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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Recorded a revenue of approximately HK$323.53 million for the year ended 31 December 2018 (the "**Year**") (2017: approximately HK$304.21 million), representing an increase of approximately 6.35% as compared with the year ended 31 December 2017 (the "**Last Year**").
- Profit attributable to shareholders of the Company for the Year was approximately HK$6.20 million (2017: approximately HK$23.32 million), representing a decrease of approximately 73.44%.
- The decrease was mainly attributable to the combined effects of i) profit from operations decreased by 76.77% to approximately HK$7.33 million for the Year as compared to approximately HK$31.54 million for the Last Year, which was primarily attributable to the increase in the cost of sales due to the increase in labour cost and cost of material and subcontracting fee; ii) finance costs increased by 47.30% to approximately HK$3.55 million for the Year as compared to approximately HK$2.41 million for the Last Year, which was primarily attributable to the increase in the utilisation of the banking facilities; the decrease was partially offset by the fact that the income tax expense decreased by 141.58% to approximately HK$2.42 million credit for the Year as compared to approximately HK$5.81 million for the Last Year, which was primarily attributable to Goldtium (Jiangmen) Energy Products Company Limited and Dongguan Victory Battery Industries Company Limited being accredited as an enterprise of High and New-Tech Enterprise at the preferential enterprise income tax rate of 15% commencing from 2017 and 2018 respectively for three consecutive years.
- The basic earnings per share for the Year was HK2.58 cents (2017: HK10.22 cents).
- The Directors did not recommend the payment of any dividend for the Year (2017: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the audited consolidated results (the "**Results**") of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with the comparative audited figures for the year ended 31 December 2017 (the "**Last Year**") as follows:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**323,529**	304,214
Cost of sales		**(258,331)**	(224,163)
Gross profit		**65,198**	80,051
Other revenue		**9,525**	5,995
Other gains — net		**3,285**	8,718
Selling expenses		**(16,873)**	(14,424)
General and administrative expenses		**(53,808)**	(48,803)
Profit from operations		**7,327**	31,537
Finance costs	4(a)	**(3,547)**	(2,408)
Profit before income tax	4	**3,780**	29,129
Income tax credit/(expense)	5	**2,415**	(5,808)
Profit for the year and attributable to the shareholders of the Company		**6,195**	23,321
Earnings per share *(HK cents)*			
— Basic	6	**2.58**	10.22
— Diluted	6	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**6,195**	23,321
Other comprehensive (loss)/income:-		
Item that may be reclassified subsequently to profit or loss:-		
Exchange differences arising on translation of financial statements of foreign operations	**(1,008)**	4,512
Items that may not be reclassified subsequently to profit or loss:-		
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	**—**	25,016
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	**—**	(590)
	—	24,426
Other comprehensive (loss)/income for the year, net of tax	**(1,008)**	28,938
Total comprehensive income for the year and attributable to the shareholders of the Company	**5,187**	52,259

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**251,415**	189,779
Investment properties		**105,400**	62,300
Intangible assets		**167**	234
Prepaid land lease payments		**4,665**	5,135
Deposits paid for property, plant and equipment	10	**3,157**	5,712
Deferred tax assets		**7,758**	6,405
		372,562	269,565
CURRENT ASSETS			
Inventories	8	**57,780**	57,394
Trade and bills receivables	9	**45,662**	47,621
Deposits, prepayments and other receivables	10	**30,635**	27,200
Prepaid land lease payments		**210**	222
Income tax recoverable		**3,209**	1,781
Cash and bank balances		**19,105**	16,933
		156,601	151,151
DEDUCT:-			
CURRENT LIABILITIES			
Trade payables	11	**91,524**	89,467
Other payables and accruals	12	**8,336**	14,654
Contract liabilities	13	**4,419**	—
Bank borrowings, secured	14	**125,919**	19,084
Income tax payable		**125**	2,987
		230,323	126,192
NET CURRENT (LIABILITIES)/ASSETS		**(73,722)**	24,959
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,840**	294,524

	Note	**2018**	2017
		HK$'000	*HK$'000*
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank borrowings, secured	14	**43,906**	44,185
Deferred tax liabilities		**4,044**	4,636
		47,950	48,821
NET ASSETS		**250,890**	245,703
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital		**2,400**	2,400
Reserves		**248,490**	243,303
TOTAL EQUITY		**250,890**	245,703

