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

GoldenPower®

GoldenPower®

2018 ANNUAL REPORT

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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
Industrial and Commercial Bank of China 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

Estera 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 22, 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 2018 (the "**Year**").

The year of 2018 was another expansion opportunity for the Group.

To begin with, starting from financial year 2017, the Company entered into another investing period, through the acquisitions of machinery, strengthen the production capacity and broaden the 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.

The newly designed and automatic production line acquired in 2017 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries has started production in the first quarter of 2019. The production line was mainly for the production of four new alkaline cylindrical battery, 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 increased by approximately 6.35% to approximately HK$323.53 million from approximately HK$304.21 million in the financial year ended 31 December 2017 (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.

REVIEW AND OUTLOOK

2018 was a challenging year to the Group. During the Year, the Group has been facing slowdown of demand in Australia, Europe, Hong Kong and the North America. Strong US dollar and depreciating Asian currencies, rising interest rates, soaring metal and component prices as well as escalating labour costs in China all exerted pressure on the Group's profit margin which resulted in a drop in the profit margin of the Group in the year.

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

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.

We will also continue to invest in new types of machinery and improve product specifications to further improve our competitiveness. Following the prohibition of the marketing of button cells with mercury content exceeding 0.0005% by weight under the directive of 2006/66/EC, and the new directive of the European Union (2013/56/EU) which took effect in October 2015, the business of the Group on micro-button cells has benefited from the implementation of the new directives since the fourth quarter of 2016 and continuously with a good performance in 2018. The turnover quantity had a slightly increase compared with 2017 due to the different products mixed. There were active product enquiries from customers for new specifications of the mercury-free micro-button cells included HAB. It is a good opportunity for the Group to increase its market share because we can produce mercury-free micro-button cells by making use of our PRC invention patent. This invention patent was also registered in Hong Kong. In the future, we shall continue to innovate our production process and upgrade our products to meet the international standards.

Despite the challenging condition of the market, the Group has continued to put efforts on 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 efforts in improving the product performance, broadening our private label customer base and expanding our retail market business in 2019. 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 products quality and production technology and to strive for our long term success in the industry.

In 2018, Dongguan Victory Battery Industries Company Limited (東莞勝力電池實業有限公司), an indirect wholly-owned subsidiary of the Group, was accredited as an enterprise of High and New-Tech Enterprises by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation of the People's Republic of China (the "**PRC**") based on the relevant regulations and requirements. The subsidiary is able to enjoy the preferential corporate income tax rate of 15% in the three financial years ended 31 December 2018, 2019 and 2020 respectively.

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 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 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.

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 2019

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 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 Asia 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 Asia 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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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 Enterprise Income Tax ("**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), 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 loans 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 line 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 expense and the financial 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 loans 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 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. The new production line is 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 annual report, 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 holding 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 of the Company date 29 May 2015 (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 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 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	**Actual use of the net proceeds up to 31 December 2018**
	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 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chu King Tien, aged 64, 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 Group 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 43 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 at that time 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 56, an executive Director and chief executive officer of the Group, 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 Group 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 31 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, 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 47, 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 34, 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 46, 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 21 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 55, 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 20 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. Chow Chun Hin Leslie, aged 35, 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 12 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, his responsibilities include planning, implementing, managing and controlling all financial-related activities of the company, which includes the 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 52, 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 23 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 59, 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 54, 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 a deputy general manager.

Mr. Wong Kai Hung, aged 54, 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 41, 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 50, 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 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 standard 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 and 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 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 office 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 of 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 more than one-third of the Board which is in compliance with Rule 3.10A. As such, the Company believes that there is a sufficient independence element in the Board to safeguard the interests of the shareholders of the Company.

Specific enquiry has been made by the Company of 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, five board meetings were held on 6 March 2018, 21 March 2018, 15 May 2018, 20 August 2018 and 25 October 2018, respectively. During the Year, an annual general meeting was held on 15 May 2018 (the "**2018 AGM**") and an extraordinary general meeting was held on 27 June 2018 (the "**2018 EGM**") for approving the Agreement dated 6 March 2018 entered into among Best Kind Holdings Ltd., a wholly-owned subsidiary of the Company, and Golden Villa Ltd. and Golden Power Investments (B.V.I.) Limited as vendors in relation to the sale and purchase of the entire issued share capital of China Scene Limited (中境有限公司) from the Vendors by the Purchaser at an aggregate consideration of HK$40,300,000. Save for the 2018 AGM and 2018 EGM, 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 2019. The forthcoming annual general meeting of the Company is scheduled to be held on Thursday, 16 May 2019 (the "**2019 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)*	6/6
Ms. Chu Shuk Ching	6/6
Mr. Tang Chi Him	6/6
Mr. Chu Ho Wa	6/6
Independent non-executive Directors	
Mr. Hui Kwok Wah	6/6
Mr. Ma Sai Yam	6/6
Mr. Chow Chun Hin, Leslie	6/6

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

The individual attendance record of each Director at the 2018 AGM and 2018 EGM are set out below:-

Name of the Directors	Attendance at 2018 AGM	Attendance at 2018 EGM
Executive Directors		
Mr. Chu King Tien *(Chairman)*	Yes	Yes
Ms. Chu Shuk Ching	Yes	Yes
Mr. Tang Chi Him	Yes	Yes
Mr. Chu Ho Wa	Yes	Yes
Independent non-executive Directors		
Mr. Hui Kwok Wah	Yes	Yes
Mr. Ma Sai Yam	Yes	Yes
Mr. Chow Chun Hin, Leslie	Yes	Yes

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 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 rules and regulations.

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 relevant regulations
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 help 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 (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.

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)*	4/4
Mr. Ma Sai Yam	4/4
Mr. Chow Chun Hin, Leslie	4/4

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 and pursuant to which the cooling off period for appointing a former partner of the Company's audit firm as an Audit Committee ("**AC**") 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 AC 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 directorships, 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 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 independence and assessed their independence. The Nomination Committee will continue to review the necessity of more competent staff to join in 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 in 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 should be considered:

- character and integrity;
- 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 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

Pursuant to the new Code Provision E.1.5 in the CG Code, the Company should have a dividend policy and disclose such policy in its annual report. The Company has on 25 October 2018 adopted a divided policy (the "**Dividend Policy**"), and 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 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$0.76 million and HK$0.12 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$0.09 million and HK$0.06 million respectively. The non-audit services incurred mainly consist of fees of approximately HK$0.01 million for internal audit and approximately HK$0.17 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, subject to 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 2018 AGM was held on 15 May 2018 and the 2018 EGM was held on 27 June 2018. The 2019 AGM is scheduled to be held on 16 May 2019. A circular containing, among other matters, further information relating to the 2019 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 at all times 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 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.

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1 COMPANY PROFILE

The Company principally engages 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 categorized into two segments, namely (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorized 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.

In sight of the increasing attention and demand of hazardous substance-free batteries and the tightening environmental regulations, the Group allocated resources and established the "Ecototal" series which echo to the evolving battery market. The series have introduced heavy metal-free batteries that are mercury-free, cadmium-free and lead-free, thereby unlocking potential for the Group to respond to market needs while promoting environmental protection.

Due to the increasing demand of high-end healthcare products, the soon launch of HAB is expected to generate a new stream of revenue to business and contribute to the well-being of community through manufacturing products to support devices that benefit the elderly or disabled population.

Throughout the reporting period, the Group carried out its operational activities in compliance with local laws and regulations regarding environmental, labour and anti-corruption. Moreover, the Group has established internal environmental and social policies to further enhance operations and resource efficiency.

2 ABOUT THIS REPORT

2.1 REPORTING STANDARD, PERIOD AND SCOPE

This report was prepared in accordance to the Environmental, Social and Governance ("**ESG**") Reporting Guide ("**the ESG Reporting Guide**") set out in Appendix 27 of the Listing Rules. The Group adhered to the principles of materiality, quantitative, balance and consistency to report on the measures and performances in this reporting period. Information regarding corporate governance is addressed in the corporate governance report of the annual report according to Appendix 14 of the Listing Rules. In addition, the Group's senior management team was actively engaged in the report preparation process to ensure that it would meet such standards.

In comparison to 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.

This report covers the Group's progress on ESG aspects from 1 January 2018 to 31 December 2018 ("**reporting period**").

The Company has appointed an external consultant, Allied Environmental Consultants Limited, for the preparation of this ESG report.

3 WORDS TO STAKEHOLDERS

To all stakeholders,

2018 was another successful year of Golden Power. We believe our achievement of business surplus is reflected by the continuous heartfelt efforts put in areas of diversifying product range and optimizing production efficiency. In this connection, we integrate high-quality standard and greener operational approach that gather and sustain business growth.

After the introduction of a range of hazardous substance-free and heavy metal-free batteries that improve the livelihoods of environment and families, we are pleased to announce the launch of HAB, representing our new page of business and dedication on producing caring products. We are looking forward to this fruitful cooperation of developing product that contributes to the community's betterment together with our business partners.

This year's ESG report theme is "Connecting power to families", by this means the report is focused on:

1. Connecting — Marketing and engaging wider range of stakeholders and customers;

2. Power — Delivering high quality products with stringent quality control and professional team within an environmentally conscious operation; and

3. Families — Contributing to the social development of the local communities.

Throughout this report, the Group wishes to openly communicate our sustainability approach, which aligns with business development. Last but not least, Golden Power hereby would like to present our sincere gratitude to our management team and staff for their contributions to making Golden Power a brand that coheres with sustainable development.

