropriate waste management practices, the Group had noticed a 1% decrease in disposed waste intensity and a 1.5% increase in waste recycling rate when compared to the previous reporting period. The Group will explore more ways for advocating waste recycling and waste reduction to divert more waste from landfills and scale up the Group's positive efforts to waste stewardship.

7.5. PACKAGING MATERIALS

Sufficient and appropriate packaging is crucial for protecting the enclosed batteries from damages during transit from manufacturing units to retailers. Types of packaging materials that the Group used for finished products were on the customers' requests, from paper to plastic and aluminium. Particularly, the packaging made of Polyethylene terephthalate ("**PET**") plastic is recyclable for further processing. The Group strives to seek more alternatives for eco-friendly packaging, and recycle more packaging materials with a view to mitigating the environmental footprints of the packaging material and meeting with customers' needs.

Use of Packaging Materials by the Group

Type of Packaging Material	2019	2018
Paper (tonnes)	**1,477**	1,749
Plastic (tonnes)	**78**	85
Aluminium (tonnes)	**49**	53
Total (tonnes)	**1,604**	1,887
Total packaging material intensity (tonnes/million revenue)	**5.10**	5.83

With the Group's continuous endeavours of engaging customers and suppliers to reduce the use of packaging materials and to strengthen relevant cost control, the Group had managed to lower its intensity by 13% as compared to the previous year. The Group shall continuously explore ways to further reduce packaging material used and maintain sound cost control practices, in pursuit of resource conservation.

8. CONTRIBUTING TO THE COMMUNITY

While advancing its business development, the Group pursues constant efforts to give back to the community, not only through delivering a wide variety of batteries for electronic devices to support customers' daily activities, but also by engaging its employees in charitable activities.

During the reporting period, the Group organised a visit to children's home in Jiangmen for its employees. In the visit, they gave electronic portable lanterns to the children as presents and celebrated the Mid-Autumn Festival together.


(Photo 3 & 4: The Group visited children's home during the Mid-Autumn Festival and gave electronic portable lanterns to the children.)

In addition, the Group is devoted to community services for the elderly as well such as home visit to the elderly. Through presenting food and other daily necessities to the elderly, the Group hoped to improve their livelihoods and promote well-being of the society. The Group will continue dedicating itself to community services in order to scale up the positive impacts on the society.


(Photo 5 & 6: The Group organised home visit to the elderly, expressing love and care to them.)

9. LOOKING FORWARD

During its business growth journey, the Group has been attaching great importance to customers' satisfaction, environmental conservation and people-oriented working culture. Not only does the Group remain committed to delivering high-standard batteries for our customers in support of their wide daily uses, it also continues to invest in developing eco-friendly battery products to promote green living in the society.

Looking ahead, the Group will consistently demonstrate its well-defined commitments to cost-efficient and eco-friendly battery production through exploring the plausibility of upgrading manufacturing facilities. Meanwhile, the Group will stay active in fostering continuous dialogues with stakeholders such as employees, customers and suppliers, which enables the Group to further reinforce its sustainability vision and address upcoming challenges.

10. ESG CONTENT INDEX

Aspect	KPI	Description	Statement/Section
SUBJECT AREA (A) ENVIRONMENT			
A1: EMISSIONS			
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 7.1 Environmental Policy; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	A1.1	The types of emissions and respective emissions data.	7.2 Emission Control and Energy Efficiency
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Emission Control and Energy Efficiency
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.4 Waste Reduction and Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.4 Waste Reduction and Management
	A1.5	Description of measures to mitigate emissions and results achieved.	7. Our Environment
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.4 Waste Reduction and Management
A2: USE OF RESOURCES			
A2	*General disclosure*	Policies	7.1 Environmental Policy
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Emission Control and Energy Efficiency
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.3 Water Consumption and Wastewater Management
	A2.3	Description of energy use efficiency initiatives and results achieved.	7.2 Emission Control and Energy Efficiency
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.3 Water Consumption and Wastewater Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	7.5 Packaging Materials

Aspect	KPI	Description	Statement/Section
A3: THE ENVIRONMENT AND NATURAL RESOURCES			
A3	*General disclosure*	Policies	7.1 Environmental Policy
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.1 Environmental Policy
SUBJECT AREA (B) SOCIAL			
B1: EMPLOYMENT			
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 6.1 Employment and Labour Standards; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	B1.1	Total workforce by gender, employment type, age group and geographical region.	6.1 Employment and Labour Standards
	B1.2	Employee turnover rate by gender, age group and geographical region.	6.1 Employment and Labour Standards
B2: HEALTH AND SAFETY			
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 6.3 Occupational Health and Safety; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	B2.1	Number and rate of work-related fatalities.	6.3 Occupational Health and Safety
	B2.2	Lost days due to work injury.	6.3 Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.3 Occupational Health and Safety
B3: DEVELOPMENT AND TRAINING			
B3	*General disclosure*	Policies	6.4 Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The relevant data were not disclosed but the Group plans to disclose the information in the future
	B3.2	The average training hours completed per employee by gender and employee category.	6.4 Training and Development
B4: LABOUR STANDARDS			
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 6.1 Employment; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Employment and Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Employment and Labour Standards

Aspect	KPI	Description	Statement/Section
B5: SUPPLY CHAIN MANAGEMENT			
B5	*General disclosure*	Policies	5.1 Responsible Supply Chain
	B5.1	Number of suppliers by geographical region.	5.1 Responsible Supply Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 Responsible Supply Chain
B6: PRODUCT RESPONSIBILITY			
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 5. Our Production; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2 Stringent Quality Control
	B6.2	Number of products and service related complaints received and how they are dealt with.	5.4 Product Responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4 Product Responsibility
	B6.4	Description of quality assurance process and recall procedures.	5.2 Stringent Quality Control 5.4 Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.4 Product Responsibility
B7: ANTI-CORRUPTION			
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 6.2 Business Ethics and Integrity; (b) The Group complied with all relevant laws and regulations, and there was no non-compliance during the reporting period
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.2 Business Ethics and Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.2 Business Ethics and Integrity
B8: COMMUNITY INVESTMENT			
B8	*General disclosure*	Policies	8. Contributing to the Community
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Contributing to the Community
	B8.2	Resources contributed (e.g. money or time) to the focus area.	During the reporting period, the Group contributed HK$8,500 and 7.5 hours to the community services.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the Year.

CORPORATE HISTORY

The Company was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 7 June 2012.

In preparation for the Listing, the Company became the holding company of the companies comprising the Group pursuant to the reorganisation as more particularly described in the section headed "History, Development and Reorganisation — Reorganisation" in the Prospectus.

The Shares of the Company were listed on GEM of the Stock Exchange on 5 June 2015. On 10 November 2017, the Shares were transferred from GEM to the Main Board of the Stock Exchange.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to the PRC, Hong Kong and international markets under both its own brand "Golden Power" and the brands of its private label and OEM customers. The products are mainly categorised into two segments, namely (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorised into two sub-segments, namely (i) cylindrical batteries; and (ii) micro-button cells. Other battery-related products include battery chargers, battery power packs and electric fans.

There were no significant changes in the nature of the Group's principal activities during the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2019 are set out in Note 36 of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's affairs as at that date are set out in consolidated financial statement on page 64 to 132 of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the audited consolidated statement of profit or loss and audited consolidated statement of comprehensive income on pages 64 and 65 of this report, respectively.

The Directors did not recommend the payment of any dividend for the Year (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the identity of the shareholders of the Company who will be eligible to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020 both dates inclusive, the period during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 15 May 2020.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on page 5 of this report. The business review forms part of this report.

SEGMENT INFORMATION

Details of segment reporting are set out in Note 5 of the audited consolidated financial statements.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the Year (2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the largest and the top five customers of the Group accounted for 11.41% (2018: 11.29%) and 39.77% (2018: 33.02%) of the Group's revenue, respectively, for the Year.

During the Year, the Group's purchases from the largest and the top five suppliers accounted for 8.58% (2018: 8.06%) and 34.42% (2018: 33.40%) of the Group's purchases, respectively, for the Year.

To the best of the knowledge of the Directors, save as disclosed under Note 31 to the audited consolidated financial statements and the section headed "Related Party Transactions and Continuing Connected Transactions" in this report, none of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company), had any interest in any of the Group's top five customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the Year are set out in Note 14 to the audited consolidated financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties during the Year are set out in Note 15 to the audited consolidated financial statements.

SHARE CAPITAL

There was no change in the total number of issued shares and the issued share capital during the Year.

Details of movements in the share capital of the Company during the Year are set out in Note 27 to the audited consolidated financial statements.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 68 of this report.

DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2019 are set out in Note 28(c) to the audited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are set out in Note 25 to the audited consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 133 of this report.

IMPORTANT EVENTS AFTER THE YEAR END

Save as disclosed above, there are no important events subsequent to the end of the Year and up to the date of this report.

DIRECTORS

The Directors since 1 January 2019 and up to the date of this report were:

Executive Directors

Mr. Chu King Tien *(the chairman of the Group)*
Ms. Chu Shuk Ching
Mr. Tang Chi Him
Mr. Chu Ho Wa

Independent non-executive Directors

Mr. Hui Kwok Wah
Mr. Ma Sai Yam
Mr. Chow Chun Hin Leslie

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 12 to 15 of this report.

DIRECTORS' RETIREMENT AND RE-ELECTION

In accordance with article 112 of the Articles, any Director appointed by the Board to fill casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Articles, the following Directors, namely, Mr. Chu King Tien, Ms. Chu Shuk Ching and Mr. Chow Chun Hin Leslie will retire from office by rotation and, being eligible to, offer themselves for re-election at the 2020 AGM.

