

GoldenPower[®]

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8038

PLACING

Sole Sponsor

RaffAello
CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager

RaffAello
Securities (HK) Ltd

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

GoldenPower®

GOLDEN POWER GROUP HOLDINGS LIMITED

金力集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 56,000,000 Placing Shares
Placing Price : Not more than HK\$1.35 per Placing Share and expected to be not less than HK\$1.25 per Placing Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value : HK\$0.01 per Share
Stock code : 8038

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



Co-Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter) on the Price Determination Date, which is expected to be on or about Monday, 1 June 2015, or such later date as may be agreed by the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company. The Placing Price will not be more than HK\$1.35 per Placing Share and expected to be not less than HK\$1.25 per Placing Share. The Sole Lead Manager (for itself and on behalf of the other Underwriter) may reduce the indicative Placing Price range stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction of the indicative Placing Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.goldenpower.com. If our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter), the Placing will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus. Prospective investors of the Placing Shares should note that the Sole Lead Manager (for itself and on behalf of the other Underwriter) is entitled to terminate its obligations under the Underwriting Agreement by notice in writing to us (for ourselves and on behalf of the executive Directors and our Controlling Shareholders), upon the occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out.

29 May 2015

CHARACTERISTICS OF GEM

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

(Note 1)

Expected Price Determination Date *(Note 2)* Monday, 1 June 2015

Announcement of the determination of the Placing Price,
the level of indication of interest in the Placing
to be published on the website of the Stock Exchange
at www.hkexnews.hk *(Note 3)* and our Company's website
at www.goldenpower.com *(Note 3)* on or before Thursday, 4 June 2015

Allotment of the Placing Shares on or before Thursday, 4 June 2015

Deposit of share certificates into CCASS
on or before *(Notes 4 & 5)* Thursday, 4 June 2015

Dealings in Shares on GEM to commence
at 9:00 a.m. *(Note 5)* on Friday, 5 June 2015

Notes:

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" of this prospectus. If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.goldenpower.com.
2. The Price Determination Date is expected to be on or about Monday, 1 June 2015 (or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter). If the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. None of the websites or any information contained therein form part of this prospectus.
4. The Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Thursday, 4 June 2015 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
5. All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" of this prospectus. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms we will make an announcement as soon as possible.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives of any of them or any other person involved in the Placing.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in our Placing Shares are set out in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in our Placing Shares.

It is expected that listing expenses amounting to approximately HK\$8.26 million will be recognised as our expenses for the financial year ending 31 December 2015. For details of the impact of the listing expenses on our consolidated statement of profit or loss and the resulting material adverse change in the financial or trading position or prospects of our Group since 31 December 2014, please refer to the paragraphs headed “Financial Information — Listing expenses” and “Financial Information — Material adverse change”, respectively, in this prospectus. In addition, we have thin profit margins and our financial results and net profit margin may be significantly adversely affected by a number of factors, such as (i) listing expenses, (ii) fluctuation in administrative expenses, (iii) fluctuation in sales, selling prices of our products, production volume, raw material prices and effective tax rate, etc. For details of the relevant risks associated, please refer to the paragraph headed “Risk Factors — Risks relating to the business of our Group — We have thin profit margins and we may not be able to sustain our historical profitability in future” in this prospectus.

OVERVIEW

Our 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 both under our own “Golden Power” brand and the brands of our private label and OEM customers. To broaden our product offering, we constantly develop new products and during the Track Record Period, we developed 22 new battery models. We successfully developed and obtained one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of mercury-free alkaline and silver oxide micro-button cells.

We pride ourselves on our diversified portfolio of batteries and related products to cater for the different requirements and preferences of our customers. With more than 270 battery models in different sizes and with battery capacity ranging from 6 mAh to 13,800 mAh, which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators, we offered one of the broadest ranges of products among the battery manufacturers with production bases in the PRC as at the end of 2013 according to the Ipsos Report. Further, as stated in the Ipsos Report, with the introduction of new policies and regulations in the European Union and the PRC, the global battery market is evolving towards hazardous substance-free batteries. We have therefore developed hazardous substance-free batteries under our “ecototal” series which are mercury-free, cadmium-free and lead-free and made

SUMMARY AND HIGHLIGHTS

use of our PRC invention patent and utility model patents to produce mercury-free alkaline and silver oxide micro-button cells. Whilst we mostly manufacture and sell disposable batteries, we also trade some batteries and related products that we do not manufacture to provide flexibility to our customers should they require us to provide a one-stop solution to their procurement needs.

We put great emphasis on product research and development. During the Track Record Period, we developed 22 new battery models and obtained the patents of 15 technologies. Our research and development efforts have led to our holding of 22 patents in the PRC and one patent in Hong Kong as at the Latest Practicable Date.

In recognition of our quality management system, we have obtained certification of ISO 9001: 2008. We have also passed the sample product characteristics tests conducted by National Battery Inspection & Testing Center, showing that our batteries are in accordance with international standards such as IEC 60086 of International Electrotechnical Commission and GB 24427 of Guo Biao (National Standard (People's Republic of China)). In recognition of our environmental management system, we have obtained certification of ISO 14001: 2004. We have also passed the sample product characteristics tests conducted by SGS-CSTC Standards Technical Services Co., Ltd., showing that our batteries are in accordance with the Directive 2006/66/EC of the European Parliament and of the Council and the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

OUR PRODUCTS

Our products are mainly categorised into two segments, namely: (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. Our disposable batteries are categorised into two sub-segments, namely: (i) cylindrical batteries which can be divided into alkaline and carbon cylindrical batteries, and (ii) micro-button cells which can be divided into alkaline, silver oxide, lithium manganese and zinc air micro-button cells. Our other battery-related products include battery chargers, battery power packs and electric fans.

OUR BUSINESS MODEL

Our initial phase of business development principally focused on the manufacture and sale of batteries under our own "Golden Power" brand to industrial customers. With the accumulation of industry know-how and experience, and eyeing the opportunity for growth in the private label and OEM markets as supported by the Ipsos Report, our business model has been diversified and we have expanded our customer base by manufacturing and selling batteries and battery-related products under our own "Golden Power" brand and the brands of our private label and OEM customers as well.

SUMMARY AND HIGHLIGHTS

The table below sets forth the revenue generated by the sale of batteries and battery-related products under our branded business, private label business and OEM business and their respective gross profit margins during the Track Record Period:

	FY2013			FY2014		
	HK\$'000	Approximate	Gross profit	HK\$'000	Approximate	Gross profit
		%	margin		%	margin
Branded business	134,382	36.67%	20.56%	132,872	34.53%	23.02%
Private label business	202,407	55.23%	20.77%	216,212	56.20%	23.85%
OEM business	29,710	8.10%	20.46%	35,668	9.27%	17.27%
Total	366,499	100.00%	20.67%	384,752	100.00%	22.95%

The table below sets forth the breakdown of our Group's revenue by hazardous substance-free batteries and non-hazardous substance-free batteries during the Track Record Period:

	FY2013		FY2014	
	HK\$'000	Approximate %	HK\$'000	Approximate %
Hazardous substance-free batteries (<i>Note</i>)	203,538	55.54%	240,204	62.43%
Non-hazardous substance-free batteries	162,961	44.46%	144,548	37.57%
Total	366,499	100.00%	384,752	100.00%

Note: Since different jurisdictions have different requirements as to the level of the batteries' hazardous substance contents, which mainly focus on the content of mercury, cadmium and lead, there is no universal definition of whether a battery is hazardous substance-free or not. On the other hand, in contemplation of, and preparation for, the introduction of the new policies and regulations in the European Union and the PRC, save for the leased production line for AA carbon cylindrical batteries, all of our Group's production lines are currently capable of producing hazardous substance-free batteries that meet the requirements under the relevant new policies and regulations both in the European Union and the PRC. In light of the above, our Group's revenue that is attributable to hazardous substance-free batteries in the above table refers to our Group's hazardous substance-free batteries that meet the requirements under the relevant new policies and regulations both in the European Union and the PRC.

Our Group will continue to enhance and develop hazardous substance-free batteries, in particular, micro-button cells to capture market opportunities in the micro-button cell product segment. Having considered (i) the introduction of new policies and regulations in relation to hazardous substance-free batteries in the European Union and the PRC as supported by the Ipsos Report; (ii) our expertise and experience in developing new models of micro-button cells as well as our success in obtaining one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of

SUMMARY AND HIGHLIGHTS

mercury-free alkaline and silver oxide micro-button cells; (iii) enquiries from customers which show an increase in demand for hazardous substance-free micro-button cells; (iv) the ability of all of our Group's plant and machinery and moulds (save for the leased production line for AA carbon cylindrical batteries which will be replaced by a new production line that is able to produce mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries) to produce mercury-free, cadmium-free and lead-free batteries after the implementation of the abovementioned new standards; and (v) a relatively higher average selling price which our Directors expect to charge after the hazardous substance-free alkaline and silver oxide micro-button cells under the "ecototal" series are fully launched, our Directors believe that the hazardous substance-free micro-button cells of our Group can capture the potential market demand and will provide our Group with a larger coverage of the micro-button cell market in the PRC as well as higher revenue for the Group as they generally have a higher average selling price than other batteries with the same battery capacities. For details, please see the paragraph headed "Business — Business strategies" of this prospectus.

Our sales, marketing and distribution

Sales under our branded business can be broadly divided into two categories, namely direct sales and indirect sales. A majority of our sales under our branded business are conducted through direct sales which comprise sales to industrial customers. Our indirect sales under our branded business are primarily made to distributors. During the Track Record Period, our sales under our private label business comprise sales to industrial customers and other customers whereas all of our sales under our OEM business were to battery manufacturers. During the Track Record Period, our batteries sold under our branded business, private label business and OEM business were sold within the PRC and Hong Kong and exported overseas such as to the United States, Canada, Brazil, Australia, Germany and Japan. The following table sets forth the breakdown of our revenue based on the ports of destination as designated by our customers and their percentage of total revenue during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
China	131,651	35.92%	131,420	34.16%
Hong Kong	58,129	15.86%	58,169	15.12%
Other geographical locations (<i>Note</i>)	<u>176,719</u>	<u>48.22%</u>	<u>195,163</u>	<u>50.72%</u>
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

Note: Other geographical locations are Africa, Asia (except China and Hong Kong), Australia, East Europe, Europe, Middle East, North America and South America.

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Our customers and distributors

Our major customers include battery distributors, manufacturers and retailers of electrical appliances and manufacturers of batteries. For FY2013 and FY2014, our sales to our top five customers amounted to approximately HK\$114.93 million and HK\$133.13 million, respectively, representing approximately 31.36% and 34.60% of our total revenue for the respective periods. Our sales to our single largest customer accounted for approximately 10.70% and 12.58% of our total revenue during the Track Record Period.

During the Track Record Period, Nan Hua Jin Li was one of our top five customers as well as a distributor of our products. It is legally and beneficially owned as to 71% by Mr. Zhu, who is a nephew of Mr. Chu, our executive Director and Controlling Shareholder, and as to 29% by Independent Third Parties. Therefore, Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules. As Nan Hua Jin Li is a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Zhu, it is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Following the Listing, our sales of products to Nan Hua Jin Li will continue in the ordinary course of our business, which will constitute continuing connected transactions under the GEM Listing Rules. For further information in this respect, please refer to the paragraph headed “Connected Transactions — Non-exempt continuing connected transactions” on page 200 of this prospectus.

Our suppliers and production facilities

Our major suppliers include suppliers of raw materials and packaging materials. For FY2013 and FY2014, total purchases of raw materials from our five largest suppliers represented approximately 27.04% and 31.58%, respectively, of our total purchases, and purchases from our single largest supplier accounted for approximately 6.06% and 7.70%, respectively, of our total purchases in the respective years.

As at the Latest Practicable Date, we had two production facilities, namely, the Dongguan Production Facility and Jiangmen Production Facility. Please see page 143 for the production capacity and utilisation rate of our production facilities and page 145 for details of our expansion plan.

Our source of raw materials

During the Track Record Period, the total costs of raw materials accounted for 74.16%, and 78.68% of the total cost of sales of our Group for FY2013 and FY2014, respectively. Our major raw materials include steel, zinc, electrolytic manganese dioxide, copper, separator and plastics. For details of each major raw material as a percentage of the total cost of sales, please refer to the paragraph headed “Financial Information — Principal components of results of operations — Cost of sales” of this prospectus. During the Track Record Period, we mainly sourced our raw materials within the PRC. Our raw materials sourced within the PRC accounted for approximately 92.94% and 94.47% of our total costs of raw materials for FY2013 and FY2014, respectively. Thus, our Group is exposed to fluctuation in RMB in relation to our purchase of raw materials. For details on raw material price sensitivity analysis and RMB cost exposure, please refer to paragraphs headed “Financial Information — Key factors affecting the results of operations of our

SUMMARY AND HIGHLIGHTS

Group — Price fluctuation of raw materials” and “Financial Information — Quantitative and qualitative information about market risks — Currency risk” in this prospectus, respectively.

MARKET AND COMPETITION

According to the Ipsos Report, the PRC’s disposable battery industry is fragmented, with about 320 disposable battery manufacturers with revenue of more than RMB20 million as of 2013. The majority of them are engaged in the manufacture of disposable alkaline and carbon cylindrical batteries while a limited number of them are engaged in the manufacture of micro-button cells. In 2013, the total production value of the PRC’s disposable battery market was about HK\$26,140 million. The total revenue of the top five players in the industry accounted for about HK\$14,520 million, or 55.7% of the total industry revenue. Our Group accounted for about 1.4% of the revenue of the PRC’s disposable battery, and about 1.2%, 0.9% and 5.2% of the revenue of the alkaline cylindrical battery manufacturers, carbon cylindrical battery manufacturers and micro-button cell manufacturers in the PRC in 2013, respectively. Demand for mercury-free batteries, increase in demand for alkaline cylindrical batteries and facilitation of the research and development of key components for the manufacture of alkaline cylindrical batteries are the trends and developments of disposable battery industry in the PRC, according to the Ipsos Report.

For the ranking of top five micro-button cell manufacturers in the PRC in 2013, please refer to the paragraph headed “Industry Overview — Competitive analysis — Market share of the top 5 players of the disposable battery industry and major battery products in China” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- Diversified product portfolio
- Established and long-standing relationships with customers
- We have a stringent quality control system and vertically integrated production model to provide safe and reliable products
- We have strong research and development capability for product and production innovation and enhancement
- We have an experienced and stable management team

OUR BUSINESS STRATEGIES

Our key business strategies are to:

- Expand our production capacity by acquiring a production line with higher designed production capacity and which is able to produce mercury-free, cadmium-free and lead-free batteries to increase our market share
- Continue to expand and diversify our product portfolio to capture market opportunities and meet consumer needs
- Explore new sales platforms

SUMMARY AND HIGHLIGHTS

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business, the place in which we operate and the Placing. You should read the entire section headed “Risk Factors” of this prospectus carefully. The major risks relating to the business of our Group include:

- The costs of raw materials account for a significant portion of our cost of sales and any fluctuations in their prices may affect our profitability
- We have no long-term sales contracts with our major customers
- We manufacture some of our products on a made-to-stock basis with reference to our sales forecast, which may not be accurate
- We recorded net current liabilities as of 31 December 2013 and 31 December 2014, and we cannot assure you that we will not experience a net current liability position again in future
- We have thin profit margins and we may not be able to sustain our historical profitability in future
- Breach of bank covenants by our Group may result in demand for early repayment of loans and/or reduction in the credit limit granted to our Group
- Our Group’s revenue is mainly derived from the sale of disposable batteries, which may be adversely affected by the market of electronic devices and threats posed by other batteries such as rechargeable batteries
- If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely and materially affected
- Our Group’s business may be affected by seasonality
- Increases in the costs of labour and the shortage of skilled labour may materially and adversely affect our business, financial condition and results of operations
- Our manufacturing facilities are highly capital-intensive to construct and maintain, and we may not be able to obtain additional capital on favourable terms or at all in future

SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

The following tables present some highlight of the key financial information of our Group for FY2013 and FY2014, respectively.