Chu King Tien
Chairman and Executive Director

4 CONNECTING TO STAKEHOLDERS

4.1 STAKEHOLDER ENGAGEMENT

In assistance of formulating business strategies, the Group engages with stakeholders for creating opportunities to understand their concerns and analyse their needs. During the reporting period, Golden Power has continued to engage different stakeholders and sought their opinions. Specifically, the Group conducted a survey with its customers on September, 2018 to further understand their perspectives regarding its sustainability approach towards business operations.

The survey applied with a ranking system from a scale of 1 to 6. Customers were invited to evaluate the importance of environmental, social and sustainability topics to Golden Power's business (where 1 is of lowest importance and 6 is highest); and level of consideration of the relevant topics when choosing Golden Power (where 1 is of low consideration and 6 is of high consideration). A total of 24 customers from different countries participated in the survey and the findings of top-ranked respective issues were shown as below:

	Environment	Social	Sustainability
Importance to Golden Power's business	• Greenhouse gases (GHG) emissions • Raw material management and selection	• Product health and safety • Compliance with relevant laws and regulations • Product quality assurance	• Sustainability targets
Level of consideration	• Compliance with relevant laws and regulations • Raw material management and selection	• Business ethics • Compliance with relevant laws and regulations • Product health and safety • Product quality assurance	• Sustainability targets

This exercise has helped the Group's Board of directors ("the Board") to solidify the findings of material topics associated with business operations, and helped Golden Power to internally analyse and review customers' expectations regarding sustainability.

Besides, the Group has continued to participate in international exhibitions to promote its hazardous substance-free batteries. Golden Power hopes to influence and engage clients in a way that facilitates environmentally-friendly operation together.

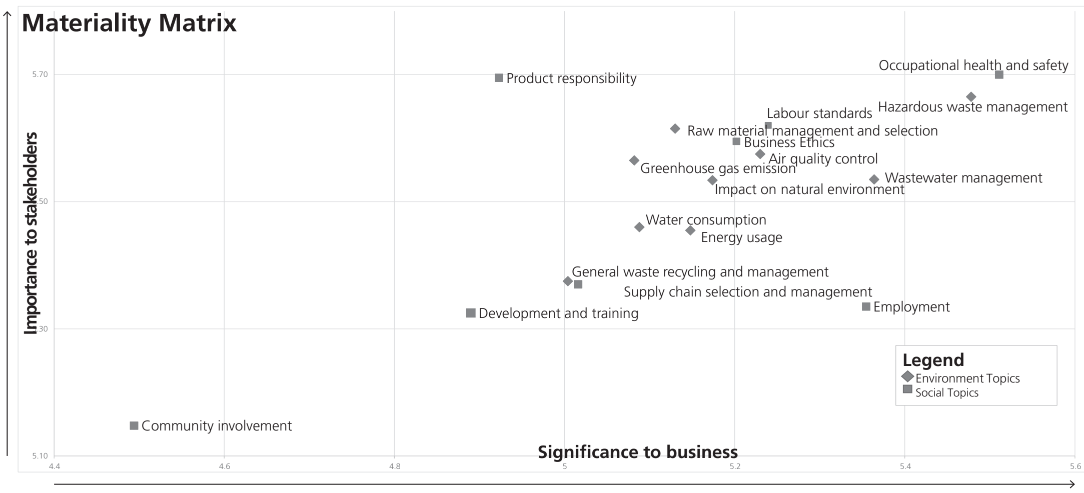
4.2 MATERIALITY ASSESSMENT

In its attempt to gain a holistic understanding of its stakeholders' perspectives, the Group identified top material issues associated with operations by integrating the customer survey responses with previous surveys done with suppliers and employees, to construct its first materiality matrix.

In these surveys, the importance of 17 different environmental and social material topics was rated. The topics are 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 top three material environmental and social topics of highest importance were identified as below:

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

In response to stakeholders' concern, the report demonstrates the management approaches that the Group has adopted on these topics to enhance transparency of Golden Power's sustainability approach within its operations.

The Group will continue to integrate its materiality assessment by involving a wider range of stakeholder groups in the future. This shall assist the Group to consistently review and improve its sustainability management to minimize associated operational risks.

4.3 CONTACT DETAILS

For our continuous improvement on sustainability performance, we welcome any feedbacks and suggestions regarding the report and the Group's sustainability strategies. 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

5 SUSTAINING PRODUCT QUALITY

In determination of delivering high quality products, Golden Power has continued to increase its market shares and fulfil its mission to connect families with power that suits their needs. The launch of the "Ecototal" series products has demonstrated Golden Power's mission to provide high-performance, durable, safe and environmental-friendly products to households, while promoting a greener living space for the community where its products were brought to. Through Golden Power's continuous exploration of potential business, the Group has been developing HAB to meet growing market demand of the aging population. The relevant production line is currently under test-production and is expected to be officially commenced in 2019. Growing with the increasing demand of hearing-aid kits, the Group's product contributes to sustain the Group's business growth, whilst benefit aging and disability people with better health care support.

To sustain the Group's continuous development, the Group has recognized the importance of implementing stringent production procedures under the control of a professional team led by the management. The Group received several quantifications as acknowledgements of its skills and techniques in manufacturing batteries, which are listed as below:

Qualification	Issuing Authority
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
High-tech Enterprise	Guangdong Science and Technology Department

These qualifications have assured that its manufacturing facilities, products and profession are acquainted with advanced level. The following sections illustrate how the Group managed its 2Ps (production and people) in its operations.

5.1 THE MAKING OF PRODUCTS

Delivering sustainable power means mainstreaming sustainability elements into production cycle and service. This session walks through the production of Golden Power's product and provide a better insight into the Group sustainable operations.

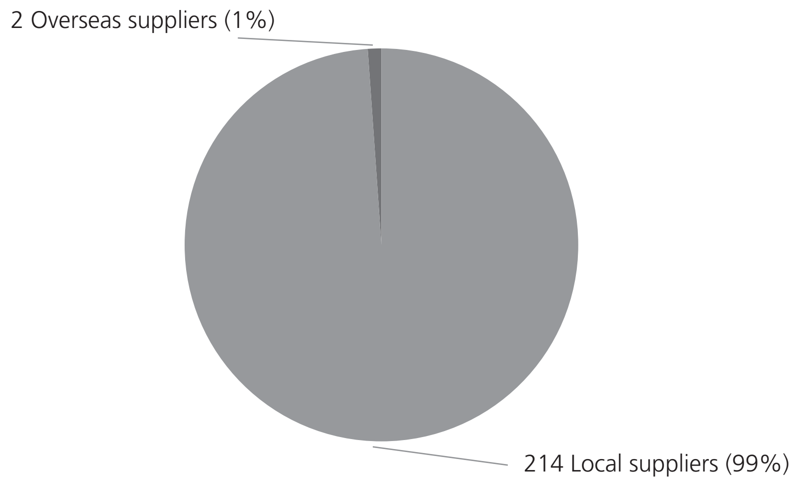
Sustainable procurement

The Group believes that delivering high quality products begins at the procurement stage. The selection of the suppliers directly influences the quality of the finished goods. The Group has adopted a comprehensive supply chain selection system in accordance with ISO 9001:2008 and 14001:2004, to assess suppliers' management of the associated environmental and social risks. The system evaluates suppliers' product and service quality and payment method while prioritizing suppliers with relevant quality recognition certificates. Suppliers are required to submit samples and content analysis report to conduct further sample testing and assure the quality. To eliminate the health and safety concerns of products, suppliers are also required to submit material safety data sheets (also known as MSDS) for certain chemical and hazardous substances, ensuring such materials met internal environmental and social standards.

The Group assigns an experienced procurement team to overlook the entire procurement process. The procurement team conducts regular inspections as a protocol to assess the selected suppliers' performance. The identified improvement areas will be suggested to suppliers to guarantee their quality and performance are up to expectation. In the case of supplier non-compliance with the Group's standards, the procurement team shall propose a corrective plan and assist suppliers to improve within a given timeframe. If the supplier fails to adjust and meet the standards, the Group will discontinue the cooperation until certain improvements are made and they are ready to be reassessed.

As part of the green production initiative, the Group prioritizes suppliers under a local context as to lower the environmental footprint generated from transportation, while facilitating local economy.

Geographical distribution of suppliers



Raw material management

The proper raw material management ensures that raw materials are at their best condition in contributing the making of high-quality products. The manufacturing raw materials are mostly chemical and hazardous substances. Prior to the use of raw materials, final on-site testing is carried out to ensure its chemical properties met the Group's standards for manufacturing. An appointed technical supervisor is responsible to monitor the chemical mixing process and ensure chemicals were mixed at the right ratio and use within a timeframe to avoid wastage and maximize potential product quality. Additionally, unused raw materials are stored in assigned areas and handled with special care under relevant guidelines to maximize its performance and minimize associated work hazards.

Quality assurance

To consistently produce durable and high-quality batteries, the Group places great emphasis on quality control. All designed and produced products were compatible with international standards including ISO 9001:2008 Quality Management System, Restriction of Hazardous Substances (RoHS) and International Electrotechnical Commission (IEC). These have demonstrated the Group's efforts in producing safe, high quality and eco-friendly products to fulfil corporate social responsibility and customers' needs.