Save as otherwise disclosed in this report, no Director proposed for re-election at the 2020 AGM has or is proposed to have a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from all the independent non-executive Directors, namely Mr. Hui Kwok Wah, Mr. Ma Sai Yam, and Mr. Chow Chun Hin Leslie, pursuant to the Listing Rules. The Company considers all of them to be independent pursuant to Rule 3.13 of the Listing Rules as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

The service agreement between the Company and each of the executive Directors is for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term of the appointment, unless the Director has not been re-elected as a Director of the Company or has been removed by shareholders of the Company at any of its general meeting in accordance with the Articles. Either the Company or the Director may terminate the service agreement in accordance with the terms thereof.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for fixed term of 2 years upon the expiry of the previous letters of appointment and commencing from June 2018, which may be terminated by either the Company or the Director in accordance with the terms thereof.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

For the Directors' material interest in contracts with the Group, please refer to the paragraphs headed "Related Party Transactions and Continuing Connected Transactions" below in this report.

Save as disclosed in the Prospectus or in this report, no Director or the associates of the Director had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the Year.

COMPETING INTERESTS

During the Year, none of the Directors, the controlling shareholders of the Company and their respective close associates had any business or interest that competes or may compete with the business of the Group nor had any other conflicts of interest with the Group.

A deed of non-competition dated 24 September 2014 has been entered into by Mr. Chu King Tien and Golden Villa, the controlling shareholders of the Company within the meaning of the Listing Rules (collectively the "**Controlling Shareholders**") in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The details of this deed of non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition. The independent non-executive directors have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied for the Year.

REMUNERATION OF THE DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 9 of the audited consolidated financial statements. No Director has waived or has agreed to waive any emolument during the Year.

EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all the Directors and members of the senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Remuneration Committee would conduct annual review of the emoluments of the Director and remuneration package of the members of the senior management or conduct ad hoc review when necessary. The Company has adopted a share option scheme as part of the potential remuneration package to the Directors and the relevant eligible participants.

The emoluments of the Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of each Director, and taking into consideration the Company's performance and prevailing market conditions.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save for those disclosed above or in this report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Interests in the Company

As at 31 December 2019, the interests or short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the Listing Rules, were as follows:

Long positions in the Shares

Name	Nature of interest	Total number of shares held (Long Position)	Approximate percentage of shareholding
Chu King Tien (Chairman and executive Director)	Interest in a controlled corporation (Note)	130,500,000 Shares	54.38%
Chu Shuk Ching (Executive Director and Chief Executive Officer)	Beneficial owner	2,000,000 Shares	0.83%

Note:

These Shares are held by Golden Villa, which is wholly and beneficially owned by Mr. Chu King Tien. By virtue of the SFO, Mr. Chu King Tien is deemed to be interested in all the Shares held by Golden Villa in the Company.

Interests in associated corporations of the Company

As at 31 December 2019, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in, were as follows:

Long positions in the shares of the associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of Shares (long position)	Approximate percentage of shareholding
Mr. Chu King Tien	Golden Villa	Beneficial owner	50,000	100%

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as at 31 December 2019, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or debentures of the Company which were required to be recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in the shares

Name	Nature of interest	Total number of shares held	Approximate percentage of shareholding
Golden Villa	Beneficial owner	130,500,000 Shares	54.38%
Ms. Mo Yuk Ling (Note)	Interest of spouse	130,500,000 Shares	54.38%

Note:

Ms. Mo Yuk Ling is the spouse of Mr. Chu King Tien. Under the SFO, Ms. Mo Yuk Ling is deemed to be interested in the same number of shares in which Mr. Chu King Tien is interested.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the Company's sole shareholder passed on 15 May 2015. As of the date of this report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

1) **Purpose**

   The purpose of the Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "**Invested Entity**").

2) Qualifying participants

Subject to the provisions in the Scheme, the Board shall be entitled at any time and from time to time within the period of ten years after the date of adoption of the Scheme to make an offer to any of the following classes of persons:

(i) any employee (whether full time or part time, including Director) of the Company, its subsidiaries and any Invested Entity;

(ii) any Director (including any non-executive Director and independent non-executive Director) of the Company, any of its subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any security issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group; and

(viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

3) Maximum number of the Shares

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company (excluding, for this purpose, Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of the Shares of the Company in issue as at Listing Date, being 16,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the shareholders' approval. The above is subject to the condition that the maximum number of the Shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares of the Company in issue from time to time.

As at the date of this report, no Share options has been granted by the Company and the outstanding number of Share options available for grant under the Scheme is 16,000,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

4) Limit for each participant

The total number of the Shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules.

5) Exercise of an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of is made but shall end in any event not later than ten years from the date of the grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by the Directors and stated in the offer of the grant of the option to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

6) Acceptance and payment on acceptance

The options granted under the Scheme shall remain open for acceptance for a period of up to 21 days from the date on which the options are offered to an eligible person. Upon acceptance of the option, the eligible person shall pay HK$1 to the Company as consideration for the grant.

7) Subscription price

The subscription price of a Share in respect of any option granted under the Scheme will be a price determined by the Board at its discretion and shall not be less than the highest of (i) the closing price of the Shares of the Company as stated in the daily quotations sheet of Stock Exchange for trade in one or more board lots of the Shares on the date on which an offer is made to an eligible person, which must be a business day; (ii) the average closing price of the Shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an offer is made to an eligible person; and (iii) the nominal value of a Share.

8) Remaining life of the Scheme

The Scheme will remain valid and effective for a period of 10 years commencing from 15 May 2015 after which no further option shall be granted.

RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The related party transactions entered into by the Group during the Year are set out in Note 31 to the audited consolidated financial statements. Save as disclosed below, the Directors consider that no material related party transactions did fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Connected Transactions and Continuing Connected Transactions

During the Year, there was no connected transaction or continuing connected transactions entered into by the Group which required reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the Listing Rules.

The related party transactions in relation to key management personnel remuneration as disclosed in Note 31(c) to the audited consolidated financial statements are connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with the provisions as set out in the CG Code during the Year.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 27 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Please refer to the Environmental, Social and Governance Report (the "**ESG Report**") on pages 28 to 49 of this report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the Year and up to the date hereof.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PKF Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2020 AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the Year comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

EVENT AFTER REPORTING PERIOD

Reference is made to the announcement of the Company dated 3 February 2020 in relation to the Epidemic. Since the outbreak of the Epidemic in January 2020 in the PRC, the Group has taken all necessary internal control measures to prevent the spread of the Epidemic among the staff of the Group. The operation of the production facilities of the Group was temporarily suspended after the 2020 Chinese New Year in compliance with the Epidemic control measures promulgated by the PRC government. The operation of the production facilities of the Group had gradually resumed and returned to normal in mid-February 2020.

The Group would continue to comply with the relevant laws and regulations and closely monitor the impact of Epidemic as to the logistics, supply of raw materials as well as overall the economic situation.

As at the date of this Report, the Group expected that the Epidemic would have temporary impact on the Group's operation but the degree of impact would depend on the development of the Epidemic and the time when the Epidemic prevention and control policies would be lifted.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of this report.

On behalf of the Board
Mr. Chu King Tien
Chairman

Hong Kong, 20 March 2020

INDEPENDENT AUDITOR'S REPORT

大信梁學濂（香港）會計師事務所有限公司

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18 Whitfield Road
Causeway Bay
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威非路道18號
萬國寶通中心26樓

TO THE SHAREHOLDERS OF GOLDEN POWER GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Golden Power Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 64 to 132, which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined to communicate in our report the following key audit matter for the year ended 31 December 2019.

Valuation of investment properties

The Group holds a portfolio of investment properties in Hong Kong with a fair value of approximately HK$108,500,000 which accounted for approximately 20% of the Group's total assets at 31 December 2019. The fair values of investment properties at 31 December 2019 were assessed by the directors based on independent valuations prepared by a firm of qualified external property valuers. The fair value gains on investment properties of approximately HK$3,100,000 recorded in the consolidated statement of profit or loss represented approximately 45% of the Group's profit before income tax for the year ended 31 December 2019.

We identified valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of fair value gains on investment properties to the Group's profit before income tax and because the valuation of investment properties can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias.

Our major procedures in relation to assessing the valuation of investment properties included:

- Obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based;

- Assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence;

- Discussing with the external property valuers independently for their valuation methodology and assessing the key estimates and assumptions adopted in the valuations; and

- Checking arithmetical accuracy of calculations.

OTHER INFORMATION

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 December 2019 ("**Annual Report**"), other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Wan Tak Shing (Practising Certificate Number: P04844).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong

20 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**314,203**	323,529
Cost of sales		**(239,991)**	(258,331)
Gross profit		**74,212**	65,198
Other revenue	6	**7,624**	9,525
Other (losses)/gains — net	7	**(527)**	3,285
Selling expenses		**(15,917)**	(16,873)
General and administrative expenses		**(52,531)**	(53,808)
Profit from operations		**12,861**	7,327
Finance costs	8(a)	**(6,001)**	(3,547)
Profit before income tax	8	**6,860**	3,780
Income tax credit	10	**520**	2,415
Profit for the year and attributable to the shareholders of the Company		**7,380**	6,195
Earnings per share (HK cents)			
— Basic	12	**3.08**	2.58
— Diluted	12	**N/A**	N/A

The notes on pages 71 to 132 form part of these consolidated financial statements. Detail of dividends paid or payable of the Company are set out in note 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**7,380**	6,195
Other comprehensive loss for the year, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(3,475)**	(1,008)
Total comprehensive income for the year and attributable to the shareholders of the Company	**3,905**	5,187

The notes on pages 71 to 132 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**279,444**	251,415
Investment properties	15	**108,500**	105,400
Intangible assets	16	**108**	167
Prepaid land lease payments	17	**4,568**	4,665
Right-of-use assets	18	**2,620**	—
Deposits paid for property, plant and equipment	21	**3,782**	3,157
Deferred tax assets	11	**9,013**	7,758
		408,035	372,562
CURRENT ASSETS			
Inventories	19	**40,077**	57,780
Trade and bills receivables	20	**47,835**	45,662
Deposits, prepayments and other receivables	21	**20,610**	30,635
Prepaid land lease payments	17	**—**	210
Income tax recoverable		**2,039**	3,209
Cash and bank balances		**18,227**	19,105
		128,788	156,601
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	22	**72,532**	91,524
Other payables and accruals	23	**12,615**	8,336
Contract liabilities	24	**3,133**	4,419
Bank borrowings, secured	25	**140,350**	125,919
Lease liabilities	26	**2,671**	—
Income tax payable		**194**	125
		231,495	230,323
NET CURRENT LIABILITIES		**(102,707)**	(73,722)

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,328**	298,840
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank borrowings, secured	25	**47,104**	43,906
Deferred tax liabilities	11	**3,429**	4,044
		50,533	47,950
NET ASSETS		**254,795**	250,890
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	27	**2,400**	2,400
Reserves	28	**252,395**	248,490
TOTAL EQUITY		**254,795**	250,890

Approved and authorised for issue by the Board of Directors on 20 March 2020.

Mr. Chu King Tien
EXECUTIVE DIRECTOR

Ms. Chu Shuk Ching
EXECUTIVE DIRECTOR

The notes on pages 71 to 132 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 Note 28(c)(i)	Exchange reserve HK$'000 Note 28(c)(ii)	Capital reserve HK$'000 Note 28(c)(iii)	Property revaluation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2018	2,400	90,043	5,914	(2,152)	29,819	51,697	67,982	245,703
Profit for the year	—	—	—	—	—	—	6,195	6,195
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	(1,008)	—	—	—	(1,008)
Total comprehensive income for the year	—	—	—	(1,008)	—	—	6,195	5,187
At 31 December 2018 and 1 January 2019	**2,400**	**90,043**	**5,914**	**(3,160)**	**29,819**	**51,697**	**74,177**	**250,890**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**7,380**	**7,380**
Exchange differences arising on translation of financial statements of foreign operations	**—**	**—**	**—**	**(3,475)**	**—**	**—**	**—**	**(3,475)**
Total comprehensive income for the year	**—**	**—**	**—**	**(3,475)**	**—**	**—**	**7,380**	**3,905**
At 31 December 2019	**2,400**	**90,043**	**5,914**	**(6,635)**	**29,819**	**51,697**	**81,557**	**254,795**

The notes on pages 71 to 132 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**6,860**	3,780
Adjustments for:			
Amortisation of intangible assets		**59**	67
Amortisation of prepaid land lease payments		**211**	220
Bad debts on trade receivables written off		**—**	316
Bad debts on other receivables written off		**162**	—
Depreciation		**19,685**	13,673
Finance costs		**6,001**	3,547
Loss on disposals of property, plant and equipment		**1,287**	345
Interest income		**(21)**	(16)
Fair value gains on investment properties		**(3,100)**	(10,100)
Gain on termination of lease		**(2)**	—
Write-down to net realisable value on inventories		**699**	29
Exchange differences		**326**	(102)
Operating profit before working capital changes		**32,167**	11,759
Decrease/(increase) in inventories		**16,190**	(3,350)
(Increase)/decrease in trade and bills receivables		**(2,488)**	873
Decrease/(increase) in deposits, prepayments and other receivables		**9,552**	(4,641)
(Decrease)/increase in trade payables		**(19,083)**	8,608
Increase/(decrease) in other payables and accruals		**1,060**	(1,567)
(Decrease)/increase in contract liabilities		**(1,285)**	4,422
Cash generated from operations		**36,113**	16,104
Interest received		**21**	16
Income tax paid		**(522)**	(3,820)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**35,612**	12,300
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(46,590)**	(73,815)
Sale proceeds from disposals of property, plant and equipment		**637**	346
Cash paid for acquisition of assets	34	**—**	(40,300)
NET CASH USED IN INVESTING ACTIVITIES		**(45,953)**	(113,769)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of lease rentals paid	29(a)	**(2,752)**	—
Interest paid for bank borrowings	29(a)	**(5,833)**	(3,547)
Interest element of lease rentals paid	29(a)	**(168)**	—
New bank borrowings raised	29(a)	**166,812**	174,062
Repayment of bank borrowings	29(a)	**(148,486)**	(66,550)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**9,573**	103,965
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(768)**	2,496
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(110)**	(324)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**19,105**	16,933
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**18,227**	19,105
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**18,227**	19,105

The notes on pages 71 to 132 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 June 2012 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's headquarters and principal place of business in Hong Kong is located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

Pursuant to the reorganisation of the Group in connection with the listing of the shares (the "**Share(s)**") of the Company on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"), the Company became the holding company of the Group on 25 September 2014 (the "**Reorganisation**"). Details of the Reorganisation were set out in the section headed "History, Development and Reorganisation — Reorganisation" of the prospectus of the Company dated 29 May 2015 (the "**Prospectus**"). The Shares were listed and traded on the GEM of the Stock Exchange on 5 June 2015 (the "**Listing Date**"). On 10 November 2017, the listing of shares of the Company was transferred from GEM to the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to Hong Kong, the People's Republic of China ("**the PRC**") and international markets. The ultimate controlling party of the Group is Mr. Chu King Tien ("**Mr. Chu**" or the "**Controlling Shareholder**").

In the opinion of the directors ("**Directors**"), Golden Villa Ltd. ("**Golden Villa**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the immediate and ultimate holding company of the Company.

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations ("**HK(IFRIC)-Int**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following new and revised HKFRSs:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015–2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group had to change its accounting policies following the adoption of HKFRS 16. For details, please refer to note 2(d). The other amendments listed above did not have material impact on the Group's consolidated financial statements for the current or prior years.

2. BASIS OF PREPARATION *(continued)*

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 December 2019 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2019:

HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of a business[1]
Amendments to HKFRS 3	Definition of materials[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)–Int 4, Determining whether an arrangement contains a lease, HK(SIC)–Int 15, Operating leases — incentives, and HK(SIC)–Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2. BASIS OF PREPARATION *(continued)*

(d) Changes in accounting policies *(continued)*

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets as disclosed in note 18. For an explanation of how the Group applies lessee accounting, see Note 3(d).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.85%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(1) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(2) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 30 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments at 31 December 2018	1,753
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(147)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will not exercise the termination options	4,246
	5,852
Less: total future interest expenses	(228)
Total lease liabilities recognised at 1 January 2019	5,624

2. BASIS OF PREPARATION *(continued)*

(d) Changes in accounting policies *(continued)*

Lessee accounting and transitional impact *(continued)*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	As previously stated at 31 December 2018 HK$'000	**Adoption of HKFRS 16** HK$'000		**Restated carrying amount at 1 January 2019** HK$'000
Non-current assets:				
Right-of-use assets	—	5,624	(a)	5,624
Prepaid land lease payments	4,665	210	(b)	4,875
Current assets:				
Prepaid land lease payments	210	(210)	(b)	—
Current liabilities:				
Lease liabilities	—	2,866	(a)	2,866
Non-current liabilities:				
Lease liabilities	—	2,758	(a)	2,758

(a) Capitalisation of lease contracts
(b) Reclassification from current to non-current

Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

2. BASIS OF PREPARATION *(continued)*

(e) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK$102,707,000 at 31 December 2019. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

(i) At 31 December 2019, the Group had unutilised banking facilities of approximately HK$18,010,000. Subsequent to the end of the reporting period, the Group has been granted additional banking facilities of HK$15,000,000. Accordingly, the Group had the unutilised banking facilities aggregating to approximately HK$33,010,000 as at the date when these consolidated financial statements are authorised for issuance;

(ii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank borrowings with an aggregate principal amount of approximately HK$66,000,000 maturing on or before the date when the consolidated financial statements are authorised for issuance;

(iii) For the borrowings which will be maturing before 31 December 2020, the Group will actively negotiate with the banks before they fall due to secure their renewals so as to ensure the Group will have necessary funds to meet the Group's working capital and financial requirements in the future. The Directors do not expect to experience significant difficulties in renewing these borrowings upon their maturities and there is no indication that its bankers will not renew the existing facilities upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturities;

(iv) Given the Group maintained strong business relationship with its bankers and based on past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire;

(v) The Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary; and

(vi) The outbreak of the new coronavirus pneumonia epidemic ("**Epidemic**") has impact on the global business environment since January 2020 and continues to evolve. The Directors are closely monitoring the development of the Epidemic situation.

After taking into consideration of the above factors and funds expected to be generated internally from operations based on the Directors' estimation on the future cash flows of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis because there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by the revaluation of investment properties.

(b) Consolidation and combination

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 3(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Consolidation and combination *(continued)*

(i) Business combinations under common control before Listing Date

The Group applies merger accounting to account for the business combinations (including acquisition of subsidiaries) under common control for Reorganisation before Listing Date, where all assets and liabilities are recorded at predecessor carrying amounts, as if the existing group structure had been in existence throughout the year and the business have been combined from the date when they first came under the control of the controlling party.

Upon transfer of interest in an equity to another entity that is under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised as deemed distribution directly in capital reserve.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Business combinations not under common control

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred to the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree (collectively the "**Sum of Consideration**") is more than the fair value of the identifiable net assets acquired, the excess is recorded as goodwill. If the Sum of Consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with all policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment and depreciation

Property, plant and equipment including the right-of-use assets arising from leases of the underlying plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (Note 3(j)(ii)). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, over their estimated useful lives, at the following annual rates:

Category	Depreciation policy	Residual value
Leasehold land	Shorter of remaining lease term or useful life on a straight-line basis	0%
Leasehold buildings	4% on a straight-line basis	0%
Plant and machinery	10% on a reducing balance basis	10%
Furniture, fixtures and office equipment	15% on a reducing balance basis	10%
Moulds	33% on a straight-line basis	0%
Loose tools and instruments	50% on a reducing balance basis	0%
Motor vehicles	25% on a straight-line basis	10%
Leasehold improvements	15% on a reducing balance basis	0%
Right-of-use assets — Leasehold properties	Remaining lease term from 1 January 2019 on a straight-line basis	0%

Useful lives, the depreciation methods and residual values are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised which is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases

(A) Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (Note 3(c)) and impairment losses (Note 3(j)(ii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 3(e).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's right-of-use assets are not separately presented and are included under "property, plant and equipment", "investment properties", "prepaid land lease payments" and "right-of-use assets" while the lease liabilities are separately presented in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases *(continued)*

(A) Policy applicable from 1 January 2019 (continued)

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

The rental income from operating leases is recognised in accordance with Note 3(p). When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease, the Group classifies the sub-lease as an operating lease.

(B) Policy applicable prior to 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(c). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

When a property held for own use is reclassified to investment property following a change in its use, any differences arising at the date of reclassification between the carrying amount of the property held for own use immediately prior to the reclassification and its fair values is recognised as below:

(i) If the carrying amount of the property is increased as a result of the revaluation, the increase shall be recognised in other comprehensive income and accumulated separately in equity in the property revaluation reserve.

(ii) If the carrying amount of the property is decreased as a result of the revaluation, the decrease shall be recognised in profit or loss.

On subsequent disposal of the investment property, the revaluation surplus recognised in the property revaluation reserve may be transferred directly to retained profits.

If an investment property becomes owner-occupied, it is reclassified as a property held for own use and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting in accordance with Note 3(c).

(f) Intangible assets

Trademarks are stated at cost less accumulated amortisation and impairment losses (Note 3(j)(ii)). Amortisation of trademarks is charged to profit or loss on a straight-line basis over the estimated useful lives of 10 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other receivables

Trade and other receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses (Note 3(j)(i)).

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(j) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Group applies the ECL model to financial assets measured at amortised cost, including cash and cash equivalent, trade receivables and other receivables. Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade receivables and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of reporting; and
— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period.

For all other financial instruments (including cash and cash equivalents, and other receivables), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;
— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
— an actual or expected significant deterioration in the operating results of the debtor; and
— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets *(continued)*

Basis of calculation of interest income

Interest income recognised (Note 3(p)) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;
— a breach of contract, such as a default or delinquency in interest or principal payments;
— it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment (including the right-of-use assets), intangible assets, prepaid land lease payments and investments in subsidiaries may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(ii) Impairment of non-financial assets *(continued)*

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, if measureable, or value in use, if determinable.

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (Note 3(p)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (Note 3(h)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

— Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts, rebates and returns.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

— Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (Note 3(j)(i)).

— Rental income is recognised on a straight-line basis over the terms of relevant leases.

— Services fee income and handling income are recognised at a point in time in the period when services are rendered.

(q) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior years. The obligation is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;

— Income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(e), the amount to deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognised in profit or loss when the liability to pay the related dividends is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes by the same taxation authority on either:

  — the same taxable entity; or
  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Financial guarantees issued, provision and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Financial guarantees issued, provision and contingent liabilities *(continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in Note 3 above. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Valuation of inventories

The management identify obsolete and slow-moving inventory with reference to inventory ageing analysis and estimated subsequent usage or sales. Net realisable value of obsolete and slow-moving inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions, technology changes, the historical experience of selling products with similar nature and current customer orders on hand. It could change significantly as a result of changes in customer preference or competitor actions. The Group reassesses these estimates at the end of each reporting period.

(b) Impairment of property, plant and equipment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the Group is required to estimate the asset's recoverable amount. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

(c) Loss allowance for trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 33.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Depreciation

Property, plant and equipment (including the right-of-use assets) are depreciated on a straight-line basis or reducing balance basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives and basis of depreciation of property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and basis of depreciation are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2019 has been arrived at on the basis of a valuation carried out on that date by Jones Lang LaSalle Limited ("**JLL**"), an independent professional surveyor and property valuer not connected with the Group. The senior director of JLL is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived using direct comparison approach by making reference to comparable recent sales price of properties, adjusted for a premium or discount specific to the characteristic as mentioned in Note 15.

(f) Current and deferred income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Judgements and estimations are required in determining the provision for income taxes for certain transactions (including inter-company transactions) and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the invoiced value of goods sold to external customers less discounts, rebates and returns, and net of value-added tax and surcharges. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from customers and recognised at a point in time		
Sales of battery products:		
— Disposable batteries	**309,767**	320,755
— Rechargeable batteries	**3,898**	2,664
— Other battery-related products	**538**	110
	314,203	323,529

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information

The Group's operating business are organised and managed separately according to the nature of products. Each segment representing a strategic business segment that offers different products in the market. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented two reportable segments, namely disposable batteries and rechargeable batteries and other battery-related products. No operating segments have been aggregated to form the above reportable segments.

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment result is gross profit.

A measurement of segment assets and liabilities is not provided regularly to the Group's senior executive management and accordingly, no segment assets and liabilities information is presented.

Information regarding the Group's reportable segments for the years ended 31 December 2019 and 2018 is set out below:

Segment revenue from external customers

	2019 HK$'000	2018 HK$'000
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	170,726	169,460
— Carbon	46,460	53,498
	217,186	222,958
(ii) Micro-button cells		
— Alkaline	75,169	75,281
— Other micro-button cells	17,412	22,516
	92,581	97,797
	309,767	320,755
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	3,898	2,664
(ii) Other battery-related products	538	110
	4,436	2,774
	314,203	323,529

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment results

	2019 HK$'000	2018 HK$'000
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	39,520	28,711
— Carbon	515	672
	40,035	29,383
(ii) Micro-button cells		
— Alkaline	23,997	24,664
— Other micro-button cells	9,231	10,376
	33,228	35,040
	73,263	64,423
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	883	691
(ii) Other battery-related products	66	84
	949	775
	74,212	65,198

The reportable and operating segment results are reconciled to profit before income tax of the Group as follows:

	2019 HK$'000	2018 HK$'000
Segment results	74,212	65,198
Unallocated other revenue	7,624	9,525
Unallocated other (losses)/gains — net	(527)	3,285
Unallocated corporate expenses	(68,448)	(70,681)
Finance costs	(6,001)	(3,547)
Profit before income tax	6,860	3,780

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2019 and 2018. Segment results represent the gross profit of each type of products. This is the measure reported to the senior executive management for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measure of segment results are as follows:

	2019 HK$'000	2018 HK$'000
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	9,669	8,085
— Micro-button cells	4,565	1,309
Segment total	14,234	9,394
Unallocated depreciation and amortisation	5,721	4,566
	19,955	13,960

Revenue from major customers

During the years ended 31 December 2019 and 2018, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:

	2019 HK$'000	2018 HK$'000
Customer A	35,848	31,357
Customer B	25,377	36,531

Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the geographical location of customers is based on the location at which the goods are delivered.

	2019 HK$'000	2018 HK$'000
The PRC	93,505	104,516
Hong Kong	58,668	62,834
Asia (except the PRC and Hong Kong)	46,389	60,400
Europe	43,912	35,822
Eastern Europe	7,143	4,185
North America	36,164	33,701
South America	18,869	14,594
Australia	4,475	3,753
Africa	386	146
Middle East	4,692	3,578
	314,203	323,529

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographic information *(continued)*

The Group's non-current assets (excluding deferred tax assets) are located in the following regions:

	2019 HK$'000	2018 HK$'000
The PRC	**213,394**	171,664
Hong Kong	**175,730**	181,553
Macau	**9,898**	11,587
	399,022	364,804

The geographical location of the non-current assets is based on the physical location of the operation to which they are allocated.

6. OTHER REVENUE

	2019 HK$'000	2018 HK$'000
Sales of scrap materials	**2,156**	2,852
Services fee income	**20**	2
Interest income	**21**	16
Rental income	**4,556**	3,705
Handling income	**494**	631
Sundry income	**377**	2,319
	7,624	9,525

7. OTHER (LOSSES)/GAINS — NET

	2019 HK$'000	2018 HK$'000
Net exchange loss	**(2,342)**	(6,470)
Loss on disposals of property, plant and equipment	**(1,287)**	(345)
Fair value gains on investment properties	**3,100**	10,100
Gain on termination of lease	**2**	—
	(527)	3,285

8. PROFIT BEFORE INCOME TAX

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

		2019 HK$'000	2018 HK$'000
(a)	Finance costs:		
	Bank loans interest	6,363	3,077
	Interest on import loans	624	486
	Interest on lease liabilities	168	—
	Bank overdraft interest	39	8
	Total interest expense	7,194	3,571
	Less: interest expense capitalised into property, plant and equipment (Note)	(1,193)	(24)
		6,001	3,547
(b)	Staff cost (excluding Directors' emoluments) (Note 9):		
	Salaries, wages and other allowances	39,736	38,574
	Contributions to defined contribution plans	4,023	4,070
		43,759	42,644
(c)	Other items:		
	Amortisation of intangible assets	59	67
	Amortisation of prepaid land lease payments	—	220
	Auditors' remuneration		
	— Audit services	915	850
	— Non-audit services	225	176
	Bad debts on trade receivables written off	—	316
	Bad debts on other receivables written off	162	—
	Cost of inventories recognised as expenses	239,991	258,331
	Depreciation		
	— Owned assets	14,568	13,673
	— Right-of-use assets		
	Leasehold land and buildings	2,311	—
	Leasehold properties	2,806	—
	Prepaid land lease payments	211	—
	Loss on disposals of property, plant and equipment:		
	— Proceeds from disposals of property, plant and equipment	(637)	(346)
	— Carrying amount of property, plant and equipment	1,924	691
		1,287	345
	Write-down to net realisable value on inventories	699	29
	Short-term lease expenses	331	—
	Minimum lease payments for leases previously classified as operating leases under HKAS 17:		
	— Plant and machinery	—	595
	— Buildings	—	3,107
	Rental income less outgoings of approximately HK$393,000 (2018: approximately HK$330,000)	4,163	3,375

Note: The borrowing costs have been capitalised at a rate of 4.01% and 3.14% per annum for the years ended 31 December 2019 and 2018 respectively.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

Name of Directors	Year ended 31 December 2019 Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive Directors:					
Mr. Chu	—	1,905	310	9	2,224
Ms. Chu Shuk Ching	—	1,905	310	18	2,233
Mr. Chu Ho Wa	—	705	102	18	825
Mr. Tang Chi Him	—	965	146	18	1,129
Independent non-executive Directors:					
Mr. Hui Kwok Wah	—	198	—	—	198
Mr. Chow Chun Hin, Leslie	—	132	—	—	132
Mr. Ma Sai Yam	—	132	—	—	132
	—	5,942	868	63	6,873