NOTES

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 (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 of Hong Kong Limited (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, Hong Kong Accounting Standards ("**HKASs**") 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 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 1 and HKAS 28

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to Note 2(d). The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 December 2018 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 2018:-

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[1]
Annual Improvements to HKFRSs (2015–2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after a date to be determined

The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

HKFRS 16 "Leases"

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted for entities that adopt HKFRS 15 at or before the date of the initial adoption of HKFRS 16. The Group currently plans to adopt HKFRS 16 initially on 1 January 2019.

HKFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases (i.e. where the lease term is 12 months or less) and leases of low-value assets. Lessor accounting remains similar to the current standard. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16. Therefore, the cumulative effect (if any) of initial application will be recognised as an adjustment to the opening balance of equity at 1 January 2019, with no restatement of comparative information. At 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$1,753,000, mainly for properties, the majority of which is payable either within 1 year or after 1 year but within 5 years as at the end of reporting period. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be all adjusted, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets for its operating leases, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have an impact on the Group's consolidated financial statements from 2019 onwards.

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

Impairment of financial assets

The Group has two main types of financial assets that are subject to HKFRS 9's new expected credit loss ("**ECL**") model:

— Trade receivables; and

— Other financial assets measured at amortised costs (including cash and cash equivalents, other receivables and amounts due from related parties)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Trade receivables

The Group applies HKFRS 9 simplified approach to measuring ECLs which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the ECL model applied to the trade receivables at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of ECL model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include other receivables and amounts due from related parties. The Group has applied the ECL model to other receivables and amounts due from related parties at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, there was no identified impairment loss.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018. Comparative information continues to be reported under HKASs 11 and 18.

Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

— When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

— When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained profits at 1 January 2018.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of HK$4,419,000 (at 1 January 2018: HK$3,600,000) are now separately presented under other payables and accruals at 31 December 2018, as a result of the adoption of HKFRS 15.

(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. The consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group had net current liabilities of HK$73,722,000 at 31 December 2018 as the Directors considered that the Group had unutilised banking facilities of HK$83,116,000 at 31 December 2018. Given the Group maintained strong business relationship with its bankers and based on the past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire.

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.

After taking into consideration of 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.

3. 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:-

	2018	2017
	HK$'000	*HK$'000*
Revenue from customers and recognised at a point in time		
Sales of battery products:		
— Disposal batteries	**320,755**	298,865
— Rechargeable batteries	**2,664**	5,022
— Other battery-related products	**110**	327
	323,529	304,214

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 2018 and 2017 is set out below:-

Segment revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	**169,460**	147,479
— Carbon	**53,498**	51,121
	222,958	198,600
(ii) Micro-button cells		
— Alkaline	**75,281**	62,040
— Other micro-button cells	**22,516**	38,225
	97,797	100,265
	320,755	298,865
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	**2,664**	5,022
(ii) Other battery-related products	**110**	327
	2,774	5,349
	323,529	304,214

Segment results

	2018	2017
	HK$'000	*HK$'000*
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	**28,711**	30,742
— Carbon	**672**	2,418
	29,383	33,160
(ii) Micro-button cells		
— Alkaline	**24,664**	19,377
— Other micro-button cells	**10,376**	26,110
	35,040	45,487
	64,423	78,647
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	**691**	1,390
(ii) Other battery-related products	**84**	14
	775	1,404
	65,198	80,051

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

	2018 *HK$'000*	2017 *HK$'000*
Segment results	**65,198**	80,051
Unallocated other revenue	**9,525**	5,995
Unallocated other gains — net	**3,285**	8,718
Unallocated corporate expenses	**(70,681)**	(63,227)
Finance costs	**(3,547)**	(2,408)
Profit before income tax	**3,780**	29,129

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2018 and 2017. 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.

Other segment information

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

	2018 *HK$'000*	2017 *HK$'000*
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	**8,085**	7,963
— Micro-button cells	**1,309**	1,307
Segment total	**9,394**	9,270
Unallocated depreciation and amortisation	**4,566**	3,400
	13,960	12,670

Revenue from major customers

During the years ended 31 December 2018 and 2017, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:-

	2018	2017
	HK$'000	*HK$'000*
Customer A	**36,531**	35,547

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.