In order to maintain the Group's competitiveness in the market, the Group has established the research and development team to coordinate research and design of product development that fulfils market demands. The team has also frequently conducted benchmarking of other battery products available at the market and ensured its products performances are up to or above market level.

Throughout manufacturing process of batteries, the Group has established stringent quality control measures including manufacturing procedures, testing guidelines, equipment maintenance practices and on-site supervisions to ensure an effective, safe and resource-efficient production. On one hand, the Group constantly upgrades existing equipment to detect defected items. On the other hand, the Group has established an in-house laboratory to enhance production resource efficiency with functions including analysing defected items to seek for improvements and assess the need in modifying production procedures, and conduct comprehensive on-site tests and eliminate buffer time of sending samples to third-party laboratory. In the laboratory, the Group conducts weathering tests twice as much than the industrial standards to work on maximizing product quality and durability.

Case study: A battery which provided power to an American Family for 16 years
During the reporting period, the Group had received an appreciation e-mail written by a customer from Texas, the United States. He was impressed with the Golden Power's 9V battery durability which had survived for over 16 years to power the remote of his garage door opener in extreme weather conditions. This e-mail was a testimonial of Golden Power's success in delivering robust power to families and motivated the Group to continue in its mission.

Photo 1. The battery which provide power to an American Family for 16 years

Once the finished goods are ready to be packed, they are sent to the packaging area. Products have different packaging requirements and therefore, staff is provided with adequate trainings on packing different products. Packaging guidelines are placed within the packaging areas for employees' reference. Due to arising requirement of enhancing battery packaging design, Golden Power has acquired an advanced and automated packaging machine that is able to further detect any defected items, improve packaging design, and reduce human errors and manpower. This enhances customer satisfaction and favoured production efficiency.

Finally, the products can be delivered in bulk amount as long as they are properly wrapped in accordance with the relevant guidelines, which are aimed at lowering the risk of damaging goods during transportation. The Group has installed a shrink wrap machine to speed up the wrapping process and lower associated occupational hazards.

As a result of Golden Power's rigorous production monitoring mechanism, the Group achieved a 0% recall on products due to health and safety reasons and 0 complaint regarding product quality and service during the reporting period.

Product responsibility

Being a responsible entity, the Group highly prioritizes customers satisfaction and product responsibility. The sales and marketing department is assigned to provide after sales support and evaluate received feedbacks in assistance for operation improvements. The Group seeks for improvement areas by providing customer satisfaction survey for customers who placed greater orders. In case of any dissatisfaction, the department shall investigate and resolve the issue through involving other departments if needed.

The Group values its brand as important business asset. The Group has registered trademarks for its logo and products in multiple countries around the globe, those include "goldenpower", "Greenergy", to name a few. This acts as a remedy against unauthorized use and provides reference for customer to distinguish the brand.

The Group respects customers' privacy and intellectual property rights as to uphold its integrity and reputation. All employees must not disclose related information involving Company's operations to others at all time. As stipulated in the Employees' Manual, employees are responsible to take adequate precautions to prevent data from being misused for gaining benefits and conflicting corporate interests.

5.2 THE PEOPLE BEHIND THE PROCESS

Golden Power recognizes the importance of a cohesive and professional team to sustain product quality and business growth. Thus, the Group has allocated sufficient resources in managing its human resources, and provided an optimal working environment for employees to excel their skills. The Group also communicates its expectations on employees that align with business strategies clearly.

Training and development

Along with the improvement and innovation on the market, the Group expects talents to continuously honing their skills and enriches their knowledge thereby supporting sustainable business development. Upon their entry into Golden Power, all new employees are provided with a detailed orientation to ensure they familiarize with the operational practices.

Under the human resource management and training procedures, the Human Resources ("HR") Department is responsible to identify general improvement area, establish yearly targets and provide relevant trainings for employees. Other department heads shall suggest and map out training framework in relation to the employees' needs.

All trainings taken by employees will be recorded and evaluated during the yearly appraisal. The department heads and the HR department shall assess the effectiveness of trainings provided as reflected by their performances and offer promotions to individuals where possible.

To develop all-rounded staff member of the professional team, Golden Power provides trainings to production staff in four main areas: quality control, operational practices, occupational health and safety, and environmental protection. Besides, the Group assigns senior staff to participate in managerial trainings. By ways of the comprehensive trainings provided, these strengthen employees' skills and enable them to grow along with the business direction.

Employee by category	Average training hour (hr)
Male	20.0
Female	16.7
Management	22.2
Senior	36.1
Junior	21.3

Providing a safe workplace

Due to the business nature involving manufacturing processes and the risk of exposing employees to occupational hazards, the Group takes responsibility to safeguard employee's health and safety to maintain productivity and respond to stakeholders' priorities identified through the materiality assessment. The Group identified areas and procedures of potential health and safety concerns within its factories; educated and trained staff on safe operations practices and prevented hazards by conducting frequent safety audits.

The Group prompts employees with relevant occupational hazards involving chemicals and equipment uses prior to the participation of frontline works. Regular safety audits and maintenances are carried out to minimize potential risks. Personal protective equipment is provided to staff members who engage in the manufacturing progress and they are required to wear them throughout the manufacturing process. Occupational hazards and prevention guidelines noticeable areas, the Group has offered regular safety trainings including first aid, hazardous substances handling and fire safety to increase employees' know-how on work safety. Throughout the reporting period, Jiangmen factory built an on-site emergency pond that can put out fire in case any fire accident on site, in compliance with relevant local regulation.

During the reporting period, the Group had recorded a zero-fatality rate and two work-related injured cases, which contributed to 7 lost working days. The cases were handled and filed according to internal accident handling procedures and report were made to the relevant authority in compliance with the law. The filed cases will be used as training materials to assist employees to prevent reoccurrence.

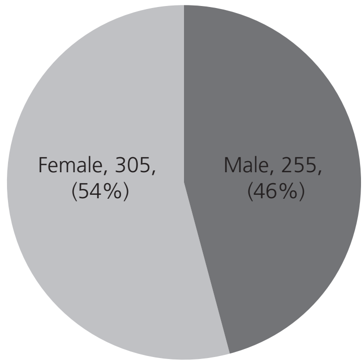
The Group is also dedicated to create a harmonious culture for employees to treat the workplace like home. By organizing numerous employee activities such as mid-autumn festival celebration, staff could interact and enhance their sense of belonging.

Promoting workplace ethics

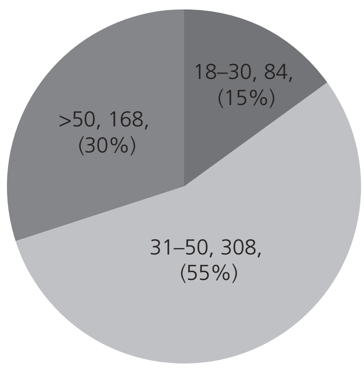
The Group is dedicated to upholding integrity and adopting respective approaches to manage employment procedures, labour rights and ethical practices within its operation.

As a workplace that advocates equality and fairness, the Group has adopted an anti-discriminatory and equal-opportunity policy to acquire best-suited candidates for the job. The Group provides candidates and employees with equal opportunities and prohibits all forms of discrimination on gender, religion, race, disability, or age. Reasonable work hours, leaves, competitive remuneration packages and benefits were provided according to relevant local laws and regulations.

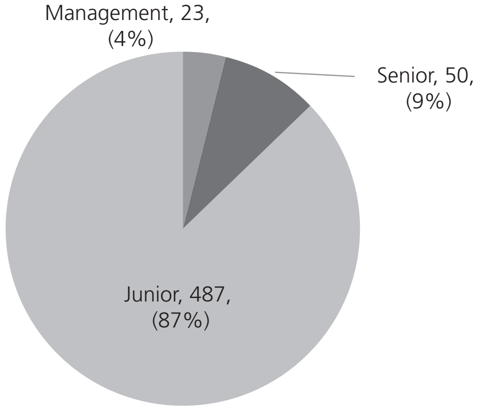
2018 Employee breakdown by gender



2018 Employee breakdown by age



2018 Employees breakdown by category



The Group respects labour rights. As an identified top material issue, the Group has appointed the HR Department to verify the identity of the workers to avoid child labour and forced labour. The HR Department held relevant talks to communicate the Group's attitude towards promoting an ethical and transparent working atmosphere. The Group has adopted policy that if child labour is discovered, the HR Department shall report to the local labour department and evaluate the child's physical health condition prior to returning the child to parents; and if forced labour is discovered, the HR department shall report the case to the relevant authority and investigate the case and communicate with the victim. Once the case is confirmed, the HR Department may take disciplinary actions as instructed by the management. The case will then be analysed by the Group to eliminate the risk of such case to happen again. Throughout the reporting period, the Group was not aware of any non-compliance in relation to employment and labour standard.

As an ongoing communication channel to engage with staff member and allow them to voice out their needs and concerns, comment boxes are also set up across all premises to collect employees' feedbacks. An elected representative from each production facility is responsible to consolidate and reflect valuable suggestions to the management at the monthly meetings. The HR Department shall assist the management to implement improvement measures accordingly. Employees are encouraged to make good use of the comment box and may use it to report any suspected unethical practices.

Business ethics is another identified top material issue. The Group places high regards to endorse ethical business practices by strictly forbidding any bribery, extortion, fraud and money laundering activities. As stipulated in the Code of Conduct, all employees are required to declare any conflict of interest and any acceptance of advantage, including gifts received during the discharge of duties. The internal audit committee is responsible to monitor the related incidents and manage the established whistle-blowing channels. In case of any reported case, the internal audit committee shall investigate involved parties, report the outcome to the Board and take disciplinary actions as necessary. During the reporting period, the Group had received no complaint or reported case relating to corrupt practices, and complied with all relevant laws and regulations relating to bribery, extortion, fraud, and money laundering.

In addition to the above, the Group has continued to engage with customers and understand their ethical requirements. As such, the Group has adopted work ethic practices in accordance with SA 8000 issued by Social Accountability International, which is an international framework that helps to certified organizations demonstrate their dedication to the fair treatment of workers. The relevant practices are placed on notice boards to ensure staff was aware of ethical working conditions that align with customers' expectations.

6 RAISING ENVIRONMENTAL AWARENESS

In support of Golden Power sustainable development, the Group is committed to pursuing greener production practices. In this regard, the Group aims to developing hazardous-substance free battery products which enabled Golden Power to be exposed to a greater market. In addition, the Group has obtained the Nordic Ecolabelling License, a sustainability label which emphasizes on creating a sustainable society through sustainable consumerism, and proving that the product is utilizing resources efficiently and minimizing environmental impacts throughout the operations. This achievement has marked a milestone of Golden Power's commitment and put Golden Power into a favourable position of enjoying the economic success brought by the eco-friendly practices. This session elaborates the Group's approaches to manage its environmental footprints in pursuance of greener operations.

Environmental Policy

In support of the Group's dedication in promoting an environmentally friendly operation, the Group has formulated environmental policies as a tool to oversee its environmental footprints and manage its operational cost. The internal policies were established in accordance with ISO 14001 Environmental Management System, whose purpose is to minimize the operations' impacts on environment and natural resources. These policies are summarized as followings:

- Comply with local environmental regulations and respond to the world-wide environmental trends
- Invest in energy-efficient, low pollution materials, manufacturing design and equipment
- Engage in industrial waste reduction and maximize resource consumption
- Constantly monitor environmental performance and engage in pollution prevention
- Communicate environmental messages to employees, customers, partnering factories and other stakeholders, working towards a collaborative improvement on environmental performance

The above policies have enabled the Group to develop a framework for staff to work in an environmentally-friendly manner. The department heads were required to review the performance on the identified source of environmental impact, collect relevant records of consumption or disposal, and regularly review ways to reduce emissions and maximize resource efficiency.

Externally, the Group has strived to align with government's vision of facilitating local economic development through emphasizing the promotion of greener operations. With this respect, Golden Power has voluntarily participated as part of the "Cleaner Production Enterprise of Jiangmen" organized by the Jiangmen Government, showing its dedication in pursuing green operations. To monitor the progress of such implementations, the Group has hired a third-party environmental consultant to review and report to government on its environmental performance.

Air quality control

Although air emissions are not considered as a material issue to Golden Power's operations, they are identified as one of stakeholder's concern. In view of this, the Group has implemented measures to ensure that air quality does not contribute to causing harm to the employees and environment.

For indoor air quality, the Group has installed an activated carbon ventilation system to remove odour and impurities from the air. This serves to optimize the indoor air quality while promoting an optimal working environment for employees. Exhaust fan has also attached a dust removal system to minimize air pollution caused.

Energy use & GHG emissions

The main type of energy uses to power equipment and facilities at Hong Kong headquarters, Dongguan and Jiangmen Production Facilities, is the electricity generated from the government grid.

Electricity Consumption by Group

	2018	2017
Electricity consumption (in '000kWh)	**10,226**	9,765
Intensity (in '000kWh/million revenue)	**31.6**	32.1

As a result of electricity usage, indirect greenhouse gas ("GHG") emissions are generated (Scope 2). Direct GHG emissions (Scope 1) are not material to Golden Power's operation.

GHG Emission by Group

	2018	2017
GHG Emission (in tonnes CO_2 equivalent)	**5,913**	5,728
Intensity (in tonnes CO_2 equivalent/million revenue)	**18.3**	18.5

Guided by the policies, the Group continues to seek for solutions to minimize its environmental footprint. In addition to the constant review of electricity consumption hold by department heads, an independent consultant conducts yearly review to observe any abnormalities regarding electricity consumption of the entire operation.

Throughout the reporting period, the Group also carries out several energy-saving initiatives, including the installation of Variable Speed Drive to some of the production facilities to have a better control of electricity consumption, adding PVC strip curtain on production entry for sealing the air-conditioning from the outside climate to maximize energy efficiency, and the continuous replacement with more energy efficient lightings. The Group has replaced one of the manufacturing equipment by a more energy-efficient model, which is expected to obtain 43% of electricity saving correspondingly.

From the implementation of the energy management system, the Group had achieved a 2% decrease in electricity consumption, resulting in 1% decrease in GHG emission in terms of intensity. As part of the practice, the Group will consistently review energy consumption and implement reduction measures whenever possible.

Water consumption and wastewater management

Water is used at daily routine facility and equipment cleaning at the factories and bathroom usages. As water is provided by the municipal service, there is no significant issue with sourcing. As to cultivate a green manner, employees are reminded to conserve water to the greatest extent to help reduce water consumption of operations.

Water consumption by Group

	2018	2017
Water consumption (in '000m^3)	**119**	109
Intensity (in '000m^3/million revenue)	**0.37**	0.36

Due to the water saving practices the Group has implemented, the Group had obtained a steady performance on water consumption in terms of intensity. The Group will constantly lookout ways to improve water efficiency.

As wastewater management is identified as a top material topic by stakeholders, Golden Power has further improved its wastewater discharge quality beyond compliance requirements. The industrial wastewater is mainly generated from the cleaning of chemical containers and surface run-off.

For instance, the Group cooperates with local government and installed real-time monitoring wastewater treatment facility at Jiangmen Factory to treat the discharge as a result of chemical containers cleaning. This facility has a capacity to treat two tonnes of wastewater per day, which is sufficient for wastewater handling on site. Furthermore, the Group engages an environmental consultancy firm to design and implement a diffluence of rain and sludge facility to treat 10 tonnes of surface run-off per day prior to discharge. These wastewater management facilities have minimized environmental impacts and favoured environmentally-friendly operation.

Waste management

The Group's main source of waste is manufacturing waste and general waste generated at the Dongguan and Jiangmen Production Facilities. The Group has assigned staff to take charge of sorting, labelling, and disposing of waste according to the waste handling manual that was established based on local government regulations. The maintenance department is responsible for monitoring machinery and equipment condition to reduce potential waste generated due to malfunctioning. Adequate waste sorting and handling trainings are also provided to employees to ensure of implementation of good waste management practices.

As an identified top material issue, the Group emphasizes good hazardous waste management policies and procedures in order to ensure resources to be effectively utilized and environmental impact reduced. The hazardous waste materials generate from maintenance and manufacturing are stored separately at designated area, and only senior staff is allowed to handle the waste. Metal waste and other waste, including waste light tubes and batteries, are collected and recycled. The Group engages licensed professional waste disposal service companies to dispose and recycle waste, thus ensuring that waste handling practices comply with relevant regulations.

In addition, on-site manufacturing waste separation and recycling facility is installed in order to reduce waste generation and utilize resources efficiency. The Group also collects and analyses defected goods, as part of its policy to continuously look for improvement measures and minimize hazardous waste generation.

Type of waste	**2018**	2017
Non-hazardous waste disposed (tonnes)	**18**	48
Paper waste recycled (tonnes)	**73**	79
Metal waste recycled (tonnes)	**202**	324
Other non-hazardous waste recycled (tonnes)	**35**	2
Solid hazardous waste disposed (tonnes)	**3**	11
Total waste generated (tonnes)	**331**	464
Total waste recycled (tonnes)	**310**	405
Total waste intensity (tonnes/million revenue)	**1.02**	1.53

As a result of good waste reduction and recycling practices, the Group had successfully reduced waste generation by 33% based on intensity compare to the previous year, and noticed a 5% increase in overall waste recycling. The Group will continue seeking ways for waste recycling and reduction to enhance resource utilisation.

Packaging material

The Group uses packaging materials, which are mainly paper, plastic and aluminium, which are sourced according to customers' requirements. The Group continues to work closely with suppliers and seek ways to reduce the environmental footprints brought by packaging material, in line with customer needs.

Type of packaging material	2018	2017
Paper (tonnes)	**1,749**	1,788
Plastic (tonnes)	**85**	100
Aluminium (tonnes)	**53**	74
Total (tonnes)	**1,887**	1,962

7 CONTRIBUTE TO THE COMMUNITY

Golden Power is devoted to contributing the betterment of the community. The development of products enhancing health care devices, does not only add value to Golden Power's sustainable development, but also enhance the living quality of the elderlies and disability communities through connecting Golden Power's products to benefit their communities.

Other than the above, the Group conducted a mid-autumn festival visit to Jiangmen children and welfare institute during the reporting period. Through celebrating mid-autumn festival with the elderlies and children, bringing them festive food and understanding their daily lives, Golden Power wished to make them feel surrounded by family warmth and care.

8 LOOKING FORWARD

Golden Power strives to "connect power to families" by increasing resource efficiency and minimising its environmental impacts within green operation. As shown in its efforts on developing hazardous substance-free batteries and entering the healthcare devices market with HAB, the Group will continuously seek to develop high-quality green products for families that contribute to community wellbeing.

Apart from the above, Golden Power will continue to reinforce the operational efficiency and capacity by investing manufacturing equipment; by strengthen research and development to improve product quality; diversify product range which in turn broaden customer range; and enhance work safety to safeguard employees. These will enable Golden Power to equip itself for the upcoming economic challenges.

In response to stakeholders' feedback, the Group will consistently review and improve its sustainability approach within its operations, and appraise the possibility of setting sustainability targets through cooperating with consultants and communicating with stakeholders.

9 ESG CONTENT INDEX

Aspect	KPI	Description	Statement/Section	Page No.
SUBJECT AREA (A) ENVIRONMENT **A1: EMISSIONS**				
	General disclosure	Information on: (a) the policies; and (b) compliance	(a) Raising environmental awareness; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	42–46
A1	*A1.1*	The types of emissions and respective emissions data.	Raising environmental awareness	43
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Raising environmental awareness	43
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Raising environmental awareness	44
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Raising environmental awareness	44
	A1.5	Description of measures to mitigate emissions and results achieved.	Raising environmental awareness	42–43
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Raising environmental awareness	44

Aspect	KPI	Description	Statement/Section	Page No.
A2: USE OF RESOURCES				
A2	*General disclosure*	Policies	Raising environmental awareness	42–46
	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).	Raising environmental awareness	43
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Raising environmental awareness	43
	A2.3	Description of energy use efficiency initiatives and results achieved.	Raising environmental awareness	42–43
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Raising environmental awareness	43–44
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Raising environmental awareness	45
A3: THE ENVIRONMENT AND NATURAL RESOURCES				
A3	*General disclosure*	Policies	Raising environmental awareness	42–46
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Raising environmental awareness	42–46

Aspect	KPI	Description	Statement/Section	Page No.
SUBJECT AREA (B) SOCIAL				
B1: EMPLOYMENT				
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) The people behind the process; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	39–40
	B1.1	Total workforce by gender, employment type, age group and geographical region.	The people behind the process	40
	B1.2	Employee turnover rate by gender, age group and geographical region.	The Group shall improve data collection system for future disclosure	—
B2: HEALTH AND SAFETY				
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) The people behind the process; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	39
	B2.1	Number and rate of work-related fatalities.	The people behind the process	39
	B2.2	Lost days due to work injury.	The people behind the process	39
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	The people behind the process	39
B3: DEVELOPMENT AND TRAINING				
B3	*General disclosure*	Policies	The people behind the process	38
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Group shall improve data collection system for future disclosure	—
	B3.2	The average training hours completed per employee by gender and employee category.	The people behind the process	38

Aspect	KPI	Description	Statement/Section	Page No.
B4: LABOUR STANDARDS				
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) The people behind the process; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	41
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	The people behind the process	41
	B4.2	Description of steps taken to eliminate such practices when discovered.	The people behind the process	41
B5: SUPPLY CHAIN MANAGEMENT				
B5	*General disclosure*	Policies	The making of products	35–36
	B5.1	Number of suppliers by geographical region.	The making of products	36
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	The making of products	35–36
B6: PRODUCT RESPONSIBILITY				
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) The making of products; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	36–38
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The making of products	37
	B6.2	Number of products and service related complaints received and how they are dealt with.	The making of products	37
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	The making of products	38
	B6.4	Description of quality assurance process and recall procedures.	The making of products	36–37
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	The making of products	38

Aspect	KPI	Description	Statement/Section	Page No.
B7: ANTI-CORRUPTION				
	General disclosure	Information on: (a) the policies; and (b) compliance	(a) The people behind the process; (b) The Group complied with relevant laws and regulations and there was no relevant material non-compliance during the reporting period	41
B7	*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.	The people behind the process	41
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	The people behind the process	41
B8: COMMUNITY INVESTMENT				
	General disclosure	Policies	Contribute to the community	45
B8	*B8.1*	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribute to the community	45
	B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group shall improve data collection system for future disclosure	—

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 preparing 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 was transferred from GEM to the Main Board.

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 2018 are set out in Note 34 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 2018 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 68 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 68 and 69 of this report, respectively.

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

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 Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 9 May 2019.

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 (2017: HK$1 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the largest and the top five customers of the Group accounted for 11.29% (2017: 11.68%) and 33.02% (2017: 31.37%) 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 8.06% (2017: 9.67%) and 33.40% (2017: 35.80%) of the Group's purchases, respectively, for the Year.

To the best of the knowledge of the Directors, save as disclosed under Note 29 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 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 25 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 72 of this report.

DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2018 are set out in Note 26(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 2018 are set out in Note 24 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 2018 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 13 to 16 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 Ho Wa, Mr. Hui Kwok Wah and Mr. Ma Sai Yam will retire from office by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

Save as otherwise disclosed in this report, no Director proposed for re-election at the 2019 AGM has or is proposed to have a service contract 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 contract 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 memorandum and articles of association of the Company. Either the Company or the Director may terminate the service contract 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

On 6 March 2018, Best Kind Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Golden Villa Ltd., a controlling shareholder of the Group, and Golden Power Investment (B.V.I.) Limited to acquire the entire issued share capital of China Scene Limited at the total consideration of HK$40,300,000. For further information in relation to the Acquisition, please refer to the paragraph headed "Significant Investment Held" in the Management Discussion and Analysis section in this report.

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 2018, 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	Approximate percentage of shareholding
Chu King Tien (Chairman and executive Director)	Interest in a controlled corporation (Note)	130,500,000 Shares	54.38%

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 2018, 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 2018, none of the Directors and chief executive of the Company had 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 2018, 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 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 2018, 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 29 to the audited consolidated financial statements. Save as disclosed below, the Directors consider that these material related party transactions did not 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.

Exempt Continuing Connected Transactions

The related party transaction entered into by the Group during the Year in relation to rental expenses paid to China Scene Limited before the completion of the Acquisition of the entire issued share capital of China Scene Limited by the Group on 6 July 2018 as set out in Note 29 to the audited consolidated financial statements are continuing connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the Listing Rules. The continuing connected transactions with China Scene Limited ceased upon the completion of the Acquisition, after which China Scene Limited became an indirect wholly-owned subsidiary of the Group. Further details of these continuing connected transactions are set out in the section headed "Connected Transactions" in the Prospectus.

The related party transactions in relation to key management personnel remuneration as disclosed in Note 29(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.

Non-exempt Continuing Connected Transactions

On 1 February 2017, the Company entered into a master sales agreement (the "**Master Sales Agreement**") with 廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited*) ("**Nan Hua Jin Li**") and Suenglh Corporation Limited (動能(香港)有限公司) ("**Suenglh**") for the sale and supply of the Group's batteries in the PRC (excluding Macau and Taiwan), for a term of three years commencing retrospectively from 1 January 2017 and ending on 31 December 2019 (both dates inclusive).

The Board estimated that the annual caps under the Master Sales Agreement would be approximately HK$26.6 million, HK$29.3 million and HK$32.2 million for the years ended 31 December 2017, 2018 and 2019, respectively in the New Master Sales Agreement (as amended and supplemented by the Supplemental Agreement).

Nan Hua Jin Li was legally and beneficially owned as to 71% by Mr. Zhu Chengxian ("**Mr. Zhu**"), a nephew of Mr. Chu King Tien (the executive Director, the chairman of the Group and a controlling shareholder of the Company), and 29% by independent third parties. Mr. Zhu was a connected person under the Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person under the Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a majority-controlled company of Mr. Zhu, is also a connected person under the Listing Rules. Accordingly, the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since certain applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement), on an annual basis, expected to be more than 25% and the annual consideration is more than HK$10 million, the transactions contemplated under the Master Sales Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the 2017 EGM, the Master Sales Agreement and the transactions contemplated thereunder were approved by the independent shareholders.

During the Year, the sales to Nan Hua Jin Li and Suenglh under the Master Sales Agreement amounted to approximately HK$4.30 million up to 5 June 2018 (2017: approximately HK$15.08 million) and Nil (2017: approximately HK$1.72 million), respectively.

Annual Review

Pursuant to Rule 14A.55 of the Listing Rules, the non-exempt continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has been engaged by the Company to report on the non-exempt continuing connected transactions mentioned above. The auditor has issued a letter to the Board confirming, among other things, that nothing has come to their attention that causes them to believe that such transactions:-

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the cap.

A copy of this letter has been provided by the Company to the Stock Exchange.

CESSATION OF CONTINUING CONNECTED TRANSACTIONS

The Directors were informed by Mr. Zhu, an executive director and a controlling shareholder of the Nan Hau Jin Li and Suenglh, that he sold his entire equity interest of Nan Hau Jin Li to an independent third party of the Company (the "**Sale**"), and Mr. Zhu ceased to be a shareholder of Nan Hua Jin Li on 5 June 2018.

Following the Sale, Nan Hua Jin Li ceased to be an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Renewed Master Agreement with Nan Hua Jin Li no longer constitute continuing connected transactions of the Company pursuant to the Listing Rules after the Sale.

Effective from 8 October 2018, the Group was informed that Suenglh would no longer purchase the products from the Group due to its restructuring.

The Renewed Master Agreement continues to be valid and it is intended that Nan Hau Jin Li, being an Independent Third Party after the Sale, will continue to purchase the products from the Group subject to the terms and conditions of the Renewed Master Agreement until its expiry. The Renewed Master Agreement would continue to be valid for any future transaction between the Group and Suenglh resumes its transaction with the Group, until its expiry.

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 17 to 28 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Please refer to the Environmental, Social and Governance Report (the "**ESG Report**") on pages 29 to 50 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 ended 31 December 2018 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 2019 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2019 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

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

On behalf of the Board
Mr. Chu King Tien
Chairman

Hong Kong, 20 March 2019

大信梁學濂（香港）會計師事務所有限公司

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
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Hong Kong

香港
銅鑼灣
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 68 to 132, which comprise the consolidated statement of financial position at 31 December 2018, 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 2018, 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 matters for the year ended 31 December 2018.

Revenue recognised from batteries and other battery-related products
We identified revenue recognised from sales of batteries and other battery-related products as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss. Revenue from sales of batteries and other battery-related products is recognised when the control of the goods have been transferred to the buyer. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements.

Our major procedures in relation to revenue recognised from sales of batteries and other battery-related products included:-

- Obtaining an understanding of the revenue business process regarding sales of batteries and other battery-related products;

- Understanding and testing, on sample basis, the key controls over the recognition of sales of batteries and other battery-related products;

- Checking the terms set out in the sales agreements and other relevant documents; and assessing whether the control of the batteries and other battery-related products have been transferred to the customers by reviewing the relevant documents, including check whether it is consistent with our walk-through, the goods delivery notes and acknowledgement to receipts, on a sample basis; and

- Testing the recognition of material sales transactions recognised immediate before and after reporting period to assess whether those sales transactions were recorded in appropriate accounting period in accordance with the Group's revenue recognition policy.

Valuation of investment properties
The Group holds a portfolio of investment properties in Hong Kong with a fair value of approximately HK$105,400,000 which accounted for approximately 20% of the Group's total assets at 31 December 2018. The fair values of investment properties at 31 December 2018 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$10,100,000 recorded in the consolidated statement of profit or loss represented approximately 267% of the Group's profit before income tax for the year ended 31 December 2018.

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.

Valuation of inventories

We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgment by the management associated with identifying obsolete and slow-moving inventories and determining their net realisable values ("**NRV**"). As disclosed in Note 3 to the consolidated financial statements, NRV represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale. As disclosed in Note 4 to the consolidated financial statements, the management will identify the obsolete and slow-moving inventory items with reference to inventory ageing analysis and estimated subsequent usage or sales. The identification of obsolete and slow-moving inventories and estimation of NRV is primarily based on the current market conditions, technology changes, the historical experience of selling products with similar nature and current customer orders on hand. The Group carried out the inventory review at the end of the reporting period and made allowance of approximately HK$29,000 on obsolete and slow-moving items to write down inventories to their NRVs during the year ended 31 December 2018 and the carrying amount of inventories was approximately HK$57,780,000 at 31 December 2018.

Our major procedures in relation to assessing the appropriateness of the valuation of the inventories included:-

- Obtaining an understanding of how the management estimated the NRV of inventories and evaluating the historical accuracy of the allowance estimation by the management;
- Assessing, on a sample basis, whether items in the inventory ageing report prepared by the management were classified within the appropriate ageing bracket by comparing items in the report with the underlying supporting documents and records;
- Assessing, on a sample basis, whether items in the analysis of estimated subsequent usage and sales of inventories are materially consistent with the underlying supporting documents and records;
- Discussing with management and assessing the basis of the management's estimation of subsequent selling price, costs to completion and costs necessary to make the sale;
- Assessing the management's process for researching and analysing the current market conditions, technology changes, historical experience of selling products with similar nature and customer orders on hand to estimate the NRV; and
- Assessing the sufficiency of allowance where the estimated NRV is lower than the cost.

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 2018 ("**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 Chung Wai Chuen Alfred (Practising Certificate Number: P05444).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong

20 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**323,529**	304,214
Cost of sales		**(258,331)**	(224,163)
Gross profit		**65,198**	80,051
Other revenue	6	**9,525**	5,995
Other gains — net	7	**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	8(a)	**(3,547)**	(2,408)
Profit before income tax	8	**3,780**	29,129
Income tax credit/(expense)	10	**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	12	**2.58**	10.22
— Diluted	12	**N/A**	N/A

The notes on pages 75 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 2018

	2018 HK$'000	2017 HK$'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

The notes on pages 75 to 132 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**251,415**	189,779
Investment properties	15	**105,400**	62,300
Intangible assets	16	**167**	234
Prepaid land lease payments	17	**4,665**	5,135
Deposits paid for property, plant and equipment	20	**3,157**	5,712
Deferred tax assets	11	**7,758**	6,405
		372,562	269,565
CURRENT ASSETS			
Inventories	18	**57,780**	57,394
Trade and bills receivables	19	**45,662**	47,621
Deposits, prepayments and other receivables	20	**30,635**	27,200
Prepaid land lease payments	17	**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	21	**91,524**	89,467
Other payables and accruals	22	**8,336**	14,654
Contract liabilities	23	**4,419**	—
Bank borrowings, secured	24	**125,919**	19,084
Income tax payable		**125**	2,987
		230,323	126,192
NET CURRENT (LIABILITIES)/ASSETS		**(73,722)**	24,959

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,840**	294,524
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank borrowings, secured	24	**43,906**	44,185
Deferred tax liabilities	11	**4,044**	4,636
		47,950	48,821
NET ASSETS		**250,890**	245,703
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital	25	**2,400**	2,400
Reserves	26	**248,490**	243,303
TOTAL EQUITY		**250,890**	245,703

Approved and authorised for issue by the Board of Directors on 20 March 2019.

Mr. Chu King Tien
EXECUTIVE DIRECTOR

Ms. Chu Shuk Ching
EXECUTIVE DIRECTOR

The notes on pages 75 to 132 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 Note 26(c)(i)	Exchange reserve HK$'000 Note 26(c)(ii)	Capital reserve HK$'000 Note 26(c)(iii)	Property revaluation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2017	1,600	59,825	5,078	(6,664)	29,819	27,271	45,497	162,426
Profit for the year	—	—	—	—	—	—	23,321	23,321
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	4,512	—	—	—	4,512
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	—	—	25,016	—	25,016
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	—	—	(590)	—	(590)
Total comprehensive income for the year	—	—	—	4,512	—	24,426	23,321	52,259
Appropriation to statutory reserve	—	—	836	—	—	—	(836)	—
Rights Issue (Note 25)	800	31,200	—	—	—	—	—	32,000
Share issuing expenses	—	(982)	—	—	—	—	—	(982)
At 31 December 2017 and 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	**2,400**	**90,043**	**5,914**	**(3,160)**	**29,819**	**51,697**	**74,177**	**250,890**

The notes on pages 75 to 132 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**3,780**	29,129
Adjustments for:-			
Amortisation of intangible assets		**67**	67
Amortisation of prepaid land lease payments		**220**	212
Bad debts written-off		**316**	—
Depreciation		**13,673**	12,391
Finance costs		**3,547**	2,408
Loss/(gain) on disposals of property, plant and equipment		**345**	(3,620)
Interest income		**(16)**	(15)
Fair value gains on investment properties		**(10,100)**	(2,800)
Write-down to net realisable value on inventories		**29**	108
Exchange differences		**(102)**	(16)
Operating profit before working capital changes		**11,759**	37,864
Increase in inventories		**(3,350)**	(5,431)
Decrease/(increase) in trade and bills receivables		**873**	(13,467)
Increase in deposits, prepayments and other receivables		**(4,641)**	(16,590)
Increase in trade payables		**8,608**	13,441
Decrease in other payables and accruals		**(1,567)**	(4,051)
Increase in contract liabilities		**4,422**	—
Cash generated from operations		**16,104**	11,766
Interest received		**16**	15
Income tax paid		**(3,820)**	(6,617)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**12,300**	5,164
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(73,815)**	(20,916)
Sale proceeds from disposals of property, plant and equipment		**346**	6,615
Payments to acquire intangible assets		**—**	(7)
Cash paid for acquisition of assets	32	**(40,300)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(113,769)**	(14,308)

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid for bank borrowings		**(3,053)**	(2,227)
Other finance costs paid		**(494)**	(181)
New bank borrowings raised		**174,062**	101,207
Repayment of bank borrowings		**(66,550)**	(125,986)
Proceeds from issuing of shares		**—**	32,000
Share issuing expenses		**—**	(982)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**103,965**	3,831
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,496**	(5,313)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(324)**	449
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**16,933**	21,797
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**19,105**	16,933
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**19,105**	16,933

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 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 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 Ventures[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

Except for HKFRS 16, all other new and revised standards in issue but not yet effective are not likely to have material impact on the Group's consolidated financial statements.

The Group's assessment of the impact of HKFRS 16 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.

2. BASIS OF PREPARATION *(continued)*

(c) HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 "Leases" *(continued)*

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. As disclosed in Note 28, at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately 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, 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.

2. BASIS OF PREPARATION *(continued)*

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

HKFRS 9 "Financial Instruments" *(continued)*

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, and other receivables).

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. The Group has applied the ECL model to other 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.

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

2. BASIS OF PREPARATION *(continued)*

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

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 approximately HK$4,419,000 (at 1 January 2018: approximately HK$3,600,000) are now separately presented in the consolidated statement of financial position at 31 December 2018, as a result of the adoption of HKFRS 15.