Name of Directors	Year ended 31 December 2018 Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive Directors:					
Mr. Chu	—	1,815	310	18	2,143
Ms. Chu Shuk Ching	—	1,815	310	18	2,143
Mr. Chu Ho Wa	—	645	110	18	773
Mr. Tang Chi Him	—	913	158	18	1,089
Independent non-executive Directors:					
Mr. Hui Kwok Wah	—	198	—	—	198
Mr. Chow Chun Hin, Leslie	—	132	—	—	132
Mr. Ma Sai Yam	—	132	—	—	132
	—	5,650	888	72	6,610

No emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Among the five highest paid individuals of the Group, four and four of them are Directors of the Company for the years ended 31 December 2019 and 2018 respectively. Details of their emoluments have already been disclosed above.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

The emoluments of the remaining one (2018: one) individual are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits in kind	927	880
Discretionary bonuses	140	150
Contributions to defined contribution plans	18	18
	1,085	1,048

The emoluments of one (2018: one) individual with the highest emoluments are fall within the following bands:

	2019	2018
HK$1,000,001 to HK$1,500,000	1	1

For the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong profits tax:		
Provision for the year	883	1,257
Under/(over)-provision in prior years	208	(177)
Current tax — PRC enterprise income tax ("**EIT**"):		
Provision for the year	82	—
Under/(over)-provision in prior years	587	(1,336)
	1,760	(256)
Deferred taxation (Note 11):		
Current year	(2,280)	(2,159)
	(520)	(2,415)

The Company and its subsidiaries incorporated in the Cayman Islands and BVI are not subject to any income tax pursuant to local rules and regulations.

Pursuant to Hong Kong and PRC rules and regulations, the Group entities incorporated in Hong Kong and the PRC are subject to Hong Kong profits tax at 16.5% and EIT at 25% on the estimated assessable profits respectively except for one Hong Kong subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2018.

10. INCOME TAX CREDIT *(continued)*

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 9 November 2017, Goldtium (Jiangmen) Energy Products Company Limited ("**Goldtium Jiangmen**") was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2017.

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 28 November 2018, Dongguan Victory Battery Industries Company Limited ("**Dongguan Victory**") was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2018.

The income tax credit for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss as follows:

	2019 HK$'000	2018 HK$'000
Profit before income tax	6,860	3,780
Tax effect at the Hong Kong profits tax rate of 16.5% (2018: 16.5%)	1,132	624
Tax effect of non-taxable income	(694)	(1,712)
Tax effect of non-deductible expenses	663	862
Tax effect of recognition of tax losses previously not recognised	(1,517)	—
Tax effect of unrecognised tax losses	(566)	40
Under/(over)-provision in prior years	795	(1,513)
Tax concession	(165)	(783)
Tax rate differential	(168)	67
Income tax credit	(520)	(2,415)

11. DEFERRED TAXATION

An analysis of the deferred tax balances in the consolidated statement of financial position is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	9,013	7,758
Deferred tax liabilities	(3,429)	(4,044)
	5,584	3,714

11. DEFERRED TAXATION *(continued)*

The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the years ended 31 December 2019 and 2018:

	Unutilised tax losses HK$'000	Accelerated tax allowances HK$'000	Impairment losses on inventories HK$'000	Revaluation of investment properties HK$'000	Other HK$'000	Total HK$'000
At 1 January 2018	3,371	(1,504)	136	(830)	596	1,769
Credited/(charged) to profit or loss for the year	2,050	(286)	(70)	—	465	2,159
Exchange adjustments	(68)	(98)	(4)	—	(44)	(214)
At 31 December 2018 and 1 January 2019	5,353	(1,888)	62	(830)	1,017	3,714
Credited/(charged) to profit or loss for the year	1,982	(39)	128	—	209	2,280
Exchange adjustments	(151)	(231)	(4)	—	(24)	(410)
At 31 December 2019	**7,184**	**(2,158)**	**186**	**(830)**	**1,202**	**5,584**

The components of unrecognised deductible temporary differences in certain subsidiaries of the Company were as follows:

(a) At 31 December 2019, the unutilised tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$1,386,000 (2018: approximately HK$3,280,000) can be carried forward indefinitely. The unutilised tax losses accumulated in a PRC subsidiary amounted to approximately HK$Nil (2018: approximately HK$1,541,000) can be carried forward for five years. Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(b) According to the EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company. At 31 December 2019 and 2018, temporary differences relating to the undistributed profits of the Company's subsidiaries in the PRC were approximately RMB24,468,000 and approximately RMB26,208,000 respectively (equivalent to approximately HK$27,291,000 and approximately HK$29,840,000 respectively). The related deferred tax liabilities of approximately HK$1,365,000 and approximately HK$1,492,000 at 31 December 2019 and 2018 respectively have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the Directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of approximately HK$7,380,000 (2018: approximately HK$6,195,000) and the weighted average of 240,000,000 (2018: 240,000,000) ordinary shares in issue during the year ended 31 December 2019.

Diluted earnings per share has not been disclosed as no dilutive potential equity shares in existence for the years ended 31 December 2019 and 2018.

13. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	**Plant and machinery** HK$'000	**Furniture, fixtures and office equipment** HK$'000	**Moulds** HK$'000	**Loose tools and instruments** HK$'000	**Motor vehicles** HK$'000	**Leasehold improvements** HK$'000	**Construction in progress** HK$'000	**Total** HK$'000
Cost:									
At 1 January 2018	51,392	275,456	28,749	4,734	2,520	10,965	19,337	38,018	431,171
Acquisition during the year — Note 34	7,300	—	—	—	—	—	—	—	7,300
Additions	1,969	37,880	1,743	4,093	—	2,860	293	27,413	76,251
Disposals	—	(896)	(14)	—	—	(2,976)	—	(6)	(3,892)
Transfer	—	7,191	—	—	—	—	697	(7,888)	—
Exchange adjustments	(1,424)	(4,722)	(213)	—	—	(135)	(281)	(3,583)	(10,358)
At 31 December 2018	59,237	314,909	30,265	8,827	2,520	10,714	20,046	53,954	500,472
Accumulated depreciation:									
At 1 January 2018	20,889	178,651	19,687	4,734	2,519	9,100	5,812	—	241,392
Charge for the year	2,256	6,408	945	729	1	1,170	2,164	—	13,673
Written-off on disposals	—	(510)	(12)	—	—	(2,679)	—	—	(3,201)
Exchange adjustments	(572)	(1,834)	(145)	—	—	(132)	(124)	—	(2,807)
At 31 December 2018	22,573	182,715	20,475	5,463	2,520	7,459	7,852	—	249,057
Net book value:									
At 31 December 2018	36,664	132,194	9,790	3,364	—	3,255	12,194	53,954	251,415
Cost:									
At 1 January 2019	**59,237**	**314,909**	**30,265**	**8,827**	**2,520**	**10,714**	**20,046**	**53,954**	**500,472**
Additions	—	**1,509**	**801**	**924**	—	**2,699**	**2,196**	**40,859**	**48,988**
Disposals	—	**(2,416)**	**(383)**	—	—	—	—	**(677)**	**(3,476)**
Transfer	—	**3,787**	**(1,002)**	—	—	—	**737**	**(3,522)**	—
Exchange adjustments	**(627)**	**(2,470)**	**(71)**	—	—	**(57)**	**(113)**	**(1,588)**	**(4,926)**
At 31 December 2019	**58,610**	**315,319**	**29,610**	**9,751**	**2,520**	**13,356**	**22,866**	**89,026**	**541,058**
Accumulated depreciation:									
At 1 January 2019	**22,573**	**182,715**	**20,475**	**5,463**	**2,520**	**7,459**	**7,852**	—	**249,057**
Charge for the year	**2,311**	**8,411**	**888**	**1,672**	—	**1,454**	**2,143**	—	**16,879**
Written-off on disposals	—	**(1,284)**	**(268)**	—	—	—`	—	—	**(1,552)**
Transfer	—	**44**	**(85)**	—	—	—	**41**	—	—
Exchange adjustments	**(242)**	**(2,379)**	**(58)**	—	—	**(33)**	**(58)**	—	**(2,770)**
At 31 December 2019	**24,642**	**187,507**	**20,952**	**7,135**	**2,520**	**8,880**	**9,978**	—	**261,614**
Net book value:									
At 31 December 2019	**33,968**	**127,812**	**8,658**	**2,616**	—	**4,476**	**12,888**	**89,026**	**279,444**

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Included in the property, plant and equipment is the Group's right-of-use assets of which the Group is the registered owner of these properties interests. The Group has holds industrial, residential and commercial properties for its operations in Hong Kong, Macau and the PRC, where its office premises, staff quarters and factories are located. Lump sum payments were made upfront to acquire these property interests from their previous registered owners in Hong Kong and Macau, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The Group constructed buildings on the leasehold land located in the PRC (Note 17). Upon completion, the Group is the registered owner of the buildings.

The Group's leasehold land and buildings are held under medium-term leases and situated in:

	2019 HK$'000	2018 HK$'000
Hong Kong	**7,438**	8,134
Macau	**9,796**	10,564
The PRC	**16,734**	17,966
	33,968	36,664

Certain Group's property, plant and equipment were pledged to banks to secure banking facilities granted to the Group (Note 25), with the following net book values:

	2019 HK$'000	2018 HK$'000
Leasehold land and buildings in Hong Kong	**7,318**	8,134
Leasehold land and buildings in Macau	**9,796**	10,564
Buildings in the PRC	**14,990**	17,966
Plant and machinery included in the construction in progress	**7,273**	—
	39,377	36,664

15. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1 January	**105,400**	62,300
Acquisition during the year — Note 34	**—**	33,000
Fair value adjustment	**3,100**	10,100
At 31 December, at fair value	**108,500**	105,400

Notes:

(a) The Group's investment properties are held under medium-term leases and situated in Hong Kong.

(b) The Group has pledged all of its investment properties to banks to secure banking facilities granted to the Group (Note 25).