	2018	2017
	HK$'000	*HK$'000*
The PRC	**104,516**	88,840
Hong Kong	**62,834**	70,350
Asia (except the PRC and Hong Kong)	**60,400**	31,522
Europe	**35,822**	40,780
Eastern Europe	**4,185**	4,418
North America	**33,701**	42,062
South America	**14,594**	15,229
Australia	**3,753**	5,618
Africa	**146**	1,196
Middle East	**3,578**	4,199
	323,529	304,214

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

	2018	2017
	HK$'000	*HK$'000*
The PRC	**171,664**	167,097
Hong Kong	**181,553**	84,591
Macau	**11,587**	11,472
	364,804	263,160

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

4. PROFIT BEFORE INCOME TAX

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

		2018 *HK$'000*	2017 *HK$'000*
(a)	Finance costs:-		
	Bank loans interest	**3,077**	2,501
	Interest on import loans	**486**	178
	Bank overdraft interest	**8**	3
	Total interest expense	**3,571**	2,682
	Less: interest expense capitalised into property, plant and equipment *(Note)*	**(24)**	(274)
		3,547	2,408
(b)	Staff cost (excluding Directors' emoluments):-		
	Salaries, wages and other allowances	**38,574**	33,525
	Contributions to defined contribution plans	**4,070**	3,778
		42,644	37,303
(c)	Other items:-		
	Amortisation of intangible assets	**67**	67
	Amortisation of prepaid land lease payments	**220**	212
	Auditors' remuneration		
	— Audit services	**850**	827
	— Non-audit services	**176**	293
	Bad debts written off	**316**	—
	Cost of inventories recognised as expenses	**258,331**	224,163
	Depreciation	**13,673**	12,391
	Net exchange loss/(gain)	**6,470**	(2,298)
	Loss/(gain) on disposals of property, plant and equipment:-		
	— Proceeds from disposals of property, plant and equipment	**(346)**	(6,615)
	— Carrying amount of property, plant and equipment	**691**	2,995
		345	(3,620)
	Write-down to net realisable value on inventories	**29**	108
	Minimum lease payments paid under operating leases:-		
	— Plant and machinery	**595**	576
	— Buildings	**3,107**	3,059
	Rental income less outgoings of HK$330,000 (2017: HK$282,000)	**3,375**	1,928

Note: The borrowing costs have been capitalised at a rate of 3.14% and 3.40% per annum for the years ended 31 December 2018 and 2017 respectively.

5. INCOME TAX CREDIT/(EXPENSE)

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax:-		
Provision for the year	**1,257**	3,292
(Over)/under-provision in prior years	**(177)**	953
Current tax — PRC enterprise income tax ("**EIT**"):-		
Provision for the year	**—**	1,287
(Over)/under-provision in prior years	**(1,336)**	200
	(256)	5,732
Deferred taxation:-		
Current year	**(2,159)**	76
	(2,415)	5,808

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.

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 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 announcement published by relevant government authority on 28 November 2018, Dongguan Victory Battery Industries Company Limited 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 certificate of High and New Technology Enterprise is in the final stage of certain administrative procedures. The Directors of the Company do not foresee any obstacles for issuing the relevant certificate.

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

	2018 *HK$'000*	2017 *HK$'000*
Profit before income tax	**3,780**	29,129
Tax effect at the Hong Kong profits tax of 16.5% (2017: 16.5%)	**624**	4,806
Tax effect of non-taxable income	**(1,712)**	(1,301)
Tax effect of non-deductible expenses	**862**	1,110
Tax effect of unrecognised tax losses	**40**	86
(Over)/under-provision in prior years	**(1,513)**	1,153
Tax concession	**(783)**	(732)
Tax rate differential	**67**	686
Income tax (credit)/expense	**(2,415)**	5,808

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK$6,195,000 (2017: HK$23,321,000) and the weighted average of 240,000,000 (2017: 228,239,225) ordinary shares in issue during the year ended 31 December 2018.

The weighted average number of shares for the year ended 31 December 2017 for the purpose of the calculation of basic earnings per share has been adjusted after taking into account of the rights issue on the basis of one rights share for every two existing shares held on the record date which was completed on 21 April 2017.