Highlights of the audited consolidated statements of profit or loss of our Group

	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	366,499	384,752
Disposable batteries		
<i>Cylindrical batteries</i>		
<i>Alkaline</i>	161,173	192,996
<i>Carbon</i>	102,330	95,917
Micro-button cells		
<i>Alkaline</i>	64,931	52,951
<i>Other micro-button cells</i>	18,294	24,333
Rechargeable batteries and other battery-related products		
Rechargeable batteries	18,684	15,835
Other battery-related products	1,087	2,720
Gross profit	75,749	88,306
Disposable batteries		
<i>Cylindrical batteries</i>		
<i>Alkaline</i>	32,706	47,329
<i>Carbon</i>	8,317	10,735
Micro-button cells		
<i>Alkaline</i>	21,117	13,082
<i>Other micro-button cells</i>	7,644	10,833
Rechargeable batteries and other battery-related products		
Rechargeable batteries	5,220	4,103
Other battery-related products	745	2,224
Profit for the year	6,588	11,693

Sales of disposable batteries was our Group's key revenue driver which contributed approximately 94.61% and 95.17% of our Group's total revenue for FY2013 and FY2014, respectively. Sales of rechargeable batteries and other battery-related products contributed approximately 5.39% and 4.83% of our Group's total revenue for FY2013 and FY2014, respectively.

SUMMARY AND HIGHLIGHTS

The following table sets out total sales volume and average selling price of our Group during the Track Record Period:

	FY2013		<i>Average Selling Price HK\$</i>	FY2014		<i>Average Selling Price HK\$</i>
	<i>Sales volume (‘000)</i>	<i>%</i>		<i>Sales volume (‘000)</i>	<i>%</i>	
Disposable batteries						
Cylindrical batteries						
— Alkaline	203,215	25.00%	0.79	247,415	27.67%	0.78
— Carbon	221,219	27.22%	0.46	208,376	23.30%	0.46
	<u>424,434</u>	<u>52.22%</u>	<u>0.62</u>	<u>455,791</u>	<u>50.97%</u>	<u>0.63</u>
Micro-button cells						
— Alkaline	364,291	44.82%	0.18	406,949	45.51%	0.13
— Other micro-button cells (<i>Note 1</i>)	20,792	2.56%	0.88	25,218	2.82%	0.96
	<u>385,083</u>	<u>47.38%</u>	<u>0.22</u>	<u>432,167</u>	<u>48.33%</u>	<u>0.18</u>
Rechargeable batteries and other battery-related products						
Rechargeable batteries	2,703	0.33%	6.91	2,473	0.28%	6.40
Other battery-related products (<i>Note 2</i>)	508	0.07%	2.14	3,844	0.42%	0.71
	<u>3,211</u>	<u>0.40%</u>	<u>6.16</u>	<u>6,317</u>	<u>0.70%</u>	<u>2.94</u>
	<u>812,728</u>	<u>100.00%</u>	<u>0.45</u>	<u>894,275</u>	<u>100.00%</u>	<u>0.43</u>

Notes:

- Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
- Other battery-related products include battery chargers, battery power packs and electric fans.

SUMMARY AND HIGHLIGHTS

Highlights of the audited consolidated statements of financial position of our Group

	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	185,905	189,773
Current assets	178,142	162,736
Current liabilities	299,855	274,261
Net current liabilities	(121,713)	(111,525)
Non-current liabilities	17,714	43,231

Highlights of the audited consolidated statements of cash flows of our Group

	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	23,483	79,037
Net cash used in investing activities	(22,549)	(19,641)
Net cash used in financing activities	(10,403)	(51,521)

Highlight of the key financial ratios of our Group

	FY2013	FY2014
Net profit growth	-73.97%	77.49%
Gross profit margin	20.67%	22.95%
Net profit margin	1.80%	3.04%
Return on total assets	2.01%	3.32%
Current ratio	0.59	0.59
Gearing ratio	4.29	4.92
Net debt to equity ratio	4.07	4.43

For breakdown of our gross profit margin by each category during the Track Record Period, please see the section headed “Financial Information” on page 246 of this prospectus. For more information on our Group’s key financial ratios, including a discussion on the fluctuation of these financial ratios over the Track Record Period, please see the section headed “Financial Information — Key financial ratios” on page 254 of this prospectus.

Our Group’s net profit margin increased from approximately 1.80% for the FY2013 to 3.04% for the FY2014 which was mainly due to (i) our improved gross profit margin from 20.67% for the FY2013 to 22.95% for the FY2014; and (ii) our decreased net other losses represented by the decrease in our net exchange loss of approximately HK\$2.52 million due to fluctuations in exchange rate of USD against RMB during the year. Details of the fluctuation of gross profit and other net losses are set out in the paragraph headed “Financial Information — Review of historical results of operation”. Our Group’s net profit margins (excluding the effect of income tax expense, other gains and losses, and

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listing expenses) for FY2013 and FY2014 were 3.87% and 6.64%, respectively. To the best of our Directors' knowledge and understanding, our thin net profit margins are attributable to the competitive and mature nature of the disposable battery industry in the PRC.

Net Current Liabilities

Historically, our Group's net current liability position reflected our significant amount of short-term borrowings used to fund investment in property, plant and equipment, which are classified as non-current assets. As at 31 December 2013 and 2014 and 31 March 2015, our Group recorded net current liabilities of approximately HK\$121.71 million, HK\$111.53 million and HK\$114.26 million, respectively.

Our net current liabilities reduced by approximately HK\$10.18 million from approximately HK\$121.71 million as at 31 December 2013 to approximately HK\$111.53 million as at 31 December 2014. The reduction is mainly due to (i) reduction of current portion of bank borrowings of approximately HK\$41.18 million from approximately HK\$166.88 million as at 31 December 2013 to approximately HK\$125.70 million as at 31 December 2014 due to the combined effect of (a) repayment of such borrowings of approximately HK\$463.32 million; (b) reclassification of current portion of bank borrowings to non-current portion of approximately HK\$8.25 million as certain banks removed their overriding right of repayment on demand clause during FY2014; and (c) addition of current portion of bank borrowings of approximately HK\$431.14 million; (ii) decrease in receipts in advance, other payables and accruals of approximately HK\$9.03 million mainly due to settlement of amounts due to related parties; which was partially offset by (i) the decrease in inventories of approximately HK\$9.30 million due to our further improved inventory management; (ii) the decrease in trade and bills receivables of approximately HK\$4.55 million due to arrangement with two customers to settle receivables prior to their agreed payment date at an interest rate of 1.21% per annum; (iii) the decrease in deposits, prepayments and other receivables of approximately HK\$8.52 million as all our amounts from fellow subsidiaries as at 31 December 2013 were fully settled during FY2014; and (iv) increase in trade payables of approximately HK\$23.88 million due to extended credit terms from 120 days AMS to 150 days AMS granted certain suppliers.

Our net current liabilities remained relatively stable at approximately HK\$111.53 million as at 31 December 2014 and HK\$114.26 million as at 31 March 2015 with an increase of approximately HK\$2.73 million. The increase was mainly due to the increase in short-term bank borrowings of approximately HK\$9.57 million. Due to fewer orders processed during the first quarter of 2015, our trade and bills receivables and trade payables reduced by approximately HK\$22.92 million and approximately HK\$22.75 million, respectively; whilst our inventories increased by approximately HK\$4.23 million from 31 December 2014 to 31 March 2015.

Our net current liabilities were recorded as we principally financed our operation and capital expenditures with short-term bank borrowings. Prior to and during the Track Record Period, we applied short-term bank borrowings for (i) the aggregate payment of approximately HK\$72.32 million for our production lines and other machinery as our

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investment in property, plant and equipment; and (ii) the payment of dividend of approximately HK\$9.30 million and HK\$2.00 million for FY2013 and FY2014, respectively. Thus, our net current liabilities were primarily resulted from such arrangement to finance our non-current assets and declared dividend with current liabilities as at 31 December 2013 and 31 December 2014. As at 31 March 2015, our Group had a net current liabilities position of approximately HK\$114.26 million.

A loan from a former subsidiary of our Company in the sum of HK\$19 million will be repayable by our Group. The amount is interest-free and unsecured, of which HK\$3.00 million was repaid during FY2014, while the remaining HK\$5.00 million is repayable on or before 31 December 2015 and HK\$11.00 million is repayable on or before 31 December 2016. For details, please refer to the paragraph headed “Financial Information — analysis of certain items on the consolidated statements of financial position — Receipts in advance, other payables and accruals analysis — Loan from a former subsidiary” in this prospectus.

We believe that we maintain sufficient liquidity and expect our liquidity position to improve based on the following considerations:

- (i) As at 31 December 2014, our Group had aggregate banking facilities of approximately HK\$230.73 million, of which approximately HK\$74.38 million were unutilised;
- (ii) Our Group expects to receive approximately HK\$37.48 million net proceeds from the Placing based on the mid-point of the indicative range of the Placing Price of HK\$1.30 per Placing Share, of which approximately HK\$3.75 million is reserved for general working capital; and
- (iii) Our Group expects to continue to generate stable positive cash flows from our operating activities which would further support our liquidity position.

In order to source additional fund to strengthen the liquidity of our Group and to improve the indebtedness and net current liabilities position of our Group, our Directors would explore and access long term sources of capital in both debt and equity capital markets. For details, please refer to the paragraph headed “Financial Information — Liquidity and capital resources — Net current liabilities” in this prospectus. For the relevant risk, please refer to the paragraph headed “Risk Factors — Risks relating to the Placing — Any future issuance of Shares by our Company may dilute your shareholding” in this prospectus.

Listing-related Expenses

The estimated expenses in relation to the Listing are approximately HK\$32.04 million (excluding underwriting commission of approximately HK\$3.28 million that will be charged to the equity after the Listing), of which approximately HK\$9.73 million is directly attributable to the Listing and will be accounted for as a deduction from equity upon completion of the Listing. For the remaining estimated listing expenses of approximately

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HK\$22.31 million, approximately HK\$4.75 million, HK\$1.31 million and HK\$7.99 million were charged to the year ended 31 December 2012, FY2013 and FY2014, respectively, while approximately HK\$8.26 million is expected to be charged upon completion of the Listing.

Given that the listing expenses of approximately HK\$8.26 million would be charged to the consolidated statements of profit or loss upon Listing for the year ending 31 December 2015, it is expected that our net profit and the net profit margin for the year ending 31 December 2015 would be lower than those of the year ended 31 December 2014. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of the Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

RECENT DEVELOPMENT

Subsequent to 31 December 2014 and up to the Latest Practicable Date, our Group has continued to focus on our business. Our Reporting Accountants, PKF, Certified Public Accountants, Hong Kong, have conducted a review on the Subsequent Interim Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

	Three months ended 31 March	
	2014	2015
	(unaudited)	(unaudited)
Revenue (<i>HK\$'000</i>)	72,470	70,783
Gross profit (<i>HK\$'000</i>)	14,638	13,555
Gross profit margin (%)	20.20%	19.15%
Sales volume (<i>million units</i>)	164.63	138.65
Average selling price (<i>HK\$ per unit</i>)	0.44	0.51

The slight decrease in our revenue for the three months ended 31 March 2015 compared to that of the corresponding period in 2014 was mainly due to the slight depreciation of RMB against HK\$. The revenue denominated in RMB remained relatively stable as compared to the corresponding period in 2014. As such, our gross profit margin remained relatively stable as well.

MATERIAL ADVERSE CHANGE

Our Directors confirm that the impact of the listing expenses on our consolidated statement of profit or loss as disclosed in the paragraph headed “Listing-related expenses” in this section above has resulted in a material adverse change in the financial or trading position or prospects of our Group since 31 December 2014, being the date of which our Group’s latest audited consolidated financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus, and up to the date of this prospectus. On the other hand, our Directors confirm that there is no material adverse change in our Group’s pricing strategies subsequent to the Track Record Period and up to the date of this prospectus.

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USE OF PROCEEDS

The net proceeds from the Placing, after deducting the related expenses, are estimated to be approximately HK\$37.48 million (calculated based on the Placing Price of HK\$1.30, being the mid-point of Placing Price) (taking no account of any Shares which may be granted under the Share Option Scheme). Our Directors presently intend to apply such net proceeds from the Placing as follows:

- approximately 90% of the net proceeds, or approximately HK\$33.73 million, for repaying three bank loan facilities. These facilities were used for our Group's trade payables financing. The reason for using bank borrowings to finance our Group's trade payables, notwithstanding that interest will be payable, is mainly to provide flexibility on the cash flow of our Group as well as in accordance with the terms of the relevant bank loan facilities to commit a minimum amount of trade payables financing. The interest rates charged to these facilities are 1% per annum below the relevant standard bills rate quoted by the relevant bank, 3.75% per annum and the statutory loan interest rate published by the People's Bank of China plus 20%, respectively. The credit period in respect of two of these facilities is 120 days whereas the remaining facility is repayable on demand. As at the Latest Practicable Date, the remaining loan balance in respect of these facilities was HK\$69.18 million; and
- approximately 10% of the net proceeds, or approximately HK\$3.75 million, for general working capital.

For details, please refer to the section headed "Statement of Business Objectives and Use of Proceeds" of this prospectus.

PLACING STATISTICS

	Based on the Placing Price of HK\$1.25 per Share (low-end of Placing Price)	Based on the Placing Price of HK\$1.35 per Share (high-end of Placing Price)
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$200 million	HK\$216 million
Unaudited pro forma adjusted consolidated net tangible asset per Share (<i>Note 2</i>)	HK\$0.52	HK\$0.56

Notes:

1. The calculation of market capitalisation is based on 56,000,000 Shares expected to be in issue upon completion of the Placing and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

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2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the paragraph headed “Unaudited Pro Forma Financial Information — A. Unaudited pro forma adjusted consolidated net tangible assets” in Appendix II to this prospectus.

SHAREHOLDERS INFORMATION

Immediately after completion of the Capitalisation Issue and the Placing, without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, our Company will be owned as to 65% by Golden Villa, which is wholly owned by Mr. Chu. As Golden Villa and Mr. Chu are directly or indirectly entitled to exercise or control exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Golden Villa and Mr. Chu shall be regarded as our Controlling Shareholders under the GEM Listing Rules.

While our Directors are satisfied that our Group is capable of carrying on its business independently of our Controlling Shareholders, we have entered into certain transactions with our connected persons which will continue following the Listing and which will constitute continuing connected transactions under the GEM Listing Rules. Please refer to the section headed “Connected Transactions” of this prospectus for further details.

DIVIDEND POLICY

For FY2013 and FY2014, our Group declared dividends of approximately HK\$9.30 million and HK\$2.00 million, respectively, to its then shareholders. All dividends declared had been fully paid and we financed the payment of such dividends by internal resources.

A subsidiary of our Group declared an interim dividend of HK\$20.00 million on 1 September 2014 to its then shareholders. Such dividend was paid in September 2014.

The entire dividend of HK\$20.00 million was declared and paid by Golden Power Properties, a subsidiary of our Group principally engaged in holding properties, in early September 2014. The properties owned by Golden Power Properties are office premises located at Flat A to D, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The intention and commercial rationale for the declaration of the dividend should be traced back to the merger of Golden Power Properties into our Group.