(c) Fair value hierarchy
The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

	Fair value at 31 December HK$'000	**Quoted market price Level 1** HK$'000	**Using observable inputs Level 2** HK$'000	**With significant unobservable inputs Level 3** HK$'000
Recurring fair value measurement of investment properties				
2019	**108,500**	**—**	**—**	**108,500**
2018	105,400	—	—	105,400

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

15. INVESTMENT PROPERTIES *(continued)*

Notes: *(continued)*

(c) Fair value hierarchy *(continued)*

The Group's investment properties were revalued by the senior director of JLL and managing director of Vigers Appraisal & Consulting Ltd ("**Vigers**"), independent professional surveyors, at 31 December 2019 and 2018 respectively. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors with recent experiences in the location and category of properties being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

Based on the above qualifications and various experiences of JLL/Vigers and/or its members, the Directors are of the view that JLL/Vigers is independent and competent to determine the fair value of the Group's investment properties.

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:

	2019 HK$'000	2018 HK$'000
At 1 January	105,400	62,300
Acquisition during the year — Note 34	—	33,000
Fair value adjustment	3,100	10,100
At 31 December	108,500	105,400

Information about Level 3 fair value measurements

	Valuation technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	3% to 6% (2018: −23.6% to 12.2%)

The fair value of investment properties are determined using direct comparison approach by making reference to comparable recent sales price of properties on a price per square feet basis, adjusted for a premium or discount specific to the characteristic such as location, size, shape, view, floor level, year of completion while compared to the comparable properties. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

16. INTANGIBLE ASSETS

	2019 HK$'000	2018 HK$'000
Trademarks		
Cost:		
At 1 January and at 31 December	872	872
Accumulated amortisation:		
At 1 January	705	638
Amortisation for the year	59	67
At 31 December	764	705
Net book value:		
At 31 December	108	167

17. PREPAID LAND LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
Cost:		
At 1 January	7,177	7,560
Exchange adjustments	(146)	(383)
At 31 December	7,031	7,177
Accumulated amortisation:		
At 1 January	2,302	2,203
Amortisation for the year	211	220
Exchange adjustments	(50)	(121)
At 31 December	2,463	2,302
Net book value:		
At 31 December	4,568	4,875

	2019 HK$'000	2018 HK$'000
In the PRC held under medium-term leases	4,568	4,875
Less: Current portion	—	(210)
Non-current portion	4,568	4,665

17. PREPAID LAND LEASE PAYMENTS *(continued)*

Prepaid land lease payments represent cost of land use rights in respect of leasehold lands in the PRC, on which the Group's buildings are situated. These leases will expire in 2042.

At 31 December 2019 and 2018, prepaid land lease payments with net book values of approximately HK$4,568,000 and approximately HK$4,875,000 respectively were pledged to banks to secure banking facilities granted to the Group (Note 25).

18. RIGHT-OF-USE ASSETS

	Leasehold properties HK$'000
Cost:	
At 1 January 2019	5,624
Written-off on termination of lease	(269)
Exchange adjustments	(115)
At 31 December 2019	5,240
Accumulated depreciation:	
At 1 January 2019	—
Charge for the year	2,806
Written-off	(134)
Exchange adjustments	(52)
At 31 December 2019	2,620
Net book value:	
At 31 December 2019	2,620

On 1 January 2019, the Group recognised rights-of-use assets of HK$5,624,000 newly capitalised on adoption of HKFRS 16.

The Group has entered into lease agreements to obtain the right to use properties as its factories and staff quarters and as a result incurred lease liabilities (Note 26). The leases typically run for an initial period of 5 years. Leases include an option to terminate the lease by giving six months notice during the contract term. The Group assesses at commencement date whether it is reasonably certain to exercise the termination options. If the Group is reasonably certain not to exercise the termination options, the related future lease payments are included in the measurement of lease liabilities.

In addition to the above, the Group has right-of-use assets related to property interests of which the Group is the registered owner. They are included in "property, plant and equipment", "investment properties" and "prepaid land lease payments". Details of which are set out in Notes 14, 15 and 17.

19. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**12,176**	22,175
Work in progress	**16,903**	21,871
Finished goods	**12,235**	14,295
	41,314	58,341
Less: Write-down to net realisable value	**(1,237)**	(561)
	40,077	57,780

Movements of write-down to net realisable value on inventories are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**561**	561
Write-down to net realisable value for the year	**699**	29
Exchange adjustments	**(23)**	(29)
At 31 December	**1,237**	561

The write-down to net realisable value were included in the cost of inventories recognised as expenses.

20. TRADE AND BILLS RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**47,934**	45,546
Less: Loss allowance	**(479)**	(489)
	47,455	45,057
Bills receivables	**380**	605
	47,835	45,662

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors of the Group.

Loss allowance in respect of trade receivables is recorded using provision for doubtful debts account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables.

20. TRADE AND BILLS RECEIVABLES *(continued)*

Movements of loss allowance for trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	489	515
Exchange adjustments	(10)	(26)
At 31 December	479	489

An ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance on trade receivables, is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	26,661	37,507
31–60 days	14,393	7,402
61–90 days	5,935	732
91–120 days	506	21
Over 120 days	340	—
	47,835	45,662

An ageing analysis of trade and bills receivables which are not considered to be impaired is as follows:

	2019 HK$'000	2018 HK$'000
Not past due	36,515	37,996
Past due for less than 3 months	11,032	7,666
Past due for 3 to 6 months	15	—
Past due for 6 months to 1 year	273	—
	47,835	45,662

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing. Further information about expected credit loss provision refers to Note 33.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Utilities and other deposits	**4,625**	3,973
Prepayments	**7,975**	10,327
Other receivables	**11,792**	19,492
	24,392	33,792
Less: Non-current portion		
Deposits paid for property, plant and equipment	**(3,782)**	(3,157)
Current portion	**20,610**	30,635

22. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods purchased, is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**20,141**	25,910
31–90 days	**34,934**	41,278
91–180 days	**13,542**	19,069
Over 180 days	**3,915**	5,267
	72,532	91,524

23. OTHER PAYABLES AND ACCRUALS

	Note	2019 HK$'000	2018 HK$'000
Other payables		**5,563**	720
Accruals		**6,372**	6,936
Provision for long service payments	(a)	**334**	334
Provision for annual leave		**346**	346
		12,615	8,336

Note:

(a) Provision for long service payments

Movements of provision for long service payments are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January and 31 December	**334**	334

24. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
At 1 January	**4,419**	3,600
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,269)**	(3,493)
Increase as a result of billing in advance	**1,983**	4,312
At 31 December	**3,133**	4,419

25. BANK BORROWINGS

	Note	2019 HK$'000	2018 HK$'000
Secured bank loans		**170,779**	121,929
Secured bank import loans and other loans		**16,675**	47,896
	(a)	**187,454**	169,825
Less: Amount classified as current liabilities		**(140,350)**	(125,919)
Amount classified as non-current liabilities		**47,104**	43,906
The bank loans are repayable as follows:			
Within 1 year			
— short-term loans		**114,166**	121,929
— current portion of long-term loans		**26,184**	3,990
		140,350	125,919
Over 1 year but within 2 years		**14,512**	22,479
Over 2 years but within 5 years		**26,205**	9,825
Over 5 years		**6,387**	11,602
		187,454	169,825

25. BANK BORROWINGS *(continued)*

Notes:

(a) The Group had the following banking facilities:

	2019 HK$'000	2018 HK$'000
Total banking facilities granted	**205,464**	252,941
Less: banking facilities utilised by the Group	**(187,454)**	(169,825)
Unutilised banking facilities	**18,010**	83,116

At 31 December 2019, these banking facilities were secured by:

(i) bank loans of approximately HK$40,949,000 were guaranteed by unlimited cross corporate guarantee executed by the Company and its subsidiaries;

(ii) bank loans of approximately HK$146,505,000 were guaranteed by corporate guarantee of approximately HK$278,943,000 executed by the Company; and

(iii) prepaid land lease payments, leasehold buildings, plant and machineries included in the construction in progress and investment properties situated in Hong Kong, the PRC and Macau owned by the Group (Notes 14, 15 and 17).

(b) There was no financial covenant for the banking facilities at 31 December 2019 and 2018.

26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and at the date of transition to HKFRS 16:

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2019 HK$'000	1 January 2019 HK$'000	**31 December 2019 HK$'000**	1 January 2019 HK$'000
Amounts payable:				
Within one year	**2,671**	2,866	**2,727**	2,926
In the second to fifth year	**—**	2,758	**—**	2,926
	2,671	5,624	**2,727**	5,852
Less: Future finance charges			**(56)**	(228)
Present value of lease obligation			**2,671**	5,624
Less: current portion			**(2,671)**	(2,866)
Non-current portion			**—**	2,758

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

27. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Details of the share capital of the Company are set out below:

Share capital

	Number of shares	**2019 HK$'000**	2018 HK$'000
Authorised:			
Ordinary shares of HK$0.01 each	2,000,000,000	**20,000**	20,000
Issued and fully paid:			
240,000,000 (2018: 240,000,000) ordinary shares of HK$0.01 each		**2,400**	2,400

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the years ended 31 December 2019 and 2018.

The capital structure of the Group consists of net debts (which include bank borrowings and net of cash and cash equivalents) and equity attributable to owners of the Company, comprising paid-in capital and retained profits.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

28. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	90,043	20,000	(24,250)	85,793
Profit and total comprehensive income for the year	—	—	942	942
At 31 December 2018 and 1 January 2019	**90,043**	**20,000**	**(23,308)**	**86,735**
Profit and total comprehensive income for the year	**—**	**—**	**805**	**805**
At 31 December 2019	**90,043**	**20,000**	**(22,503)**	**87,540**

(c) Nature and purpose of reserves

(i) Statutory reserve

Pursuant to the Company Law of the PRC and the Articles of Association of the PRC subsidiaries, it is required to appropriate 10% of each year's net profit according to the PRC accounting standard and regulations (after offsetting previous years' losses) to statutory surplus reserve until such reserve reached 50% of its registered capital; after the appropriation to statutory surplus reserve, the subsidiary in the PRC can appropriate profit, subject to respective owners' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiaries. The statutory surplus reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of its registered capital.

(ii) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

28. RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(iii) Capital reserve

The capital reserve of the Group represents the following:

(a) On 4 January 2013, Best Kind Holdings Limited ("**Best Kind**") acquired all the non-voting deferred shares of Golden Power Industries Limited ("**Golden Power Industries**") at a cash consideration of HK$1,800,000, resulting in opening balance of HK$1,200,000 as at 1 January 2014.

(b) During the year ended 31 December 2014, as a part of Reorganisation, the Group acquired equity interest in Big Power Limited ("**Big Power**"), Golden Pilot Limited ("**Golden Pilot**"), Pointway Corporation Limited ("**Pointway**"), Ample Top Enterprises Limited ("**Ample Top**") and Golden Power Properties Limited ("**Golden Power Properties**"), of which Mr. Chu was the controlling shareholder before the acquisitions. Upon the completion of the acquisitions, the aforesaid companies became wholly-owned subsidiaries of the Group. The difference of HK$10,999,102 between the total cash consideration of HK$18,768,102 and the total carrying amount of net assets of these aforesaid companies of approximately HK$7,769,000 at respective acquisition dates, was dealt with in capital reserve of the Group.

Partial settlement of HK$8,731,000 was made in relation to the above Reorganisation. The balance of unpaid consideration of HK$10,037,000 was capitalised pursuant to an agreement dated 5 December 2014.

(c) Pursuant to an agreement dated 5 December 2014, Mr. Chu injected HK$20,000,000 into the Company on 18 May 2015 and this amount was capitalised by crediting the capital reserve of the Company.

(iv) At 31 December 2019, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK$67,540,000 (2018: approximately HK$66,735,000).

29. CASH FLOW INFORMATION

(a) Reconciliation of liabilities arising from financial activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Bank borrowings** HK$'000	**Total** HK$'000
At 1 January 2018	—	63,269	63,269
Changes from financing cash flows:			
New bank borrowings raised	—	174,062	174,062
Repayment of bank borrowings	—	(66,550)	(66,550)
Interest paid for bank borrowings	—	(3,547)	(3,547)
	—	167,234	167,234
Exchange adjustments	—	(956)	(956)
Other changes:			
Interest expenses	—	3,547	3,547
At 31 December 2018	—	169,825	169,825
Impact on initial application of HKFRS 16 (Note 2(d))	5,624	—	5,624
At 1 January 2019	5,624	169,825	175,449
Changes from financing cash flows:			
New bank borrowings raised	—	166,812	166,812
Repayment of bank borrowings	—	(148,486)	(148,486)
Capital element of lease rentals paid	(2,752)	—	(2,752)
Interest element of lease rentals paid	(168)	—	(168)
Interest paid for bank borrowings	—	(5,833)	(5,833)
	2,704	182,318	185,022
Exchange adjustments	(64)	(697)	(761)
Other changes:			
Interest expenses	168	5,833	6,001
Written off on termination of lease	(137)	—	(137)
At 31 December 2019	**2,671**	**187,454**	**190,125**

29. CASH FLOW INFORMATION *(continued)*

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2019 HK$'000	2018 HK$'000
Within:		
Operating cash flows	**(331)**	(3,840)
Investing cash flows	**—**	(40,300)
Financing cash flows	**(2,920)**	—
	(3,251)	(44,140)

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Plant and machinery rentals paid	**(331)**	—
Lease rentals paid	**(2,920)**	(3,840)
Purchase of land and buildings	**—**	(40,300)

30. COMMITMENTS

Operating lease commitments

The Group as lessee:

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating lease, which falls due as follows:

	2018 HK$'000
Within one year	
— Plant and machinery	147
— Buildings	1,606
	1,753

30. COMMITMENTS *(continued)*

Operating lease commitments *(continued)*

The Group is the lessee in respect of a number of properties for factories and staff quarters held under, which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2(d)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3(d), and the details regarding the Group's future lease payments are disclosed in Note 26.

The Group as lessor:

At 31 December 2019, the Group's future minimum lease receipts in respect of buildings under non-cancellable operating lease are receivable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	2,747	3,943
In the second to fifth years	977	1,100
	3,724	5,043

Operating lease receipts represent rental receivable by the Group for the premises. Lease is negotiated for a term of two to three years with fixed monthly rental and did not include contingent rentals.

Capital commitments

At 31 December 2019, the Group had outstanding capital commitments as follows:

	2019 HK$'000	2018 HK$'000
Plant and machinery:		
Contracted but not provided for	6,539	20,191

31. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Related party and connected transactions

The Group had the following material transactions and balances with related parties as defined in HKAS 24 and/or connected person as defined in the Listing Rules during the years ended 31 December 2019 and 2018:

	Relationship	2019 HK$'000	2018 HK$'000
Related parties transactions as defined in HKAS 24 and connected transactions as defined in Chapter 14A of the Listing Rules			
Rental expenses paid to:			
China Scene Limited ("**China Scene**")*		—	92
Acquisition of China Scene			
Golden Villa	(i)	—	20,150
Golden Power Investments	(ii)	—	20,150
Non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules			
Sales to:			
Guangzhou Nan Hua Jin Li Electronics Limited ("**Nan Hua Jin Li**")	(iii)	—	4,296

* Exempted continuing transactions as defined in Chapter 14A of the Listing Rules.

(i) Golden Villa is the immediate and ultimate holding company of the Company.

(ii) Mr. Chu, an executive Director and Controlling Shareholder of the Company, has controlling interest.

(iii) Nan Hua Jin Li was legally and beneficially owned as to 71% by Mr. Zhu Chengxian, who is a nephew of Mr. Chu, a connected person of the Company. Mr. Zhu Chengxian ceased to be a shareholder of Nan Hua Jin Li since 5 June 2018.

31. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

Apart from disclosed elsewhere in these consolidated financial statements, the Group had no other outstanding balances with related parties at 31 December 2019 and 2018.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits in kind	8,144	7,722
Discretionary bonuses	1,135	1,200
Contributions to defined contribution plans	135	144
	9,414	9,066

32. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes (the "**Social Insurance Scheme**") operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the Social Insurance Scheme.

At the end of each reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The following table summarises the contribution paid or payable by the Group for the above retirement schemes:

	2019 HK$'000	2018 HK$'000
MPF Scheme	623	593
Social Insurance Scheme	3,463	3,549
	4,086	4,142

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's activities expose it to a variety of financial risks: including credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

Carrying amounts of financial assets at 31 December 2019 and 2018, which represented the amounts of maximum exposure to credit risk, were as follows:

	2019 HK$'000	2018 HK$'000
Trade and bills receivables	47,835	45,662
Deposits and other receivables	12,635	20,308
Cash and bank balances	18,227	19,105
	78,697	85,075

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables and cash and bank balances. With respect to trade and bills receivables, the Group has adopted credit policies, which include the analysis of the financial position of its customers and a regular review of their credit limits. The Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's cash and bank balances are held by major financial institutions located in Hong Kong and the PRC, which the management believes are of high credit quality. Accordingly, the overall credit risk is considered limited.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

At 31 December 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2019 and 2018, 4% and 15% of the total trade and bills receivables were due from the Group's largest customer; 44% and 51% of the total trade and bills receivables were due from the Group's five largest customers respectively. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivables disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Directors consider the Group's credit risk of these receivables to be low except for the impaired trade receivable disclosed in the below.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2019 and 2018.

	At 31 December 2019			
	Lifetime expected credit loss rate HK$'000	Gross carrying amount HK$'000	Lifetime expected credit loss HK$'000	Net carrying amount HK$'000
Provision on individual basis	100%	479	479	—
Provision on collective basis	0%	47,455	—	47,455
		47,934	479	47,455

	At 31 December 2018			
	Lifetime expected credit loss rate HK$'000	Gross carrying amount HK$'000	Lifetime expected credit loss HK$'000	Net carrying amount HK$'000
Provision on individual basis	100%	489	489	—
Provision on collective basis	0%	45,057	—	45,057
		45,546	489	45,057

The credit quality of the other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The Directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. During the year, the Group wrote off other receivables of HK$162,000 (2018: HK$Nil). Following the specific write off, ECL rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made at 31 December 2019 and 2018.

The cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$5,177,000 and approximately HK$6,747,000 at 31 December 2019 and 2018 respectively. Renminbi is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	At 31 December 2019				
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000
Total amounts of contractual undiscounted obligations:					
Trade payables	72,532	72,532	72,532	—	—
Other payables and accruals	11,935	11,935	11,935	—	—
Lease liabilities	2,671	2,727	2,727	—	—
Bank borrowings	187,454	195,368	144,289	44,357	6,722
	274,592	282,562	231,483	44,357	6,722

	At 31 December 2018				
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000
Total amounts of contractual undiscounted obligations:					
Trade payables	91,524	91,524	91,524	—	—
Other payables and accruals	7,656	7,656	7,656	—	—
Bank borrowings	169,825	174,919	127,161	35,807	11,951
	269,005	274,099	226,341	35,807	11,951

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate or entering into appropriate forward contracts when necessary.

Carrying amounts of financial assets and financial liabilities of the Group at 31 December 2019 and 2018 exposed to currency risk were as follows:

	2019 HK$'000	2018 HK$'000
Financial assets denominated in foreign currencies:		
Trade and bills receivables	32,458	20,736
Other receivables	162	680
Cash and bank balances	3,282	3,273
	35,902	24,689
Financial liabilities denominated in foreign currencies:		
Trade payables	(6,810)	(3,559)
Bank loans	—	(4,318)
	(6,810)	(7,877)
Net financial assets exposed to currency risk	29,092	16,812

The net financial assets/(liabilities) of the Group denominated in a currency other than the functional currency of the entity to which they relate are analysed as follows:

Entities with functional currency in Hong Kong dollars

	2019 HK$'000	2018 HK$'000
United States dollars	30,620	19,110
Japanese Yen	31	12
Euro	96	802
Renminbi	(66)	(1,168)
Other currencies	59	159
	30,740	18,915

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Currency risk *(continued)*

Entities with functional currency in Renminbi

	2019 HK$'000	2018 HK$'000
Japanese Yen	(1,654)	(2,110)
Hong Kong dollars	3	3
Other currencies	3	4
	(1,648)	(2,103)

For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each reporting period.