Diluted earnings per share has not been disclosed as no dilutive potential equity shares in existence for the years ended 31 December 2018 and 2017.

7. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2018 and 2017.

8. INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Raw materials	**22,175**	21,674
Work in progress	**21,871**	21,074
Finished goods	**14,295**	15,207
	58,341	57,955
Less: Write-down to net realisable value	**(561)**	(561)
	57,780	57,394

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**561**	419
Write-down to net realisable value for the year	**29**	108
Exchange adjustments	**(29)**	34
At 31 December	**561**	561

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

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**45,546**	47,231
Less: Loss allowance	**(489)**	(515)
	45,057	46,716
Bills receivables	**605**	905
	45,662	47,621

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.

Movements of loss allowance for trade receivables are as follows:-

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**515**	477
Exchange adjustments	**(26)**	38
At 31 December	**489**	515

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

	2018 *HK$'000*	2017 *HK$'000*
0–30 days	**37,507**	28,088
31–60 days	**7,402**	9,760
61–90 days	**732**	5,456
91–120 days	**21**	3,432
Over 120 days	**—**	885
	45,662	47,621

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

	2018 *HK$'000*	2017 *HK$'000*
Not past due	**37,996**	32,740
Past due for less than 3 months	**7,666**	14,745
Past due for 3 to 6 months	**—**	17
Past due for 6 months to 1 year	**—**	119
	45,662	47,621

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Utilities and other deposits	**3,973**	6,556
Prepayments	**10,327**	9,022
Other receivables	**19,492**	17,334
	33,792	32,912
Less: Non-current portion Deposits paid for property, plant and equipment	**(3,157)**	(5,712)
Current portion	**30,635**	27,200

11. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**25,910**	32,289
31–90 days	**41,278**	39,289
91–180 days	**19,069**	15,622
Over 180 days	**5,267**	2,267
	91,524	89,467

12. OTHER PAYABLES AND ACCRUALS

		2018	2017
	Note	***HK$'000***	*HK$'000*
Receipts in advance		**—**	3,600
Other payables		**720**	3,327
Accruals		**6,936**	7,047
Provision for long service payments	(a)	**334**	334
Provision for annual leave		**346**	346
		8,336	14,654

Note:-

(a) Provision for long service payments

Movements of provision for long service payments are as follows:-

	2018	2017
	HK$'000	*HK$'000*
At 1 January and 31 December	**334**	334

13. CONTRACT LIABILITIES

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. As a result of initial application of HKFRS 15, contract liabilities, including receipts in advance from customers, at 31 December 2018 are separately presented in the consolidated statement of financial position (Note 2(d)).

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK$3,493,000 was recognised in the reporting period.

14. BANK BORROWINGS

	Note	**2018**	2017
		HK$'000	*HK$'000*
Secured bank loans		**121,929**	63,269
Secured bank import loans and other loans		**47,896**	—
	(a)	**169,825**	63,269
Less: Amount classified as current liabilities		**(125,919)**	(19,084)
Amount classified as non-current liabilities		**43,906**	44,185
The bank loans are repayable as follows:-			
Within 1 year			
— short-term loans		**121,929**	—
— current portion of long-term loans		**3,990**	19,084
		125,919	19,084
Over 1 year but within 2 years		**22,479**	19,776
Over 2 years but within 5 years		**9,825**	23,274
Over 5 years		**11,602**	1,135
		169,825	63,269

Notes:-

(a) The Group had the following banking facilities:-

	2018	2017
	HK$'000	*HK$'000*
Total banking facilities granted	**252,941**	172,469
Less: banking facilities utilised by the Group	**(169,825)**	(63,269)
Unutilised banking facilities	**83,116**	109,200

At 31 December 2018, these banking facilities are secured by:-

(i) bank loans of HK$169,825,000 (2017: HK$63,269,000) were guaranteed by unlimited corporate guarantee executed by the Company; and

(ii) prepaid land lease payments, leasehold buildings and investment properties situated in Hong Kong, the PRC and Macau owned by the Group.

