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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF PROPERTY HOLDING COMPANY**

THE PROPOSED ACQUISITION

On 6 March 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Purchaser conditionally agreed to acquire from the Vendors and the Vendors conditionally agreed to sell to the Purchaser the Sale Shares at the total Consideration of HK\$40,300,000 in respect of the Proposed Acquisition, the principal terms and conditions of which are set out below.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS OF THE PROPOSED ACQUISITION

The Target Company is owned as to 50% of its issued share capital by the First Vendor and the Second Vendor, respectively. The First Vendor is the controlling shareholder of the Company which directly holds 52.5% of the issued share capital of the Company and Mr. Chu, the executive Director and the controlling shareholder of the Company, is the sole legal and beneficial owner of the entire issued share capital of the First Vendor. The First Vendor also holds the entire issued capital of the Second Vendor. Therefore, the First Vendor and the Second Vendor are connected persons under Rule 14A.07 of the Listing Rules.

GENERAL

As the applicable percentage ratios for the Proposed Acquisition exceeds 5% and but less than 25%, the Proposed Acquisition constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, which is subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. Messis Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. A circular containing, among other things (i) details of the Proposed Acquisition, (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, (iii) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders and (iv) the notice of EGM, will be despatched to the Shareholders no later than 27 March 2018.

Completion is subject to the fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 6 March 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Purchaser conditionally agreed to acquire from the Vendors and the Vendors conditionally agreed to sell to the Purchaser the Sale Shares at the total Consideration of HK\$40,300,000 in respect of the Proposed Acquisition, the principal terms and conditions of which are set out below.

PRINCIPAL TERMS OF SALE AND PURCHASE AGREEMENT

Date:

6 March 2018

Parties:

First Vendor: Golden Villa Ltd.

Second Vendor: Golden Power Investments (B.V.I.) Limited
Guarantor: Mr. Chu
Purchaser: Best Kind Holdings Ltd., a direct wholly-owned subsidiary of the Company

The First Vendor is the controlling shareholder of the Company which directly holds 52.5% of the issued share capital of the Company, and the entire issued share capital of the First Vendor is legally and beneficially owned by Mr. Chu, the executive Director and the controlling shareholder of the Company. The First Vendor is also the sole legal and beneficial owner of the entire issued capital of the Second Vendor. Therefore, the First Vendor and the Second Vendor are connected persons under Rule 14A.07 of the Listing Rules.

Assets to be acquired:

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase, and the First and the Second Vendors have conditionally agreed to sell 50% and 50% of issued share capital of the Target Company, respectively, free from any encumbrance. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities will be consolidated into the financial statements of the Group.

Mr. Chu is the guarantor of the Agreement who guarantees the due and punctual performance of the obligations of the Vendors under the Agreement.

As at the date of the Agreement, the Target Company is the sole legal and beneficial owner of the Properties which comprise:

- (a) Property I at Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong with a saleable area of approximately 267 sq. ft.; and
- (b) Property II at Room E, 19th Floor, Block 16, Tai Po Centre, New Territories, Hong Kong with a saleable area of approximately 528 sq. ft.

Please refer to the paragraph below headed “Information of the Target Company” for further information in relation to the Target Company.

The Consideration and payment terms:

The total consideration for Sale Shares shall be HK\$40,300,000, of which as to HK\$20,150,000 is payable to the First Vendor for the First Sale Shares and as to HK\$20,150,000 is payable to the Second Vendor for the Second Sale Shares.

On Completion, the Purchaser shall pay to the Vendors the Consideration by way of a bank cheque of a Hong Kong licenced bank drawn in favour of the Vendors and/or bank transfer in Hong Kong Dollars.

The Consideration was agreed after arm's length negotiations between the Vendors and the Purchaser having taken into consideration various factors, including valuation of the Property I using investment approach and valuation of the Property II using direct comparison approach, which valued the Property I at HK\$33,000,000 and Property II at HK\$7,300,000 as conducted by an independent professional valuer engaged by the Company.

Source of Funding:

The Consideration will be satisfied as to approximately 81.9% by means of bank borrowings to be secured by a first priority mortgage on Property I and Property II and as to approximately 18.1% by internal resources of the Group.

Conditions Precedent:

The Completion is conditional upon fulfilment or waiver (as the case may be) of the following Conditions:

- (a) the Purchaser being satisfied with the results of the due diligence review on the Target Company;
- (b) the Agreement being approved by the Independent Shareholders in the EGM in accordance with the requirements of the Listing Rules;
- (c) the Purchaser having obtained the valuation report issued by a firm of independent valuers acceptable to the Purchaser with respect to the Properties;
- (d) the tax indemnity having been executed by the Vendors and Mr. Chu as guarantor in favour of the Purchaser and the Target Company;
- (e) all necessary authorisations of all relevant governmental or regulatory authorities, agencies or bodies, or any other third party (including banks, lenders and/or shareholder(s) of the Vendors, the Purchaser or the Target Company and/or relevant regulatory authorities), required for the implementation of the transactions contemplated in the Agreement being obtained and maintained;
- (f) the Vendors having duly performed and complied with all agreements, obligations and conditions contained in the Agreement which are required to be performed or complied with by it on or before the date of Completion; and
- (g) no material adverse change on the financial condition, business, operation, prospect and asset value of the Target Company has occurred prior to the date of Completion or are likely to occur before the date of Completion.