The Group's entities in Hong Kong and the PRC adopt Hong Kong dollars and Renminbi as their functional currency respectively. Since Hong Kong dollars is pegged to United States dollars, material fluctuation in the exchange rate of Hong Kong dollars against United States dollars is remote, and therefore no sensitivity analysis has been prepared. For the currency risk from Hong Kong dollars against Japanese Yen, Euro and other currencies, and Renminbi against Hong Kong dollars, no sensitivity analysis has been prepared as the exposure is insignificant to the Group.

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in Renminbi against Japanese Yen to which the Group has significant exposure:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK$'000	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK$'000
Japanese Yen/ Renminbi	6%	(84)	6%	(126)
	(6%)	84	(6%)	126

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of each reporting period which are denominated in a currency other than the functional currencies of the lender or the borrower.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Interest rate risk

The Group's interest rate risk arises primarily from bank balances and interest-bearing bank borrowings. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of the Group's interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their weighted average effective interest rates and balances at 31 December 2019 and 2018:

	Effective interest rate %	2019 HK$'000
Variable rate financial assets		
Bank balances	0.00%–0.35%	5,253
Fixed rate financial liabilities		
Lease liabilities	3.85%	(2,671)
Variable rate financial liabilities		
Secured bank loans	2.38%–5.94%	(170,779)
Secured bank import loans and other loans	3.96%–4.23%	(16,675)
		(184,872)

	Effective interest rate %	2018 HK$'000
Variable rate financial assets		
Bank balances	0.00%–0.35%	7,835
Variable rate financial liabilities		
Secured bank loans	2.38%–3.75%	(121,929)
Secured bank import loans and other loans	3.80%–5.44%	(47,896)
		(161,990)

At 31 December 2019, all bank balances earning variable interests and all secured bank borrowings bearing variable interests were exposed to interest rate risk.

The following table summarises the effect on the consolidated financial statements if interest rates had been increased by 25 basis points with all other variables held constant:

	2019 HK$'000	2018 HK$'000
Decrease in net profit and retained profits for the year	(379)	(350)

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The change in interest rates represents management's assessment of a reasonably possible change in interest rates at that date over the period until the end of next reporting period.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

The Group has no significant exposure to market price risk.

Commodity price risk

The major raw materials used in the production of the Group's products include steel, zinc electrolytic manganese dioxide, copper, separator and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by the global market as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

Fair value estimation

The fair value measurement is categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group did not have any financial instruments measured at fair value on a recurring basis at the end of each reporting period.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2019 and 2018.

34. ACQUISITION OF ASSETS

On 6 March 2018, the Group entered into a sales and purchase agreement with 2 vendors that the Group agreed to acquire the entire equity interest of China Scene for a total cash consideration of HK$40,300,000. China Scene owned a residential property located at Flat E on 19/F of Tower 16, Tai Po Centre (Phase 5), No. 6, On Pong Road, Tai Po, New Territories and a commercial property located at Shop 29 on G/F, Fortune Plaza, No.4, On Chee Road, Tai Po, New Territories. The Group acquired the residential property and commercial property through acquisition of the entire interest in China Scene. Such residential property was acquired for internal use and the commercial property was acquired for investment purpose. The transaction was completed on 6 July 2018. At 31 December 2018, the consideration had been fully settled.

Fair value of assets acquired at the date of acquisition was as follows:

	Notes	HK$'000
Property, plant and equipment	14	7,300
Investment property	15	33,000
		40,300

Cash outflow on acquisition of assets during the year end 31 December 2018 was as follows:

	HK$'000
Total consideration in cash	40,300
Cash outflow on acquisition of assets	40,300

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	36	—	—
CURRENT ASSETS			
Prepayments and other receivables		210	1,405
Amounts due from subsidiaries		90,001	93,719
Income tax recoverable		46	—
Cash at bank		167	435
		90,424	95,559
CURRENT LIABILITIES			
Other payables and accruals		484	479
Amounts due to subsidiaries		—	5,945
		484	6,424
NET CURRENT ASSETS		89,940	89,135
NET ASSETS		89,940	89,135
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	27	2,400	2,400
Reserves	28	87,540	86,735
TOTAL EQUITY		89,940	89,135

36. INVESTMENTS IN SUBSIDIARIES

	2019 HK$	2018 HK$
Unlisted shares, at cost	8	8

36. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of subsidiaries comprising the Group

The Company had direct or indirect interests in the subsidiaries all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of company*	Place of incorporation/ establishment and operation	Legal form of entity	Issued and fully paid share capital/ registered capital	Effective interest held At 31 December 2019	2018	Principal activities
Best Kind	BVI	Limited liability company	USD1	100%	100%	Investment holding
Golden Power Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HK$1,000,000	100%	100%	Trading of batteries and battery-related products
Golden Power Industries	Hong Kong	Limited liability company	Ordinary shares HK$100	100%	100%	General trading and investment
			Deferred non-voting shares HK$1,800,000 (Note)	100%	100%	
Dongguan Victory ("東莞勝力電池實業有限公司")	PRC	Wholly-owned foreign enterprise	USD500,000	100%	100%	Manufacture and sale of batteries
Dongguan Golden Power Battery Industries Company Limited ("東莞金力電池實業有限公司")	PRC	Wholly-owned foreign enterprise	HK$12,000,000	100%	100%	Manufacture and sale of batteries
Gain Smart Limited	BVI	Limited liability company	USD1	100%	100%	Investment holding
Champ Profit Development Limited	Hong Kong	Limited liability company	HK$1	100%	100%	Investment holding
Giant Moral Limited	Hong Kong	Limited liability company	HK$1	100%	100%	General trading and investment
Goldtium Jiangmen ("江門金剛電源製品有限公司")	PRC	Wholly-owned foreign enterprise	HK$10,000,000	100%	100%	Manufacture and sale of batteries
Big Power	Hong Kong	Limited liability company	HK$1	100%	100%	Property holding
Golden Pilot	BVI	Limited liability company	USD50,000	100%	100%	Holding intellectual property
Pointway	Hong Kong	Limited liability company	HK$10,000	100%	100%	Holding intellectual property
Ample Top	BVI	Limited liability company	USD1	100%	100%	Investment holding
Golden Power Properties	Hong Kong	Limited liability company	Ordinary shares HK$100	100%	100%	Property investment
			Deferred non-voting shares HK$1,000,000 (Note)			
Merchant Port Limited	BVI	Limited liability company	USD1	100%	100%	Dormant
Nice Mega International Limited	Hong Kong	Limited liability company	HK$1	100%	100%	Dormant
China Scene	Hong Kong	Limited liability company	HK$22,000,000	100%	100%	Property investment

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

36. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of subsidiaries comprising the Group *(continued)*

Notes:

According to the Articles of Association of Golden Power Industries and Golden Power Properties, the deferred non-voting shares shall confer on the holders thereof the rights and privileges and be subject to the restrictions and provisions set out as follows:

(i) on a return of assets on liquidation or otherwise the assets of Golden Power Industries and Golden Power Properties available for distribution to members shall be distributed first in or towards returning to the holders of the ordinary shares the sum of HK$100,000,000 per share and second in or towards returning to the holders of the deferred non-voting shares the amount paid up thereon and the balance of any such assets shall belong to and shall be distributed amongst the holders of the ordinary shares in proportion to the amounts paid up thereon;

(ii) the deferred non-voting shares shall not be entitled to participate in any profits which Golden Power Industries and Golden Power Properties may determine to distribute in respect of any financial period or otherwise; and

(iii) the deferred non-voting shares shall not confer upon the holders thereof any right to attend or vote at any general meeting of Golden Power Industries and Golden Power Properties.

37. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the Epidemic in January 2020 in the PRC, the Group has taken all necessary internal control measures to prevent the spread of the Epidemic among the staff of the Group. The operation of the production facilities of the Group was temporarily suspended after the 2020 Chinese New Year in compliance with the Epidemic control measures promulgated by the PRC government. The operation of the production facilities of the Group had gradually resumed and returned to normal in mid-February 2020.

The Group would continue to comply with the relevant laws and regulations and closely monitor the impact of Epidemic as to the logistics, supply of raw materials as well as overall the economic situation.

As at the date of this report, the Group expected that the Epidemic would have temporary impact on the Group's operation but the degree of impact would depend on the development of the Epidemic and the time when the Epidemic prevention and control policies would be lifted.

FINANCIAL SUMMARY

The financial results of the Group for the years 2015 to 2019 and the assets and liabilities of the Group as at 31 December 2015, 2016, 2017, 2018 and 2019 are as follows:

	Years ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	311,500	303,197	304,214	323,529	**314,203**
Gross profit	76,446	96,115	80,051	65,198	**74,212**
Profit before taxation	7,351	32,793	29,129	3,780	**6,860**
Profit attributable to owners of the Company	3,399	24,040	23,321	6,195	**7,380**
Non-current assets	188,455	227,696	269,565	372,562	**408,035**
Current assets	129,271	114,402	151,151	156,601	**128,788**
Current liabilities	(164,193)	(127,937)	(126,192)	(230,323)	**(231,495)**
Non-current liabilities	(38,408)	(51,735)	(48,821)	(47,950)	**(50,533)**
Total equity attributable to owners of the Company	115,125	162,426	245,703	250,890	**254,795**
Financial key performance indicators					
Gross profit margin	24.54%	31.70%	26.31%	20.15%	**23.62%**
Net profit margin	1.09%	7.93%	7.67%	1.91%	**2.35%**
Gearing ratio	0.97	0.64	0.32	0.80	**0.81**

GROUP'S PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Factory B, 20/F, Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories	Warehouse	Medium
Factory D, 20/F, Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories	Warehouse and office	Medium
Shop 29, Ground Floor, Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories	Commercial	Medium