(b) There was no financial covenant for the banking facilities at 31 December 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Shares were listed on GEM of the Stock Exchange on 5 June 2015 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 increased by approximately HK$24.36 million from approximately HK$198.60 million for the Last Year to approximately HK$222.96 million for the Year, which was equivalent to approximately 12.26% increased in revenue of cylindrical batteries. Such increase in revenue was mainly due to increase of the demand in Japan during the Year.

The revenue of micro-button cells for the Year decreased by approximately HK$2.47 million from approximately HK$100.27 million for the Last Year to approximately HK$97.80 million for the Year which was equivalent to approximately a decrease of 2.46% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year decreased by approximately HK$2.58 million from approximately HK$5.35 million for the Last Year to approximately HK$2.77 million for the Year which was equivalent to approximately 48.14% decrease in revenue of rechargeable batteries and other battery-related products. Such drop in revenue was mainly from Hong Kong, Middle East and North America market.

Revenue for the Year has increased by approximately 6.35% to approximately HK$323.53 million from approximately HK$304.21 million in the Last Year. Profit attributable to the shareholders of the Company was approximately HK$6.20 million for the Year as compared to a profit of approximately HK$23.32 million in the Last Year, representing a decrease of approximately 73.44%. Earnings per share were HK2.58 cents, as compared to the earnings per share of HK10.22 cents for the Last Year.

FINANCIAL REVIEW

Revenue

Revenue for the Year was approximately HK$323.53 million (2017: approximately HK$304.21 million) representing an increase of approximately 6.35% as compared to the Last Year. Such increase was primarily attributable to the increase of demand from Japan causing the increase in revenue of cylindrical batteries but such increase was net off by (i) a slowing down of demand in Australia, Europe, Hong Kong and America and (ii) by the decrease in revenue of micro-button cells and rechargeable batteries and other battery-related products; during the Year.

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

	2018	2017
	HK$'000	*HK$'000*
The PRC	**104,516**	88,840
Hong Kong	**62,834**	70,350
Asia (except the PRC and Hong Kong)	**60,400**	31,522
Europe	**35,822**	40,780
Eastern Europe	**4,185**	4,418
North America	**33,701**	42,062
South America	**14,594**	15,229
Australia	**3,753**	5,618
Africa	**146**	1,196
Middle East	**3,578**	4,199
	323,529	304,214

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

	2018	2017
	HK$'000	*HK$'000*
Cylindrical batteries	**222,958**	198,600
Micro-button cells	**97,797**	100,265
Rechargeable batteries and other battery-related products	**2,774**	5,349
	323,529	304,214

Gross Profit

The Group recorded a gross profit for the Year of approximately HK$65.20 million (2017: approximately HK$80.05 million), representing a decrease of approximately 18.55% as compared to the Last Year which was mainly due to the increase in cost of sales by approximately HK$34.17 million from approximately HK$224.16 million for the Last Year to approximately HK$258.33 million for the Year, representing an increase of approximately 15.24%. The increase was mainly attributable to the increase in sub-contracting fees, labour costs and material costs, including steel, zinc, electrolytic manganese dioxide, copper and packaging material, as a whole.

Expenses

During the Year, the selling expenses of the Group increased by 16.98% to approximately HK$16.87 million as compared to approximately HK$14.42 million in the Last Year. The increase was mainly due to the increased in the distribution, marketing and promotion expenses. The Group's general and administrative expenses increased by approximately HK$5.01 million to approximately HK$53.81 million as compared to approximately HK$48.80 million for the Last Year. The increase in general and administrative expenses was mainly due to the increase in depreciation and staff costs.

Finance Costs

The finance costs of the Group has increased by 47.30% to approximately HK$3.55 million for the Year as compared to approximately HK$2.41 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 expense of the Group has decreased by HK$8.22 million to approximately HK$2.42 million credit for the Year as compared to approximately HK$5.81 million for the Last Year. The decrease was mainly from over provision in prior year and the reduction in PRC EIT provision for the year and due to an indirect wholly-owned subsidiary, Goldtium (Jiangmen) Energy Products Company Limited ("**Goldtium Jiangmen**") and Dongguan Victory Battery Industries Company Limited ("**Dongguan Victory Battery**") being accredited as an enterprise of High and New-Tech Enterprises, which was granted by having the preferential EIT rate at 15% in the three financial years ended 31 December 2017, 2018, 2019 and 2018, 2019, 2020 respectively.

Profit attributable to the shareholders of the Company

Profit attributable to shareholders of the Company for the Year was approximately HK$6.20 million (2017: approximately HK$23.32 million (restated)), representing a decrease of approximately 73.44%.

The decrease was mainly attributable to the combined effects of i) profit from operations decreased by 76.77% to approximately HK$7.33 million for the Year as compared to approximately HK$31.54 million for the Last Year, which was primarily attributable to the increase in the cost of sales due to the increase in labour cost and cost of material and subcontracting fee; ii) finance costs increased by 47.30% to approximately HK$3.55 million for the Year as compared to approximately HK$2.41 million for the Last Year, which was primarily attributable to increase in the utilisation of the banking facilities; the decrease was partially offset by the fact that the income tax expense decreased by 141.58% to approximately HK$2.42 million credit for the Year as compared to approximately HK$5.81 million for the Last Year, which was primarily attributable to Goldtium Jiangmen and Dongguan Victory Battery being accredited as an enterprise of High and New-Tech Enterprise at the preferential EIT rate of 15% commencing from 2017 and 2018 respectively for three consecutive years.

LIQUIDITY AND FINANCIAL RESOURCES

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

The cash and bank balances was approximately HK$19.11 million, which was approximately HK$2.18 million higher than the Last Year (2017: HK$16.93 million). The increase was mainly due to an increase in bank loan during the Year.

As at 31 December 2018, the Group has utilised banking facilities of approximately HK$169.83 million which was equivalent to 67.14% of the total banking facilities available for the Year as compared to the utilised amount of HK$63.27 million in the Last Year which was equivalent to approximately 36.68% of the total banking facilities available for the Last Year, which represents an increase in HK$106.56 million in the utilised banking facilities as at 31 December 2018 over Last Year. The increase in the banking facilities for the new production lines and assets acquisition. The Directors believe that the utilisation rate of the banking facilities has been maintained at a stable 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$140.82 million and approximately HK$131.16 million as at 31 December 2018 and 2017, respectively.

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 2018, the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments.

FINANCIAL KEY PERFORMANCE INDICATORS

	2018	2017
Gross profit margin	**20.15%**	26.31%
Net profit margin	**1.91%**	7.67%
Gearing ratio	**0.80**	0.32

Gross Profit Margin

The gross profit margin decreased by 6.16% from 26.31% for the Last Year to 20.15% for the Year. It was mainly due to the increase in cost of production, including the cost in raw materials, labour cost and production overhead, throughout the Year.

Net Profit Margin

The net profit margin decreased by 5.76% to 1.91% for the Year as compared to 7.67% for the Last Year. The decrease in the net profit margin was mainly caused by the increase in the cost of sales, increase in selling expenses, general and administrative expenses and the finance cost.

Gearing Ratio

The gearing ratio increased by 0.48 to 0.80 for the Year as compared to 0.32 for the Last Year. The increase was mainly the result of the increase of the utilisation of the bank loan during the Year.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: 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$250.89 million as at 31 December 2018 (2017: approximately HK$245.70 million).

DIVIDEND

The Directors did not recommend the payment of any dividend for the Year (2017: nil).

CAPITAL COMMITMENT

As at 31 December 2018, the Group had capital expenditures contracted for approximately HK$20.19 million on the 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. The new production line are expected to be delivered to the Group in 3rd quarter of 2018 and commence commercial production in 2nd quarter of 2019.

SIGNIFICANT INVESTMENTS HELD

Except for (i) the Company's investment in various subsidiaries; and (ii) the investment in two investment properties located at Flat B and Flat D, respectively, 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 leased to two separate independent third parties under two-year term tenancy agreements entered on 23 May 2018 for warehouse purpose and on 9 June 2017 for office and warehouse purpose, respectively, with monthly rentals at market rate.