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$73,722,000 at 31 December 2018 as the Directors considered that the Group had unutilised banking facilities of approximately 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.

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 because there is no material uncertainty that may cast significant doubt 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, 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, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. 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%

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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Investment properties *(continued)*

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. Amortisation of trademarks is charged to profit or loss on a straight-line basis over the estimated useful lives of 10 years.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in first-out 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)).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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

Policy applicable from 1 January 2018

The Group applies the new 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Policy applicable from 1 January 2018 (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income (continued)

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.

Policy applicable prior to 1 January 2018

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:-

- — significant financial difficulty 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 bankruptcy or other financial reorganisation; and
- — significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss on receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial assets (continued)

Policy applicable prior to 1 January 2018 (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(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, intangible assets and prepaid land lease payments 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 3j(i)).

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

— Services fee income is 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

— 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.

Where the Group issues a financial guarantee, the fair value for the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. 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 on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of the guarantee i.e. the amount initially recognised, less accumulated amortisation.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 joint venture of the other entity (or an associate or 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.

(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 31.

(d) Depreciation

Property, plant and equipment 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.

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

(e) Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2018 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Ltd ("**Vigers**"), an independent professional surveyor and property valuer not connected with the Group. The managing director of Vigers 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:-

	2018 HK$'000	2017 HK$'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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

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 HK$'000	2017 HK$'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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment results

	2018 HK$'000	2017 HK$'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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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

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:-

	2018 HK$'000	2017 HK$'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.

6. OTHER REVENUE

	2018 HK$'000	2017 HK$'000
Sales of scrap materials	2,852	2,067
Services fee income	2	11
Interest income	16	15
Rental income	3,705	2,210
Handling income	631	249
Sundry income	2,319	1,443
	9,525	5,995

7. OTHER GAINS — NET

	2018 HK$'000	2017 HK$'000
Net exchange (loss)/gain	(6,470)	2,298
(Loss)/gain on disposals of property, plant and equipment	(345)	3,620
Fair value gains on investment properties	10,100	2,800
	3,285	8,718

8. 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) (Note 9):-		
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 approximately HK$330,000 (2017: approximately 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.

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:-

	Year ended 31 December 2018				
Name of Directors	**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

	Year ended 31 December 2017				
Name of Directors	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	—	1,650	280	18	1,948
Ms. Chu Shuk Ching	—	1,650	280	18	1,948
Mr. Chu Ho Wa	—	570	80	18	668
Mr. Tang Chi Him	—	834	142	18	994
Independent non-executive Directors:-					
Mr. Hui Kwok Wah	—	194	—	—	194
Mr. Chow Chun Hin, Leslie	—	129	—	—	129
Mr. Ma Sai Yam	—	129	—	—	129
	—	5,156	782	72	6,010

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 2018 and 2017 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 (2017: one) individual are as follows:-

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	**880**	809
Discretionary bonuses	**150**	137
Contributions to defined contribution plans	**18**	18
	1,048	964

The emoluments of one (2017: one) individual with the highest emoluments are fall within the following bands:-

	2018	2017
HK$Nil to HK$1,000,000	**1**	1

For the years ended 31 December 2018 and 2017, 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/(EXPENSE)

	2018 HK$'000	2017 HK$'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 (Note 11):-		
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.

10. INCOME TAX CREDIT/(EXPENSE) *(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 announcement published by relevant government authority 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 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 rate 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

11. DEFERRED TAXATION

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**7,758**	6,405
Deferred tax liabilities	**(4,044)**	(4,636)
	3,714	1,769

11. DEFERRED TAXATION *(continued)*

The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the years ended 31 December 2018 and 2017:-

	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 2017	2,754	(1,655)	121	(240)	1,222	2,202
Credited/(charged) to profit or loss for the year	535	69	6	—	(686)	(76)
Charged to other comprehensive income for the year	—	—	—	(590)	—	(590)
Exchange adjustments	82	82	9	—	60	233
At 31 December 2017 and 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	**5,353**	**(1,888)**	**62**	**(830)**	**1,017**	**3,714**

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

(a) At 31 December 2018, the unutilised tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$3,280,000 (2017: approximately HK$4,578,000) can be carried forward indefinitely. The unutilised tax losses accumulated in a PRC subsidiary amounted to approximately HK$1,541,000 (2017: Nil) 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 2018 and 2017, temporary differences relating to the undistributed profits of the Company's subsidiaries in the PRC were approximately RMB26,208,000 and approximately RMB35,978,000 respectively (equivalent to approximately HK$29,840,000 and approximately HK$43,156,000 respectively). The related deferred tax liabilities of approximately HK$1,492,000 and approximately HK$2,158,000 at 31 December 2018 and 2017 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$6,195,000 (2017: approximately 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 (the "**Rights Issue**").

12. EARNINGS PER SHARE *(continued)*

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.

13. DIVIDENDS

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

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 2017	56,746	266,917	25,698	4,734	2,520	10,585	8,669	37,149	413,018
Additions	—	667	217	—	—	252	—	17,103	18,239
Disposals	—	(4,231)	—	—	—	(50)	—	—	(4,281)
Transfer	—	5,789	2,547	—	—	—	10,317	(18,653)	—
Transfer to investment properties	(7,456)	—	—	—	—	—	—	—	(7,456)
Exchange adjustments	2,102	6,314	287	—	—	178	351	2,419	11,651
At 31 December 2017	51,392	275,456	28,749	4,734	2,520	10,965	19,337	38,018	431,171
Accumulated depreciation:-									
At 1 January 2017	20,573	169,557	18,683	4,734	2,519	8,346	4,108	—	228,520
Charge for the year	2,060	7,336	814	—	—	606	1,575	—	12,391
Written-off on disposals	—	(1,252)	—	—	—	(34)	—	—	(1,286)
Transfer to investment properties	(2,472)	—	—	—	—	—	—	—	(2,472)
Exchange adjustments	728	3,010	190	—	—	182	129	—	4,239
At 31 December 2017	20,889	178,651	19,687	4,734	2,519	9,100	5,812	—	241,392
Net book value:-									
At 31 December 2017	30,503	96,805	9,062	—	1	1,865	13,525	38,018	189,779
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 32	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

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

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

	2018 HK$'000	2017 HK$'000
Hong Kong	8,134	885
Macau	10,564	11,331
The PRC	17,966	18,287
	36,664	30,503

Certain Group's property, plant and equipment were pledged to banks to secure banking facilities granted to the Group (Note 24), with the following net book values:-

	2018 HK$'000	2017 HK$'000
Leasehold land and buildings in Hong Kong	8,134	885
Leasehold land and buildings in Macau	10,564	11,331
Buildings in the PRC	17,966	18,287
	36,664	30,503

15. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At 1 January	62,300	29,500
Transferred from property, plant and equipment	—	30,000
Acquisition during the year — Note 32	33,000	—
Fair value adjustment	10,100	2,800
At 31 December, at fair value	105,400	62,300

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 24).

15. INVESTMENT PROPERTIES *(continued)*

Notes:- *(continued)*

(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				
2018	105,400	—	—	105,400
2017	62,300	—	—	62,300

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 2018 and 2017, 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.

The Group's investment properties were revalued by the managing director of Vigers, an independent professional surveyor, at 31 December 2018 and 2017. 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 Vigers and/or its members, the Directors are of the view that Vigers is independent and competent to determine the fair value of the Group's investment properties.

15. INVESTMENT PROPERTIES *(continued)*

Notes:- *(continued)*

(c) Fair value hierarchy *(continued)*

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:-

	2018 HK$'000	2017 HK$'000
At 1 January	62,300	29,500
Transferred from property, plant and equipment	—	30,000
Acquisition during the year — Note 32	33,000	—
Fair value adjustment	10,100	2,800
At 31 December	105,400	62,300

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	−23.6% to 12.2% (2017: −8% to 22.2%)

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

	2018 HK$'000	2017 HK$'000
Trademarks		
Cost:-		
At 1 January	872	865
Additions	—	7
At 31 December	872	872
Accumulated amortisation:-		
At 1 January	638	571
Amortisation for the year	67	67
At 31 December	705	638
Net book value:-		
At 31 December	167	234

17. PREPAID LAND LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Cost:-		
At 1 January	7,560	7,006
Exchange adjustments	(383)	554
At 31 December	7,177	7,560
Accumulated amortisation:-		
At 1 January	2,203	1,837
Amortisation for the year	220	212
Exchange adjustments	(121)	154
At 31 December	2,302	2,203
Net book value:-		
At 31 December	4,875	5,357

	2018 HK$'000	2017 HK$'000
In the PRC held under medium-term leases	4,875	5,357
Less: Current portion	(210)	(222)
Non-current portion	4,665	5,135

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 2018 and 2017, prepaid land lease payments with net book values of approximately HK$4,875,000 and approximately HK$5,357,000 respectively were pledged to banks to secure banking facilities granted to the Group (Note 24).

18. 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

18. INVENTORIES *(continued)*

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

	2018 HK$'000	2017 HK$'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.

19. TRADE AND BILLS RECEIVABLES

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

19. TRADE AND BILLS RECEIVABLES *(continued)*

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. Further information about expected credit loss provision refers to Note 31.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'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

21. TRADE PAYABLES

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

	2018 HK$'000	2017 HK$'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

22. OTHER PAYABLES AND ACCRUALS

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

23. 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 approximately HK$3,493,000 was recognised in the reporting period.

24. BANK BORROWINGS

	Note	2018 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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 approximately HK$169,825,000 (2017: approximately 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 (Notes 14, 15 and 17).

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

25. 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	2018 HK$'000	2017 HK$'000
Authorised:-			
Ordinary shares of HK$0.01 each	2,000,000,000	20,000	20,000
Issued and fully paid:-			
240,000,000 (2017: 240,000,000) ordinary shares of HK$0.01 each		2,400	2,400

	Note	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2017		160,000,000	1,600	59,825	61,425
Issue of shares	(a)	80,000,000	800	31,200	32,000
Share issuing expenses		—	—	(982)	(982)
At 31 December 2017 and 2018		240,000,000	2,400	90,043	92,443

Note:-

(a) On 21 April 2017, 80,000,000 new ordinary shares of HK$0.01 each ("**Rights Share(s)**") were allotted and issued by way of Rights Issue at a subscription price of HK$0.4 per Rights Share for a total cash consideration, before share issuing expenses, of HK$32,000,000. A premium of HK$0.39 per Rights Share for cash, the excess of the subscription price over the par value of the shares issued upon the Rights Issue, totalling HK$31,200,000 was credited to the share premium account of the Company.

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 2018 and 2017.

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.

26. 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 2017	59,825	20,000	(20,336)	59,489
Loss and total comprehensive loss for the year	—	—	(3,914)	(3,914)
Issue of shares (Note 25)	31,200	—	—	31,200
Share issuing expenses	(982)	—	—	(982)
At 31 December 2017 and 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	**90,043**	**20,000**	**(23,308)**	**86,735**

(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.

26. 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 2018, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK$66,735,000 (2017: approximately HK$65,793,000).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING 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.

	Bank borrowings HK$'000	**Total** HK$'000
At 1 January 2017	87,276	87,276
Changes from financing cash flows:-		
New bank borrowings raised	101,207	101,207
Repayment of bank borrowings	(125,986)	(125,986)
Interest paid for bank borrowings	(2,227)	(2,227)
Other finance costs paid	(181)	(181)
	60,089	60,089
Exchange adjustments	772	772
Other changes:-		
Interest expenses	2,408	2,408
At 31 December 2017 and 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	(3,053)	(3,053)
Other finance cost paid	(494)	(494)
	167,234	167,234
Exchange adjustments	(956)	(956)
Other changes:-		
Interest expenses	3,547	3,547
At 31 December 2018	169,825	169,825

28. 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$'000	2017 HK$'000
Within one year		
— Plant and machinery	147	155
— Buildings	1,606	1,556
	1,753	1,711

Operating leases payments represent rentals payable by the Group for the factories and staff quarters. Lease is negotiated for a term of two to five years (2017: two to five years) with fixed monthly rentals.

The Group as lessor:-

At 31 December 2018, the Group's future minimum lease payments in respect of buildings under non-cancellable operating lease are receivable as follows:-

	2018 HK$'000	2017 HK$'000
Within one year	3,943	2,306
In the second to fifth years	1,100	851
	5,043	3,157

Operating lease payments 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 2018, the Group had outstanding capital commitments as follows:-

	2018 HK$'000	2017 HK$'000
Plant and machinery:-		
Contracted but not provided for	20,191	16,715

29. 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 2018 and 2017:-

	Relationship	2018 HK$'000	2017 HK$'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	175
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	15,079
Sales to:-			
Suenglh Corporation Limited ("**Suenglh**")	(iv)	—	1,724

* Exempt 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 ceased to be a shareholder of Nan Hua Jin Li since 5 June 2018.

(iv) Suenglh was legally and beneficially owned as to 100% by Mr. Zhu Chengxian, who is a nephew of Mr. Chu, a connected person of the Company.

29. 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 2018 and 2017.

(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:-

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	7,722	7,012
Discretionary bonuses	1,200	1,074
Contributions to defined contribution plans	144	144
	9,066	8,230

30. 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:-

	2018 HK$'000	2017 HK$'000
MPF Scheme	593	569
Social Insurance Scheme	3,549	3,281
	4,142	3,850

31. 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 2018 and 2017, which represented the amounts of maximum exposure to credit risk, were as follows:-

	2018	2017
	HK$'000	HK$'000
Trade and bills receivables	**45,662**	47,621
Deposits and other receivables	**20,308**	18,178
Cash and bank balances	**19,105**	16,933
	85,075	82,732

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 2018, 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 2018 and 2017, 15% and 7% of the total trade and bills receivables were due from the Group's largest customer; 51% and 40% 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.

31. 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 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. Therefore, ECL rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made at 31 December 2018.

The cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$6,747,000 and approximately HK$3,458,000 at 31 December 2018 and 2017 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.

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.

31. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Liquidity risk *(continued)*

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 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

	At 31 December 2017				
	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	89,467	89,467	89,467	—	—
Other payables and accruals	10,374	10,374	10,374	—	—
Bank borrowings	63,269	66,489	20,536	44,802	1,151
	163,110	166,330	120,377	44,802	1,151

31. 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 2018 and 2017 exposed to currency risk were as follows:-

	2018 HK$'000	2017 HK$'000
Financial assets denominated in foreign currencies:-		
Trade and bills receivables	**20,736**	29,695
Other receivables	**680**	577
Cash and bank balances	**3,273**	6,876
	24,689	37,148
Financial liabilities denominated in foreign currencies:-		
Trade payables	**(3,559)**	(4,971)
Other payables	**—**	(2,700)
Bank loans	**(4,318)**	—
	(7,877)	(7,671)
Net financial assets exposed to currency risk	**16,812**	29,477

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

	2018 HK$'000	2017 HK$'000
United States dollars	**19,110**	28,833
Japanese Yen	**12**	14
Euro	**802**	766
Renminbi	**(1,168)**	(129)
Other currencies	**159**	59
	18,915	29,543

31. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Currency risk *(continued)*

Entities with functional currency in Renminbi

	2018 HK$'000	2017 HK$'000
United States dollars	—	931
Japanese Yen	(2,110)	(1,020)
Hong Kong dollars	3	18
Other currencies	4	5
	(2,103)	(66)

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 United States dollars against Renminbi and Renminbi against Japanese Yen to which the Group has significant exposure:-

	Year ended 31 December 2018		Year ended 31 December 2017	
	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
United States dollars/Renminbi	1%	—	1%	9
	(1%)	—	(1%)	(9)
Japanese Yen/ Renminbi	6%	(126)	6%	(61)
	(6%)	126	(6%)	61

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.

31. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Currency risk *(continued)*

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.

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 2018 and 2017:-

	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)

	Effective interest rate %	2017 HK$'000
Variable rate financial assets		
Bank balances	0.00%–0.35%	6,642
Variable rate financial liabilities		
Secured bank loans	2.24%–2.71%	(63,269)
		(56,627)

At 31 December 2018, all bank balances earning variable interests and all secured bank borrowings bearing variable interests were exposed to interest rate risk.

31. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

Interest rate risk *(continued)*

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:-

	2018 HK$'000	2017 HK$'000
Decrease in net profit and retained profits for the year	(350)	(119)

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.

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 2018 and 2017.

32. 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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	34	—	—
CURRENT ASSETS			
Prepayments and other receivables		1,405	2,625
Amounts due from subsidiaries		93,719	89,303
Income tax recoverable		—	196
Cash at bank		435	2,891
		95,559	95,015
CURRENT LIABILITIES			
Other payables and accruals		479	877
Amounts due to subsidiaries		5,945	5,945
		6,424	6,822
NET CURRENT ASSETS		89,135	88,193
NET ASSETS		89,135	88,193
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital	25	2,400	2,400
Reserves	26	86,735	85,793
TOTAL EQUITY		89,135	88,193

34. INVESTMENTS IN SUBSIDIARIES

	2018 HK$	2017 HK$
Unlisted shares, at cost	8	8

34. 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 2018	2017	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%	—	Dormant
China Scene	Hong Kong	Limited liability company	HK$22,000,000	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.

34. INVESTMENT 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.

Financial Summary

The financial results of the Group for the years 2014 to 2018 and the assets and liabilities of the Group as at 31 December 2014, 2015, 2016, 2017 and 2018 are as follows:-

	Years ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	384,752	311,500	303,197	304,214	**323,529**
Gross profit	88,306	76,446	96,115	80,051	**65,198**
Profit before taxation	16,820	7,351	32,793	29,129	**3,780**
Profit attributable to owners of the Company	11,693	3,399	24,040	23,321	**6,195**
Non-current assets	189,773	188,455	227,696	269,565	**372,562**
Current assets	162,736	129,271	114,402	151,151	**156,601**
Current liabilities	(274,261)	(164,193)	(127,937)	(126,192)	**(230,323)**
Non-current liabilities	(43,231)	(38,408)	(51,735)	(48,821)	**(47,950)**
Total equity attributable to owners of the Company	35,017	115,125	162,426	245,703	**250,890**
Financial key performance indicators					
Gross profit margin	22.95%	24.54%	31.70%	26.31%	**20.15%**
Net profit margin	3.04%	1.09%	7.93%	7.67%	**1.91%**
Gearing ratio	4.92	0.97	0.64	0.32	**0.80**

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