The merger of Golden Power Properties into our Group was decided by our Directors after taking into consideration (i) the security to the banking facilities after release of personal guarantee provided by Mr. Chu; (ii) the enhancement of the assets base of our Group; and (iii) the avoidance of additional administrative works for the potential continuing connected transactions between our Group and Golden Power Properties in relation to the rental of the office owned by Golden Power Properties.

Since (i) the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties; (ii) such retained earnings was derived from investment return of Golden Power Properties instead of the battery business of our

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Group; (iii) the source of cash outflow for such dividend was derived from the repayment of amount due from related companies to Golden Power Properties, which was not related to the battery business of our Group; and (iv) Golden Power Properties is merely a property holding company without involving in any operation and administration of the battery business of our Group, our Directors are of the view that (i) the declaration of the dividend paid by Golden Power Properties before the merger would not have any adverse effect on the working capital and operation of our Group as the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties and not from cash or cash equivalent balance of HK\$15.19 million of our Group as at 31 July 2014; (ii) the merger of Golden Power Properties can reduce the office rental expenses of our Group and enhance the asset base of our Group; and (iii) it is thus fair and reasonable for the declaration of the dividend to Mr. Chu as his own investment return, which was not related to the battery business.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to (i) cash flows position of our Group; (ii) profitability of our Hong Kong subsidiaries (as historically our Group declared dividend mainly out of the distributable profits of our Hong Kong subsidiaries whereas the retained profits of our PRC entities are mainly for development of our PRC operation, and our Directors have confirmed that they are not likely to declare dividend out of the distributable profits of our PRC entities in the foreseeable future); (iii) any new development opportunities; and (iv) the balance of distributable reserves of our Company. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Based on our Directors' assessment, unless our Group achieves a net current asset position in such year or period (as applicable), no dividend will be declared for the year ending 31 December 2015 or the six months ending 30 June 2016.

MATERIAL NON-COMPLIANCE

Our material non-compliance with PRC laws and regulations during the Track Record Period includes (i) failure to make social insurance contributions for all of our employees in full based on their actual income in accordance with the PRC Social Insurance Law prior to January 2014; and (ii) failure to register and open housing provident fund accounts for all of our employees prior to July 2013 and failure to make housing provident fund contributions for all of our employees in full based on their actual income prior to October 2014 in accordance with the Housing Provident Fund Management Law.

For details of our non-compliance incidents, please refer to the paragraph headed "Business — Non-compliance of our Group" in this prospectus.

DEFINITIONS

In this prospectus, the following expressions shall have the following meaning unless the context otherwise requires.

“Accountants’ Report”	the accountants’ report of our Group for each of FY2013 and FY2014 prepared by PKF Hong Kong as set out in Appendix I to this prospectus
“Ample Top”	Ample Top Enterprises Limited, a limited liability company incorporated in BVI on 28 September 2007, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 15 May 2015, and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Best Kind”	Best Kind Holdings Ltd. (立仁控股有限公司), a limited liability company incorporated in BVI on 14 April 2011 and a direct wholly-owned subsidiary of our Company
“Big Power”	Big Power Limited (鉅能有限公司), a limited liability company incorporated in Hong Kong on 16 July 2009, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 103,999,900 Shares to be made upon capitalisation of an amount of HK\$1,039,999 standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and General Information — A. Further Information about our Group — 6. Written resolutions of the sole Shareholder passed on 15 May 2015” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Champ Profit”	Champ Profit Development Limited (倡利發展有限公司), a limited liability company incorporated in Hong Kong on 5 January 2011, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“China Oil and Gas”	China Oil and Gas Group Limited (formerly known as Golden Power International Holdings Limited, Hikari Tsushin International Limited, China City Natural Gas Holdings Limited, Nippon Asia Investments Holdings Limited) (stock code: 603), the securities of which are listed on the Main Board of the Stock Exchange
“China Scene”	China Scene Limited (中境有限公司) a limited liability company incorporated in Hong Kong on 19 May 1994, the entire issued share capital of which is owned in equal shares by Golden Villa and Golden Power Investments and is a connected person of our Company
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“CNI Securities” or “Co-Lead Manager”	CNI Securities Group Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under SFO
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Golden Power Group Holdings Limited (金力集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2012
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and, in context of this prospectus, means Mr. Chu and Golden Villa
“core connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 29 May 2015 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, particulars of which are set out in the paragraph headed “Statutory and General information — E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 24 September 2014 entered into among our Controlling Shareholders and our Company, in relation to non-competition undertaking, particulars of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this prospectus
“Director(s)”	the director(s) of our Company
“Dongguan Golden Power”	東莞金力電池實業有限公司 (Dongguan Golden Power Battery Industries Company Limited*), a limited liability company established under the laws of PRC on 18 June 2008, the entire issued share capital of which is owned by Golden Power Industries and is an indirect wholly-owned subsidiary of our Company
“Dongguan Production Facility”	our leased production facility located in Dongguan, the PRC, details of which are set out in the paragraph headed “Business — Properties” in this prospectus
“Dongguan Victory Battery”	東莞勝力電池實業有限公司 (Dongguan Victory Battery Industries Company Limited*), a limited liability company established under the laws of PRC on 11 September 2009, the entire issued share capital of which is owned by Golden Power Industries and is an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“Euros”	Euros, the lawful currency of the European Union member states
“FY2013”	the financial year ended 31 December 2013
“FY2014”	the financial year ended 31 December 2014
“Gain Smart”	Gain Smart Limited (嘉俊有限公司), a limited liability company incorporated in BVI on 15 October 2007, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Giant Moral”	Giant Moral Limited (豪德有限公司), a limited liability company incorporated in Hong Kong on 5 October 2007, the entire issued share capital of which is owned by Gain Smart and is an indirect wholly-owned subsidiary of our Company
“Golden Pilot”	Golden Pilot Limited (金領有限公司), a limited liability company incorporated in BVI on 6 June 2005, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“Golden Power Corporation”	Golden Power Corporation (Hong Kong) Limited (金力企業(香港)有限公司), a limited liability company incorporated in Hong Kong on 21 October 2004, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“Golden Power Group Buyout”	the acquisition of the entire issued share capital of Golden Power Investments by Golden Villa from China Oil and Gas pursuant to a sale and purchase agreement entered into between Golden Villa and China Oil and Gas on 23 July 2003, further details of which are set out in the paragraph headed “History, Development and Reorganisation — Our business development” in this prospectus