On 6 March 2018 (after trading hours), the Best Kind Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Golden Villa Ltd., a controlling shareholder of the Group, and Golden Power Investment (B.V.I.) Limited (collectively, the "**Vendors**"), as vendors and Mr. Chu King Tien, the Chairman and an Executive Director as guarantor, pursuant to which the Purchaser agreed to acquire from the Vendors and the Vendors agreed to sell to the Purchaser the entire issued share capital of China Scene Limited (the "**Target Company**"), a company incorporated in Hong Kong with limited liability, at the total consideration of HK$40,300,000 (the

"**Acquisition**"). The Target Company was the legal and beneficial owner of two properties situated at (i) 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; and (ii) 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 "**Properties**"). The acquisition of the entire issued share capital of the Target Company constituted a disclosable transaction and connected transaction and the acquisition was subject to the independent shareholders' approval in the extraordinary general meeting.

An extraordinary general meeting was held on 27 June 2018 and the Acquisition was approved by independent shareholders. The Acquisition was subsequently completed on 6 July 2018. Upon Completion, the Target Company became an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities were consolidated into the financial statements of the Group. For further details of the Acquisition, please refer to the announcement and the circular issued by the Company on 6 March 2018, 7 June 2018 and poll results announcement on 27 June 2018.

Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong, which is held by China Scene Limited, was leased to an independent third party under three-year term tenancy agreement entered into on 24 October 2018 for commercial purpose with monthly rental at market rate.

Save as the above, the Group did not hold any significant Investments as at 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group from time to time is exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed in this announcement, the Group does not have any specific plans for material investment or capital asset as at 31 December 2018.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 6 March 2018, Best Kind Holdings Limited entered into the Sale and Purchase Agreement to acquire China Scene Limited, which in turn holds the properties. The Acquisition was completed on 6 July 2018 and China Scene Limited became an indirect wholly-owned subsidiary of the Company upon the completion of the Acquisition. For further information in relation to the Acquisition, please refer to the paragraph headed "Significant Investments Held" above.

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 the 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 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, so that 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.

EMPLOYEES AND REMUNERATION POLICY

The Directors believe that employees are an important asset of 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 coverage scheme and the share option scheme.

As at 31 December 2018, the Group had a total of 560 employees (2017: 512 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK$49.25 million in the Year (2017: approximately HK$43.31 million) representing an increase of 13.72% for the Year. Directors' remuneration for the Year amounted to approximately HK$6.61 million (2017: approximately HK$6.01 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK$0.46 million (2017: HK$0.45 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 entering into waste disposal service agreements with the waste disposal service companies, the Group generally required them to provide copy of the relevant permits, which would be checked against the originals and attached as appendices to the relevant agreements. The Group also conduct regular review of 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 is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

For more information in our environmental policies, please refer to the ESG Report in the 2018 annual report of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this announcement, 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.

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.

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 builds 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 to the customer 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 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 2018 is set out below:-

	Planned use of the net proceeds as stated in the Prospectus up to 31 December 2018 *HK$'million*	Actual use of the net proceeds up to 31 December 2018 *HK$'million*
Repayment of bank loan	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 production facilities and upgrade its production lines in order to enhance the production capacity and efficiency in 2019. A newly designed and 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 future expansion. The new production line is mainly for the production of HAB series of which the Company matched with its marketing introduction in November 2018. We expect that this new production line will be commencing commercial production in the third quarter of 2019.

The Group is developing the retail markets for products bearing our own brand "Golden Power". We have started and continued to enter into the global retail markets and will continue to expand our global market shares through our co-operation with some well-developed chain stores and distribution network over the world. In 2019, we also target to enter into the healthcare devices market. By developing the healthcare devices market, we hope to generate a new stream of revenue to add value for our shareholders.

EVENT AFTER REPORTING PERIOD

There has not been any significant event occurred which requires disclosure in this announcement after the end of the year up to the date of this announcement.

AUDIT COMMITTEE REVIEW

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 (who act as the 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 listing requirements 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, the Listing Rules and adequate disclosures have been made.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 16 May 2019 (the "**2019 AGM**"). A notice convening the 2019 AGM will be published and despatched to the shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the identity of the shareholders of the Company to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 10 May 2019 to Thursday, 16 May 2019 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. Thursday, 9 May 2019.

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 2019 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2019 AGM.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.goldenpower.com and the website of the Stock Exchange at www.hkexnews.hk. The 2018 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites according to the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders, business associates and other professional parties for their continuous support to the Group throughout the Year.

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

Hong Kong, 20 March 2019

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.