The Purchaser may at its absolute discretion waive any of the above conditions (except for condition set out in (b) above which cannot be waived).

If any of the above conditions has not been satisfied or waived (if applicable) on or before 30 September 2018 or such later date as parties to the Agreement may agree, all the terms of the Agreement shall thereupon become null and void ab initio and the Purchaser's obligations to purchase the Sale Shares shall lapse.

Date of Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions, Completion shall take place on the 5th Business Day following the date on which the last condition has been fulfilled or waived or any later date as agreed between the Vendors and the Purchaser.

The Properties shall be free from all mortgages and encumbrance upon the Completion. The Vendors undertook to discharge or release or procure the discharge or release of all existing mortgages or encumbrance over the Properties on or before the Completion.

INFORMATION ON THE COMPANY

The Company 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 both under its own brand "Golden Power" and the brands of its private label and OEM customers. The products of the Group 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.

INFORMATION ON THE VENDORS

The First Vendor is a company incorporated under the laws of the British Virgin Islands and its principal business is investment holding. The First Vendor is the controlling shareholder of the Company which directly holds 52.5% of the issued share capital of the Company, and the entire issued share capital of the First Vendor is legally and beneficially owned by Mr. Chu, the executive Director and the controlling shareholder of the Company.

The Second Vendor is a company incorporated under the laws of the British Virgin Islands and its principal business is investment holding. The entire issued share capital of the Second Vendor legally and beneficially is wholly-owned by the First Vendor.

Therefore, the First Vendor and the Second Vendor are connected persons under Rule 14A.07 of the Listing Rules.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of Hong Kong in 1994 and is owned as to 50% by the First Vendor and the Second Vendor respectively. The principal business of the Target Company is property holding.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2016 and 31 December 2017 extracted from its financial statements prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Net loss before tax and extraordinary items	2,931	2,547
Net loss after tax and extraordinary items	2,931	2,547
	For the year ended 31 December 2017	For the year ended 31 December 2016
	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Total assets	10,357	13,288
Total liabilities	31,649	31,648
Net liabilities	(21,292)	(18,361)

The net asset value of the Target Company as at 31 January 2018, based on the unaudited management accounts of the Target Company, was HK\$9.14 million.

The original acquisition cost of the underlying assets of the Sale Shares was HK\$13.88 million, which comprised the purchase price of Property I of HK\$10.68 million acquired on 1 April 2008 and the purchase price of Property II of HK\$3.2 million acquired on 31 March 2010.

INFORMATION ON THE PROPERTIES

The Property I is a shop situated at Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong with a saleable area of approximately 267 sq. ft. for commercial purpose. The Property I is currently leased by an Independent Third Party as a food shop. The Property I is purchased by the Purchaser on an “as is” basis.

The Property II is a residential unit situated at Room E, 19th Floor, Block 16, Tai Po Centre, New Territories, Hong Kong with a saleable area of approximately 528 sq. ft. for residential purpose. The Property II is currently leased by Golden Power Corporation (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, as staff quarter. The lease of Property II by Golden Power Corporation (Hong Kong) Limited is a fully-exempted continuing connected transaction under Rule 14A.76 of the Listing Rules as the terms of the lease is on normal commercial terms, all the applicable percentage ratios are less than 5% and the total consideration of the lease is less than HK\$3,000,000. The Property II is purchased by the Purchaser on an “as is” basis.

The Properties are currently subject to and with the benefit of existing tenancies, summary of which is set out as follows:

Property I:

Tenant	: Independent Third Party
Term	: Three years commencing from 1 November 2015 and expiring on 31 October 2018
Rental	: HK\$93,750.00 per calendar month (inclusive of management fee, government rates and government rents) payable monthly in advance without any deduction
Rental deposit	: HK\$150,000.00
Permitted Use	: Commercial purposes only

Property II:

Tenant	: Golden Power Corporation (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company
Term	: Three years commencing from 1 April 2015 and expiring on 31 March 2018 and a renewed term of three years commencing from 1 April 2018 and expiring on 31 March 2021

Rental	:	Currently HK\$14,600 per calendar month and from 1 April 2018 onwards, HK\$16,200 per calendar month (inclusive of management fee, government rates and government rents) payable monthly in advance without any deduction
Rental deposit	:	HK\$29,200.00
Permitted Use	:	Residential purposes only

The rental income of the Properties received by the Target Company for the financial years ended 31 December 2016 and 31 December 2017 was HK\$1,075,200 and HK\$1,112,700, respectively.

REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION

The Directors consider that the Proposed Acquisition of Property I will provide the Company with a steady income stream in the future. The Proposed Acquisition can broaden its fixed asset base with potential capital appreciation due to the current property market trend in Hong Kong. The Group through Golden Power Corporation (Hong Kong) Limited is currently leasing Property II from the Target Company as staff quarter which provides accommodation to our staff members or our visitors due to its close proximity to the principal place of business of the Group in Tai Po, Hong Kong. The Directors believe that the Proposed Acquisition of Property II enables the Group to reduce its rental costs in the long run.

The Directors (excluding the independent non-executive Directors) consider the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors on, among others, the fairness and reasonableness of the Proposed Acquisition on terms of the Agreement will be given and included in the circular of the Company to be despatched to the Shareholders after taking into account the advice of the Independent Financial Adviser to the Company.

LISTING RULES IMPLICATIONS OF THE PROPOSED ACQUISITION

The Target Company is owned as to 50% of its issued share capital by the First Vendor and the Second Vendor, respectively. The First Vendor is the controlling shareholder of the Company which holds directly 52.5% of the issued share capital of the Company and Mr. Chu, the executive Director and the controlling shareholder of the Company, is the sole legal and beneficial owner of the entire issued share capital of the First Vendor. The First Vendor also holds the entire issued capital of the Second Vendor. Therefore, the First Vendor and the Second Vendor are connected persons under Rule 14A.07 of the Listing Rules.

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The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. Messis Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. A circular containing, among other things (i) details of the Proposed Acquisition, (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, (iii) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders and (iv) the notice of EGM, will be despatched to the Shareholders no later than 27 March 2018.

Completion is subject to the fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings when used in this announcement:

“Agreement”	the conditional agreement for sale and purchase of the Sale Shares entered into among the Vendors, Mr. Chu and the Purchaser on 6 March 2018 regarding the Proposed Acquisition
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, Sunday, public holiday or bank holiday in Hong Kong or a day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is not hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

“Company”	Golden Power Group Holdings Limited (金力集團控股有限公司), a company incorporated in the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$40,300,000 payable by the Purchaser to the Vendors for the Sale Shares under the Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	the director of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“First Sale Shares”	11,000,000 shares in the Target Company to be sold by the First Vendor to the Purchaser pursuant to the Agreement, representing 50% issued share capital of the Target Company
“First Vendor”	Golden Villa Ltd., a limited liability company incorporated in the British Virgin Islands, being the vendor of the First Sale Shares under the Agreement
“Group”	the Company and its subsidiaries
“HK\$” or “HKD” or “Hong Kong Dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition

“Independent Financial Adviser”	Messis Capital Limited (大有融資有限公司), the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition
“Independent Shareholders”	with respect to the Agreement and the transaction contemplated thereunder, the Shareholders excluding Golden Villa Ltd., Mr. Chu and its respective close associates
“Independent Third Party(ies)”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2018, or a later date which is agreed by the Vendors and the Purchaser
“Mr. Chu”	Mr. Chu King Tien, an executive Director, the chairman of the Group, the ultimate shareholder of the entire issued share capital of Golden Villa Ltd. and one of the controlling shareholders
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“Properties”	the Property I and the Property II
“Property I”	Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong
“Property II”	Room E, 19th Floor, Block 16, Tai Po Centre, New Territories, Hong Kong
“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors on and subject to the terms and conditions of the Agreement and the performance of the transactions contemplated thereunder
“Purchaser”	Best Kind Holdings Ltd., a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Sale Shares”	the First Sale Shares and the Second Sale Shares
“Second Sale Shares”	11,000,000 shares in the Target Company to be sold by the Second Vendor to the Purchaser pursuant to the Agreement, representing 50% issued share capital of the Target Company

“Second Vendor”	Golden Power Investment (B.V.I.) Limited, a limited liability company incorporated in the British Virgin Islands, being the vendor of the Second Sale Shares under the Agreement
“Shares”	ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“sq. ft.”	square feet
“Target Company”	China Scene Limited (中境有限公司), a limited liability company incorporated under the laws of Hong Kong
“Vendors”	means the First Vendor and the Second Vendors
“%”	per cent

By order of the Board
Golden Power Group Holdings Limited
Chu King Tien
Chairman and Executive Director

Hong Kong, 6 March 2018

As at the date of this announcement, the executive Directors are Mr. Chu King Tien, Ms. Chu Shuk Ching, Mr. Tang Chi Him and Mr. Chu Ho Wa, the independent non-executive Directors are Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie.