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GOLDEN POWER GROUP HOLDINGS LIMITED

金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3919)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$330.25 million for the Year (2021: approximately HK\$347.22 million), representing a decrease of approximately 4.89% as compared with the Last Year.
- Loss attributable to shareholders of the Company for the Year was approximately HK\$22.79 million (2021: profit attributable to shareholders of approximately HK\$4.71 million), representing a turnaround from profit to loss, which was mainly attributable to the combined effects of (i) decrease of gross profit approximately HK\$1.95 million as compared to the Last Year resulted from the decrease of revenue by approximately HK\$16.97 million; (ii) the depreciation of Renminbi (“RMB”) against Hong Kong Dollar, which led to the Group recording a foreign exchange loss and a hedging loss during 2022; (iii) fair value loss of investment properties interest held by the Group; and (iv) decrease of rental income from investment properties held by the Group.
- The basic loss per share for the Year was HK(6.33) cents (2021: HK1.51 cents earnings per share).
- The Directors resolved not to recommend the payment of any dividend for the Year (2021: Nil).

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Golden Power Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2021 (the “**Last Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	330,247	347,218
Cost of sales		<u>(258,709)</u>	<u>(273,731)</u>
Gross profit		71,538	73,487
Other revenue		3,959	6,016
Other gains and (losses)		(26,220)	3,820
Selling expenses		(18,603)	(17,554)
General and administrative expenses		<u>(53,229)</u>	<u>(56,018)</u>
(Loss)/profit from operations		(22,555)	9,751
Finance costs	4(a)	<u>(5,160)</u>	<u>(3,953)</u>
(Loss)/profit before income tax	4	(27,715)	5,798
Income tax	5	<u>4,921</u>	<u>(1,086)</u>
(Loss)/profit for the year attributable to the equity shareholders of the Company		<u><u>(22,794)</u></u>	<u><u>4,712</u></u>
(Loss)/earnings per share (HK cents)			
— Basic	6	<u><u>(6.33)</u></u>	<u><u>1.51</u></u>
— Diluted	6	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(22,794)</u>	<u>4,712</u>
Other comprehensive (loss)/income for the year, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(4,915)	2,662
Fair value gain on hedging instrument designated in cash flow hedge	—	8
Hedging reserve reclassified to profit or loss	<u>(8)</u>	<u>—</u>
	<u>(4,923)</u>	<u>2,670</u>
Total comprehensive (loss)/income for the year attributable to the equity shareholders of the Company	<u><u>(27,717)</u></u>	<u><u>7,382</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		345,011	343,577
Investment properties		97,000	105,000
Intangible assets		110	135
Prepaid land lease payments		3,958	4,558
Right-of-use assets		6,249	8,811
Deposits paid for acquisition of property, plant and equipment	10	9,841	14,856
Pledged deposit	10	1,945	1,945
Deferred tax assets		10,750	7,307
		<u>474,864</u>	<u>486,189</u>
CURRENT ASSETS			
Inventories	8	48,789	60,051
Trade and bills receivables	9	47,974	53,702
Deposits, prepayments and other receivables	10	31,210	29,638
Derivative financial instrument		—	8
Income tax recoverable		3,296	1,429
Cash and bank balances		21,508	36,630
		<u>152,777</u>	<u>181,458</u>
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	11	84,581	78,576
Other payables and accruals	12	27,551	31,860
Contract liabilities	13	2,243	2,858
Bank and other borrowings	14	186,838	181,261
Lease liabilities		4,306	4,086
Income tax payable		2,774	208
		<u>308,293</u>	<u>298,849</u>
NET CURRENT LIABILITIES		<u>(155,516)</u>	<u>(117,391)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>319,348</u>	<u>368,798</u>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	14	27,106	44,911
Lease liabilities		1,738	4,534
Deferred tax liabilities		<u>3,137</u>	<u>4,269</u>
		<u>31,981</u>	<u>53,714</u>
NET ASSETS		<u>287,367</u>	<u>315,084</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	15	3,600	3,600
Reserves		<u>283,767</u>	<u>311,484</u>
TOTAL EQUITY		<u>287,367</u>	<u>315,084</u>

Approved and authorised for issue by the Board of Directors on 23 March 2023.

NOTES

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

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

(b) Initial application of HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 December 2022 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 2022:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

(d) 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 incurred a net loss of approximately HK\$22,794,000 for the year ended 31 December 2022 and at that date, the Group had net current liabilities of approximately HK\$155,516,000. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

- (i) At 31 December 2022, the Group had unutilised banking facilities of approximately HK\$29,346,000 and subsequent to the reporting period, the Group had a new banking facility of approximately HK\$10,000,000;
- (ii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank borrowings with an aggregate principal amount of approximately HK\$75,873,000 maturing on or before the date when the consolidated financial statements are authorised for issuance;
- (iii) For the borrowings which will be maturing before 31 December 2023, the Group will actively negotiate with the banks before they fall due to secure their renewals so as to ensure the Group will have necessary funds to meet the Group’s working capital and financial requirements in the future. The Directors do not expect to experience significant difficulties in renewing these borrowings upon their maturities and there is no indication that its bankers will not renew the existing facilities upon the Group’s request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturities;

- (iv) Given the Group maintained strong business relationship with its bankers and based on past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire;
- (v) The Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary; and
- (vi) Refer to the announcement made on 16 March 2023, the Company proposes to raise approximately HK\$19.8 million, before expenses, by issuing 180,000,000 rights shares by way of rights issue at the subscription price of HK\$0.11 per rights share.

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

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

3. 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.

- (i) Disaggregation of revenue from contracts with customers by product categories is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from customers and recognised at a point in time		
Sales of battery products:		
— Disposable batteries	325,043	340,463
— Rechargeable batteries	5,054	6,080
— Other battery-related products	150	675
	330,247	347,218
	330,247	347,218

- (ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

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

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

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

Information regarding the Group's reportable segments for the years ended 31 December 2022 and 2021 is set out below:

Segment revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	182,333	176,449
— Carbon	43,238	65,835
	<u>225,571</u>	<u>242,284</u>
(ii) Micro-button cells		
— Alkaline	65,695	68,817
— Other micro-button cells	33,777	29,362
	<u>99,472</u>	<u>98,179</u>
	<u>325,043</u>	<u>340,463</u>
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	5,054	6,080
(ii) Other battery-related products	150	675
	<u>5,204</u>	<u>6,755</u>
	<u>330,247</u>	<u>347,218</u>

Segment results

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	27,535	33,119
— Carbon	3,770	2,893
	<u>31,305</u>	<u>36,012</u>
(ii) Micro-button cells		
— Alkaline	20,372	21,023
— Other micro-button cells	18,357	14,814
	<u>38,729</u>	<u>35,837</u>
	<u>70,034</u>	<u>71,849</u>
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	1,427	1,503
(ii) Other battery-related products	77	135
	<u>1,504</u>	<u>1,638</u>
	<u>71,538</u>	<u>73,487</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment results	71,538	73,487
Unallocated other revenue	3,959	6,016
Unallocated other gains and losses	(26,220)	3,820
Unallocated corporate expenses	(71,832)	(73,572)
Finance costs	(5,160)	(3,953)
(Loss)/profit before income tax	<u>(27,715)</u>	<u>5,798</u>

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2022 and 2021. Segment results represent the gross profit of each type of products. This is the measure reported to the senior executive management for the purposes of resource allocation and performance assessment.

Other segment information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	6,666	7,100
— Micro-button cells	5,045	5,729
	<u>11,711</u>	<u>12,829</u>
Segment total	11,711	12,829
Unallocated depreciation and amortisation	5,974	5,547
	<u>17,685</u>	<u>18,376</u>

Revenue from major customers

During the years ended 31 December 2022 and 2021, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	—	39,494
Customer B	42,110	—
Customer C	35,092	—
	<u>77,202</u>	<u>39,494</u>

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.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	85,940	113,342
Hong Kong	24,666	42,327
Asia (except the PRC and Hong Kong)	71,942	51,560
Europe	45,901	65,270
Eastern Europe	16,953	16,756
North America	46,858	40,887
South America	13,078	14,762
Australia	24,485	523
Africa	136	513
Middle East	288	1,278
	<u>330,247</u>	<u>347,218</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	291,366	297,719
Hong Kong	165,198	172,831
Macau	7,550	8,332
	<u>464,114</u>	<u>478,882</u>

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

4. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Finance costs:		
Bank loans interest	6,606	5,653
Interest on import and other loans	2,040	751
Interest on lease liabilities	245	347
Bank overdraft interest	1	31
	<hr/>	<hr/>
Total interest expense	8,892	6,782
Less: interest expense capitalised into property, plant and equipment (<i>Note a</i>)	(3,732)	(2,829)
	<hr/>	<hr/>
	5,160	3,953
	<hr/> <hr/>	<hr/> <hr/>
(b) Staff cost (excluding Directors' emoluments) (<i>Note b</i>):		
Salaries, wages and other allowances	31,990	38,250
Contributions to defined contribution plans	4,263	4,734
	<hr/>	<hr/>
	36,253	42,984
	<hr/> <hr/>	<hr/> <hr/>
(c) Other items:		
Amortisation of intangible assets	45	51
Amortisation of prepaid lease payments	217	223
Auditors' remuneration		
— Audit services	762	712
— Non-audit services	155	53
Cost of inventories recognised as expenses	258,709	273,731
Depreciation		
— Property, plant and equipment	13,221	13,632
— Right-of-use assets	4,202	4,470
(Gain)/loss on disposals of property, plant and equipment:		
— Proceeds from disposals of property, plant and equipment	(193)	(29)
— Carrying amount of property, plant and equipment	101	136
	<hr/>	<hr/>
	(92)	107
(Reversal of)/write-down to net realisable value on inventories	(315)	128
Short-term lease expenses	88	83
Rental income less outgoings of approximately HK\$82,000 (2021: approximately HK\$245,000)	(298)	(1,523)
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) The borrowing costs have been capitalised at a rate of 4.33% and 3.81% per annum for the years ended 31 December 2022 and 2021 respectively.
- (b) In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of HK\$1,032,000 was received and net off the staff cost recognised during the year ended 31 December 2022.

5. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong profits tax:		
Provision for the year	271	692
Under/(over)-provision in prior years	23	(149)
Current tax — PRC enterprise income tax (“EIT”):		
Provision for the year	—	—
	294	543
Deferred taxation:		
Current year	(5,215)	543
Income tax (credit)/expense	<u>(4,921)</u>	<u>1,086</u>

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

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

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022/2023 subject to a maximum reduction of \$6,000 for each business (2021: a maximum reduction of \$10,000 was granted for the year of assessment 2021/2022).

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 9 November 2017 and 1 December 2020, respectively, 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 and from 1 January 2020, respectively.

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 28 November 2018 and 20 November 2021, respectively. 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 and from 1 January 2021, respectively.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before income tax	<u>(27,715)</u>	<u>5,798</u>
Tax effect at the Hong Kong profits tax rate of 16.5% (2021: 16.5%)	(4,573)	956
Tax effect of non-taxable income	(172)	(248)
Tax effect of non-deductible expenses	1,943	1,874
Tax effect of recognition of tax losses previously not recognised	(1,928)	(1,297)
Tax effect of unrecognised tax losses	349	185
Tax effect of utilisation of tax losses	(25)	(151)
Under/(over)-provision in prior years	23	(149)
Tax concession	(1,102)	(165)
Tax rate differential	<u>564</u>	<u>81</u>
Income tax (credit)/expense	<u>(4,921)</u>	<u>1,086</u>

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per Share attributable to the equity holders of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to the equity holders of the Company	(22,794)	4,712
	<i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of calculating basic (loss)/earnings per Share	<u>360,000</u>	<u>312,522</u>

Diluted (loss)/earnings per Share has not been disclosed as no dilutive potential equity shares has been in existence for the year ended 31 December 2022 and 2021, respectively.

The weighted average number of Share for the year ended 31 December 2021 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 right Share for every two existing Shares held on the record date, which was completed on 9 June 2021 (“**Right Issue**”).

7. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2022 and 2021.

8. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	10,806	18,020
Work in progress	31,525	27,684
Finished goods	8,843	17,287
	<u>51,174</u>	<u>62,991</u>
Less: Write-down to net realisable value	(2,385)	(2,940)
	<u>48,789</u>	<u>60,051</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	2,940	4,050
(Reversal of)/write-down to net realisable value for the year	(315)	128
Written off	—	(1,325)
Exchange adjustments	(240)	87
	<u>2,385</u>	<u>2,940</u>

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

9. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	46,775	53,377
Less: Loss allowance	—	—
	<u>46,775</u>	<u>53,377</u>
Bills receivables	1,199	325
	<u>47,974</u>	<u>53,702</u>

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.

Movements of allowance for credit losses of trade receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	—	512
Written off against trade receivables	—	(517)
Exchange adjustments	—	5
	<u>—</u>	<u>5</u>
At 31 December	<u>—</u>	<u>—</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	29,674	26,563
31–60 days	10,034	15,778
61–90 days	4,053	7,229
91–120 days	1,478	2,040
Over 120 days	2,735	2,092
	<u>47,974</u>	<u>53,702</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for trade receivables.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Utilities and other deposits	12,550	17,593
Prepayments	14,011	12,865
Other receivables	2,566	2,585
VAT recoverable	13,869	13,396
	<u>42,996</u>	<u>46,439</u>
Less: Non-current portion		
— Deposits paid for acquisition of property, plant and equipment	(9,841)	(14,856)
— Pledged deposit (<i>Note</i>)	(1,945)	(1,945)
	<u>31,210</u>	<u>29,638</u>

Note: The amount represent deposit pledged to financial institution to secure other borrowing granted to the Group.

11. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	19,543	17,991
31–90 days	23,899	31,522
91–180 days	28,937	22,455
Over 180 days	12,202	6,608
	<u>84,581</u>	<u>78,576</u>

12. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other payables	20,875	24,126
Accruals	6,330	7,388
Provision for annual leave	346	346
	<u>27,551</u>	<u>31,860</u>

13. CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	2,858	3,416
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,210)	(2,666)
Increase as a result of billing in advance	1,641	2,089
Exchange adjustments	(46)	19
	<u>2,243</u>	<u>2,858</u>
At 31 December	<u>2,243</u>	<u>2,858</u>

When the Group receives advance payment from customer, this will give rise to contract liabilities at the start of a contract, until the revenue recognised upon the satisfaction of the performance obligation.

14. BANK AND OTHER BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
	<i>Note</i>	
Secured bank loans	175,758	180,822
Secured bank import loans and other loans	38,186	45,350
	<u>213,944</u>	<u>226,172</u>
Total secured bank and other loans	(a)	226,172
Less: Amount classified as current liabilities	(186,838)	(181,261)
Amount classified as non-current liabilities	27,106	44,911
	<u>27,106</u>	<u>44,911</u>
The carrying amounts of the above borrowings are repayable*:		
Within one year	175,445	166,425
Within a period of more than one year but not exceeding two years	15,662	29,697
Within a period of more than two years but not exceeding five years	20,731	24,041
Within a period of more than five years	2,106	6,009
	<u>213,944</u>	<u>226,172</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:			
Within one year		186,838	181,261
Within a period of more than one year but not exceeding two years		9,599	23,118
Within a period of more than two years but not exceeding five years		15,401	15,784
Within a period of more than five years		2,106	6,009
		<u>213,944</u>	<u>226,172</u>
Less: Amount due within one year shown under current liabilities		<u>(186,838)</u>	<u>(181,261)</u>
Amount shown under non-current liabilities		<u>27,106</u>	<u>44,911</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) The Group had the following banking facilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total banking facilities granted	243,290	255,756
Less: banking facilities utilised by the Group	<u>(213,944)</u>	<u>(226,172)</u>
Unutilised banking facilities	<u>29,346</u>	<u>29,584</u>

At 31 December 2022, these banking facilities were secured by:

- (i) bank loans of approximately HK\$69,557,000 (2021: HK\$73,451,000) were guaranteed by unlimited cross corporate guarantee executed by the Company and its subsidiaries;
- (ii) bank loans of approximately HK\$144,387,000 (2021: HK\$152,721,000) were guaranteed by corporate guarantee of approximately HK\$412,128,000 (2021: HK\$321,089,000) executed by the Company; and
- (iii) certain property, plant and machinery, all investment properties and all prepaid land lease payments situated in Hong Kong, the PRC and Macau owned by the Group with aggregate carrying amount of HK\$141,282,000 (2021: HK\$154,820,000).

(b) There was no financial covenant for the banking facilities at 31 December 2022 and 2021.

15. CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Share capital

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

	Number of shares	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000	20,000
Issued and fully paid:			
At beginning of year	360,000,000	3,600	2,400
Issue of shares (<i>Note</i>)	—	—	1,200
At end of year	360,000,000	3,600	3,600

Note: On 9 April 2021, the Company announced that it proposed to raise approximately HK\$39.60 million, before share issue expenses of HK\$3,989,000, by issuing 120,000,000 rights shares (the “**Rights Shares**”) by way of Rights Issue at the subscription price of HK\$0.33 per Rights Share, on the basis of one Rights Share for every two existing Shares held on the record date. Completion of the Rights Issue took place on 9 June 2021, where an aggregate of 120,000,000 Rights Shares, representing approximately 33.33% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), were issued. The aggregate nominal amount of the Rights Shares is HK\$1,200,000.

CHAIRMAN'S STATEMENT

OVERVIEW OF OUR RESULTS

Revenue for the Year has decreased by approximately 4.89% to approximately HK\$330.25 million from approximately HK\$347.22 million in the financial year ended 31 December 2021 (the “**Last Year**”). Loss attributable to the shareholders of the Company was approximately HK\$22.79 million for the Year as compared to a profit of approximately HK\$4.71 million in the Last Year, which was a turnaround from profit to loss. Loss per share were HK(6.33) cents, as compared to the earnings per share of HK1.51 cents for the Last Year.

REVIEW AND OUTLOOK

The volatility of the exchange rates of foreign currencies, rising interest rates, as well as escalating labour costs and the fluctuations of commodity prices in the People's Republic of China (the “**PRC**”) and internationally exerted pressure on the Group's gross profit margin in the Year. Yet though effective cost control throughout the year, the Group was able to maintain the gross profit margin of the Group during the Year as compared to the previous year.

The year of 2022 is a challenging year for the Group. Since the outbreak of the Pandemic in January 2020, the virus variant continued to spread globally over the year of 2022 and emergency public health measures such as national-wide lock-downs, travel restrictions and various actions were taken to prevent the spread of the Pandemic. This led to an unstable logistics supply on the container and unforeseeable disruption to shipping schedule, which affected the delivery of products by the Group in first half year of 2022. The Russia-Ukraine War further caused the fluctuation of exchange rates, interest rate, material price, energy price and cost of delivery of the goods, which all put pressure on the Group's performance.

On the other hand, in 2022, widespread lock-down of cities and communities and the adoption of “dynamic zero-COVID policy” in PRC contributed to a shortage of manpower and supply of other production resources, such as electricity, which reduced the Group's production capacity and delayed production and delivery schedules of Group during 2022. Such disruption is reflected in a significant decrease on the Group's turnover, especially in PRC and Hong Kong region.

As a future outlook of 2023, under the policy of coexistence with COVID-19 in the PRC and most of the countries, the resumption of international transportation and logistics allows the Group to rebuild our connections with international customers. In addition, the Group will endeavour to catch up the recovery of PRC and Hong Kong market. It is expected that commodity prices and logistics costs will gradually go down in 2023, as its downward trend has started to reflect at the late 2022. The Group will also continue to improve its financial performance by tightening cost control, upgrading production automation and enhancing production efficiency. As such, the Group will continue its strategy of investing in production facilities and automation to increase cost efficiency and productivity.

On the other hand, with the continuation of the military hostilities between Russia and Ukraine causing inflations in global economy, potential raising energy and commodity prices, hikes in interest rates, volatility of the exchange rates of foreign currencies, which cumulated into a slowdown of the global economy and may continue to cause some uncertainties in the market in 2023. It is expected that the hikes of inflation and interest rates will remain in 2023 globally, especially in European and American markets, which resulted in dissipation of purchasing power of consumers in European and American markets. This will be a potential threat which drives down the Group's turnover in 2023 from the European and American markets. With the interest rates hike, the Group also face an increase of interest expense. The Board will focus on taking actions to minimise the negative impact brought by the said unfavourable factors.

Through the investment in automation and production lines since 2017, the Group realized cost-saving in production. In the long run, by saving the production cost, the Group will be allowed to allocate more resources to enhance our research and development capability and to develop the new variety of products, which will contribute to the expansion and ensure the sustainability of the Group.

In 2023, the Group will continue to streamline its operation structure in the PRC to maintain our competitiveness. The Group will continue to implement restructuring of the subsidiaries to achieve cost control over the cost of sales. The synergy effect is expected to bring better efficiency and save costs as a whole to the Group.

Despite the challenging condition of the market in 2022, the Group has continued to strive for enhancing the production efficiency of disposable batteries. We believe that the demand from our OEM customers for disposable batteries will grow steadily as the market demand for disposable batteries is generally increasing. The Group will also continue to improve the product performance, broadening our private label customer base, and expanding our retail market in 2023. We will also strive for expanding our product portfolio and upgrading the quality, reliability and durability of our products.

FUTURE DEVELOPMENT

Going forward, the Group will continue to strengthen its competitiveness in the market by increasing our research and development input and strengthen our products diversity, which will in turn enhance our products quality and production technology and secure our long-term success in the industry. A newly designed automatic production line for producing cylindrical battery will be commenced the trial-run in first half year of 2023 projection and we will expect it can be commenced commercial production in the late 2023.

With the newly acquired production lines commencing commercial production, the Group is ready to capture the rebound of demand over battery products brought by the recovery of global economy upon the coexistence with COVID-19 globally in 2023. While the management is prudently optimistic about the business outlook in 2023 and the general economic recovery, the Group will closely monitor the possible fluctuation of the interest rates and the exchange rates, increase in materials and labour costs and the change in market demand over battery products, in order for the Group to take timely and appropriate measures to minimize the possible negative impact which may be brought to the business of the Group.

To achieve a wider sustainability, Group keeps put effort on aspect of Environmental, Social and Governance (ESG) in manufacturing process. The Group will continue to enforce to decrease the carbon emission and energy consumption.

The Board will continue to focus on our manufacturing business which is our core business by enhancing its production competency and efficiency. In order to diversify revenue streams and strengthen the Group's performance under the current challenging environment of our manufacturing business, the Board will continue to explore other business opportunities and potential investment opportunities. The Board believes that a more diversified revenue stream is expected to deliver long term sustainable value to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The revenue of cylindrical batteries for the Year decreased by approximately HK\$16.71 million from approximately HK\$242.28 million for the Last Year to approximately HK\$225.57 million for the Year, which was equivalent to an decrease in approximately 6.90% in revenue of cylindrical batteries. Such decrease in revenue was mainly due to decrease in its general demand in Europe, China and Hong Kong during the Year.

The revenue of micro-button cells for the Year increased by approximately HK\$1.29 million from approximately HK\$98.18 million for the Last Year to approximately HK\$99.47 million for the Year, which was equivalent to a increase of approximately 1.32% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year decreased by approximately HK\$1.55 million from approximately HK\$6.76 million for the Last Year to approximately HK\$5.20 million for the Year, which was equivalent to approximately 22.97% decrease in revenue of rechargeable batteries and other battery-related products. Such decrease in revenue was mainly due to decrease in its general demand except in the East Europe and PRC market.

Revenue for the Year has decreased by approximately 4.89% to approximately HK\$330.25 million from approximately HK\$347.22 million in the Last Year. The Company recorded a turnaround from profit to loss that the loss attributable to the shareholders of the Company was approximately HK\$22.79 million for the Year, as compared to a profit of approximately HK\$4.71 million in the Last Year. Loss per share were HK(6.33) cents, as compared to the earnings per share of HK1.51 cents for the Last Year.

FINANCIAL REVIEW

Revenue

Revenue for the Year was approximately HK\$330.25 million (2021: approximately HK\$347.22 million) representing an decrease of approximately 4.89% as compared to the Last Year. Such decrease was mainly attributable to the decrease in demand of cylindrical batteries from Europe, China and Hong Kong.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	85,940	113,342
Hong Kong	24,666	42,327
Asia (except the PRC and Hong Kong)	71,942	51,560
Europe	45,901	65,270
Eastern Europe	16,953	16,756
North America	46,858	40,887
South America	13,078	14,762
Australia	24,485	523
Africa	136	513
Middle East	288	1,278
	<u>330,247</u>	<u>347,218</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cylindrical batteries	225,571	242,284
Micro-button cells	99,472	98,179
Rechargeable batteries and other battery-related products	5,204	6,755
	<u>330,247</u>	<u>347,218</u>

Gross Profit

The Group recorded a gross profit for the Year of approximately HK\$71.54 million (2021: approximately HK\$73.49 million), representing a decrease of approximately 2.65% as compared to the Last Year, which was mainly due to the decrease in cost of sales by approximately HK\$15.02 million from approximately HK\$273.73 million for the Last Year to approximately HK\$258.71 million for the Year, representing an decrease of approximately 5.48%. The decrease was mainly attributable to the decrease in revenue, effective cost control measures in lowering the labour costs and the depreciation in RMB during 2022 resulting in the decrease in prices of raw materials and packaging materials.

Expenses

During the Year, the selling expenses of the Group increased by approximately 5.98% to approximately HK\$18.60 million as compared to approximately HK\$17.55 million in the Last Year. The increase was mainly due to the increase in the promotion and travelling expenses. The Group's general and administrative expenses decreased by approximately HK\$2.79 million to approximately HK\$53.23 million as compared to approximately HK\$56.02 million for the Last Year. The decrease in general and administrative expenses was mainly due to the decrease in salaries and entertainment expenses.

Finance Costs

The finance costs of the Group has increased by approximately 30.53% to approximately HK\$5.16 million for the Year as compared to approximately HK\$3.95 million in the Last Year. The increase was mainly due to the increase in interest rate.

Income Tax

The income tax expense of the Group has decreased by approximately HK\$6.01 million to approximately HK\$4.92 million tax credit for the Year as compared to approximately HK\$1.09 million tax expense for the Last Year. The decrease was due to the drop of the Group's profit in the Year.

Profit/loss attributable to the Shareholders

Loss attributable to shareholders of the Company for the Year was approximately HK\$22.79 million (2021: profit attributable to shareholders approximately HK\$4.71 million), representing a turnaround from profit to loss, which was mainly attributable to the combined effects of (i) decrease of gross profit approximately HK\$1.95 million as compared to the Last Year resulted from the decrease of revenue by approximately HK\$16.97 million; (ii) the depreciation of RMB against Hong Kong Dollar, which led to the Group recording a foreign exchange loss and a hedging loss during 2022; (iii) fair value loss of investment properties interest held by the Group; and (iv) decrease of rental income from investment properties held by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group operates a conservative set of treasury policies to preserve value of the Group's assets and ensure that no unnecessary risk is taken with respect to the Group's assets. No financial investment other than cash and bank deposits were currently held by the Group during the Year.

As at 31 December 2022, the cash and bank balances were approximately HK\$21.51 million, which was approximately HK\$15.12 million less than HK\$36.63 million as at 31 December 2021.

As at 31 December 2022, the Group has utilised banking facilities of approximately HK\$213.94 million, which was approximately 87.94% of the total banking facilities available, as compared to the utilised amount of approximately HK\$226.17 million as at 31 December 2021 which was approximately 88.43% of the total banking facilities available, which represents an decrease by approximately HK\$12.23 million in the utilised banking facilities as at 31 December 2022 over 31 December 2021. The Directors believe that the utilisation rate of the banking facilities has been maintained at a reasonable level. The Directors also believe that the existing banking facilities are at a safe level to support the Group's operating needs.

CHARGES ON ASSETS

The Group's bank borrowing facilities were secured mainly by certain property, plant and equipment, all investment properties and all prepaid land lease payment of the Group with carrying value of approximately HK\$141.28 million as at 31 December 2022 (2021: approximately HK\$154.82 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The assets, liabilities and transactions of the Group are mainly denominated in Hong Kong dollars, RMB 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.

During the year, the Group entered into the foreign exchange future contracts to hedge against the fluctuation in exchange rates between RMB and Hong Kong Dollar for the forecast purchase transactions, which had a total contract value of RMB65 million. All the foreign exchange future contracts had completed during the Year and the Group did not enter into any other foreign currency borrowing contracts or hedging instruments.

Net exchange losses of HK\$12.27 million have been incurred for the year mainly due to the depreciation of RMB against Hong Kong Dollar.

FINANCIAL KEY PERFORMANCE INDICATORS

	2022	2021
Gross profit margin	21.66%	21.16%
Net profit margin	(6.90)%	1.36%
Gearing ratio	<u>0.86</u>	<u>0.85</u>

Gross Profit Margin

The gross profit margin increased by approximately 0.50 percentage points from approximately 21.16% for the Last Year to approximately 21.66% for the Year. It was mainly due to the effective cost control measures in lowering the labour costs and the depreciation in RMB during the year resulting in the decrease in prices of raw materials and packaging materials.

Net Profit/Net loss Margin

The net profit margin decreased by approximately 8.26 percentage points to net loss margin of approximately (6.90)% for the Year as compared to approximately 1.36% for the Last Year. The decrease in the net profit margin was mainly attributable to the depreciation of RMB against Hong Kong Dollar, which led to the Group recording a foreign exchange loss and a hedging loss during 2022; and fair value loss of investment properties interest held by the Group.

Gearing Ratio

The gearing ratio increased by 0.01 to 0.86 for the Year as compared to 0.85 for the Last Year. The increase was mainly due to the decrease in the total equity during the Year. Gearing ratio is defined as the total other payables and accruals, bank borrowings and lease liabilities divided by total equity.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: 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\$287.37 million as at 31 December 2022 (2021: approximately HK\$315.08 million).

DIVIDEND

The Directors resolved not to recommend the payment of any dividend for the Year (2021: nil).

CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital expenditures contracted for approximately HK\$4.38 million on a newly designed and automatic production line and others auxiliary machineries for producing mercury-free, cadmium-free and lead-free disposable batteries. Other than the disclosed, the Group had no other capital expenditure commitment.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, the Group had the following significant investments: (i) the Company's investment in various subsidiaries; (ii) the investment in two investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories (the "**Tai Ping Properties**"), which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) for leasing purpose and (iii) Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong (the "**Fortune Plaza Shop**"), which is held by China Scene Limited (an indirect wholly-owned subsidiary of the Company) (collectively, the "**Investment Properties**").

All of tenancies of the Investment Properties had expired as at 31 December 2022 and were open to let. As at 31 December 2022, the fair value of the Investment Properties is approximately HK\$97.00 million and the relative size of the Investment Properties to the total assets of the Group as at 31 December 2022 was approximately 15%. The Investment Properties recorded a fair value loss of HK\$8.00 million for the Year. The rental income generated from the Investment Properties was HK\$0.38 million during the Year. The investment strategy of the Company in respect of the Investment Properties is that, despite the recent cooling down of the Hong Kong property market, the Company aims to broaden the Company's fixed asset base with a positive and stable returns in the long-run, which can diversify the source of income of the Company and generate healthy income streams in to the Group.

Save as the above, the Group did not hold any other significant investments as at 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group has from time to time been exploring investment opportunities that would benefit the Shareholders as a whole. The Group had capital expenditures contracted for approximately HK\$4.38 million for the acquisition of a newly designed and automatic production line and auxiliary and other machineries for producing mercury-free, cadmium-free and lead-free disposable batteries. Except for those disclosed in this announcement, the Group did not have any specific plans for material investment or capital asset as at 31 December 2022.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) The Group's business in European and American markets may be affected by the dissipation of purchasing power of customers resulted from inflation as a result of the military hostilities between Russia and Ukraine, the Group will focus on taking actions to minimise the negative impact;
- (ii) The Group's business and operation may be seriously affected by the outbreak of COVID-19 or other public health incidents, which may cause lockdown, travel restrictions and suspension of work in Hong Kong, PRC or elsewhere;
- (iii) The Group has no long-term sales contracts with most of its major customers. If the business relationships with the major customers deteriorates or if any of the major customers reduces substantially its purchases from the Group or terminates its business relationship with the Group entirely, the business, results of operations and financial condition of the Group may be adversely affected;
- (iv) 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;

- (v) The Group's revenue is denominated in RMB, Hong Kong dollars and US dollars and the cost of sales is primarily denominated in RMB and the remaining is denominated in Hong Kong dollars, US dollars and Euros. The value of RMB 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;
- (vi) The Group's business is subject to seasonality, therefore the first quarter of a year may record relatively lower revenue. In particular, the revenue generated during the month of Chinese New Year may be significantly lower than the average revenue generated during a year; and
- (vii) The Group manufactures some of the products on a made-to-stock basis (that is the Group manufactures before the customers place orders with it) with reference to the sales forecast prepared in the light of the customers' historical buying pattern, particularly batteries to be sold to the customers under the Group's branded business which adopt its original design and specifications. If the sales forecast turns out to be inaccurate and the customers do not place orders with the Group in the volumes as expected, the products produced may not be absorbed by other customers, and the Group's business, results of operations and financial condition may be adversely affected.

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

EMPLOYEES AND REMUNERATION POLICY

The Directors believe that employees are an important asset to the Group and the quality of the employees is an important factor in sustaining the Group's business growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salary and contributions to the mandatory provident fund, staff benefits also include medical insurance scheme and the options which may be granted under the share option scheme adopted by the Company. The Group also arranges induction and on-the-job training to employees from time to time.

As at 31 December 2022, the Group had a total of 475 employees (2021: 490 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$46.59 million in the Year (2021: approximately HK\$53.35 million) representing an decrease of approximately 12.67% for the Year. Directors' remuneration for the Year amounted to approximately HK\$10.33 million (2021: approximately HK\$10.36 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK\$0.50 million (2021: approximately HK\$0.49 million).

Other than the statutory Mandatory Provident Fund Scheme in Hong Kong or the central pension scheme in the PRC, the Group does not have pension scheme for employees and there was no contributions which could be forfeited by the Group as at the end of the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

The Group has also appointed Mr. Liang Tao, the general manager of Goldtium (Jiangmen) Energy Products Company Limited ("**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 the Group's internal standard in respect of environmental matters.

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

For more information in our environmental policies, please refer to the ESG Report in the annual report of the Company for the Year, which will be published according to Listing Rules by April 2022.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC 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. For further information, please refer to the Corporate Governance Report in the annual report of the Company for the Year, which will be published according to Listing Rules by April 2022.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the required standards for securities transactions by Directors. The Company has made specific enquiries to 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.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

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 2023. A newly designed automatic production line for producing cylindrical battery will be commenced the trial-run in first half of 2023 and the Company expects it can commence commercial production in the late 2023.

To achieve a wider sustainability, Group keeps put effort on aspect of Environmental, Social and Governance (ESG) in manufacturing process. Group will continue to enforce to decrease the carbon emission and energy consumption. In order to maintain its market competitiveness and sustainability, the Group will continue to streamline its corporate structure in the PRC, potential business and investment opportunities in 2023.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 9 April 2021, the Company announced that it proposed to raise approximately HK\$39.60 million, before expenses of approximately HK\$3.99 million, by issuing 120,000,000 rights shares (the “**Rights Share(s)**”), which after fully-paid would rank pari passu with the ordinary Shares, by way of Rights Issue at the subscription price of HK\$0.33 per Rights Share, on the basis of one Rights Share for every two existing Shares held on the record date by the Shareholders.

As disclosed in the Rights Issue prospectus dated 14 May 2021, the gross proceeds from the Rights Issue were approximately HK\$39.60 million and the net proceeds from the Rights Issue, after deducting the related expenses and underwriting commission, were approximately HK\$35.50 million.

During the year ended 31 December 2022, the net proceeds from the Rights Issue of the Company had been applied as follows:

	Planned use of proceeds as stated in the Rights Issue Prospectus <i>HK\$'million</i>	Actual use of proceeds during the year ended 31 December 2022 <i>HK\$'million</i>	Remaining proceeds as at 31 December 2022 <i>HK\$'million</i>	Intended timeline for the use of the proceeds
Repayment of bank loan	20.0	—	—	—
Upgrade equipment and machines	11.9	8.3	—	—
General working capital	3.6	—	—	—
	<u>35.5</u>	<u>8.3</u>	<u>—</u>	

The net proceeds from the Rights Issue have been fully utilised in the manner set out in the disclosure in the Rights Issue Prospectus during the Year.

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.

EVENT AFTER REPORTING PERIOD

On 16 March 2023, the Company announced that it proposed to raise approximately HK\$19.80 million, before expenses, by issuing 180,000,000 rights shares (the “**Rights Share(s)**”), which after fully-paid would rank *pari passu* with the existing ordinary Shares, by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.11 per Rights Share, on the basis of one Rights Share for every two existing Shares held on the record date by the Shareholders. It is expected that the prospectus document of the Rights Issue will be issued to qualifying Shareholders on 31 March 2023. For further details of the Rights Issue, please refer to the announcement of the Company dated 16 March 2023.

Save as the above, there is no other material event for disclosure subsequent to 31 December 2022 and up to the date of this announcement.

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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 25 May 2023 (the “**2023 AGM**”). A notice convening the 2023 AGM will be published and despatched to the Shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the identity of the Shareholders who will be eligible to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (both dates inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 17F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Friday, 19 May 2023.

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 2023 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2023 AGM.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary annual results announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.goldenpower.com and the website of the Stock Exchange at www.hkexnews.hk. The 2022 annual report of the Company will be despatched to the Shareholders and available on the above websites according to the Listing Rules by April 2023.

APPRECIATION

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

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

Hong Kong, 23 March 2023

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