DEFINITIONS

“Golden Power Industries”	Golden Power Industries Limited (金力實業有限公司), a limited liability company incorporated in Hong Kong on 24 October 1972, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“Golden Power Investments”	Golden Power Investments (B.V.I.) Limited, a limited liability company incorporated in BVI on 1 February 1993, the entire issued share capital of which was owned by China Oil and Gas immediately prior to the Golden Power Group Buyout
“Golden Power Properties”	Golden Power Properties Limited (金力置業有限公司), a limited liability company incorporated in Hong Kong on 5 December 1980, the entire issued share capital of which is owned by Ample Top and is an indirect wholly-owned subsidiary of our Company
“Golden Villa”	Golden Villa Ltd., a limited liability company incorporated in BVI on 24 January 2003, the entire issued share capital of which is owned by Mr. Chu, and is one of our Controlling Shareholders
“Goldtium (Hong Kong)”	Goldtium (Hong Kong) Company Limited (金剛(香港)有限公司) (formerly known as Golden Harvest Limited (金江有限公司)), a limited liability company incorporated in Hong Kong on 20 June 1997, the entire issued share capital of which is owned by Techway (China), and it ceased to be an indirect wholly-owned subsidiary of our Company on 23 July 2013
“Goldtium (Jiangmen) Battery”	江門金剛電池有限公司 (Goldtium (Jiangmen) Battery Company Limited*), a limited liability company established under the laws of the PRC on 28 August 1997, 70% of which is owned by Techway (China), and it ceased to be an indirect non-wholly owned subsidiary of our Company on 23 July 2013
“Goldtium (Jiangmen) Energy”	江門金剛電源製品有限公司 (Goldtium (Jiangmen) Energy Products Company Limited*), a limited liability company established under the laws of the PRC on 20 May 2008, the entire issued share capital of which is owned by Giant Moral and is an indirect wholly-owned subsidiary of our Company
“Group”	our Company and our subsidiaries, or any of them or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time

DEFINITIONS

“HKFRSs”	the Hong Kong Financial Reporting Standards, which include the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”, “HK dollar(s)” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	party(ies) which are independent of and not connected with any Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or any of their respective associates as defined in the GEM Listing Rules
“Ipsos”	Ipsos Hong Kong Limited, an independent industry consultant commissioned by us to prepare the Ipsos Report
“Ipsos Report”	an independent research report dated 29 May 2015 on the battery industry globally, in the PRC, U.S. and European Union, commissioned by us and prepared by Ipsos
“Jiangmen Production Facility”	our self-owned production facility located in Jiangmen, the PRC, details of which are set out in the paragraph headed “Business — Properties” in this prospectus
“Latest Practicable Date”	19 May 2015, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Cheng, Henry H.G., a barrister-at-law advising on certain aspects of Hong Kong law relating to the Predecessor Companies Ordinance
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on or before 5 June 2015
“Listing Division”	the listing division of the Stock Exchange

DEFINITIONS

“Macau”	the Macau Special Administrative Region of the PRC
“Master Sales Agreement”	the master sales agreement dated 31 December 2013 entered into among our Company, Nan Hua Jin Li and Suenglh for the sale and supply of our Group’s batteries in the PRC, as amended and supplemented by a supplemental agreement dated 15 September 2014, details of which are set out in the section headed “Connected Transactions” of this prospectus
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 15 May 2015, and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“Mr. Chu”	Mr. Chu King Tien, an executive Director, the chairman of our Group, the ultimate shareholder of the entire issued share capital of Golden Villa and one of our Controlling Shareholders
“Mr. Liang”	Mr. Liang Tao, a general manager of Goldtium (Jiangmen) Energy
“Mr. Tang”	Mr. Tang Chi Him, an executive Director and a general manager of our Group
“Mr. Zhu”	Mr. Zhu Chengxian, a nephew of Mr. Chu, and a connected person of our Company
“Ms. Chu”	Ms. Chu Shuk Ching, an executive Director and a chief executive officer of our Group
“Nan Hua Jin Li”	廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited*), a limited liability company established under the laws of PRC on 14 May 1998, a connected person of our Company and is controlled by Mr. Zhu
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price as described in the section “Structure and Conditions of the Placing” of this prospectus
“Placing Price”	the final price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$1.35 per Placing Share and expected to be not less than HK\$1.25 per Placing Share, such price to be fixed on or before the Price Determination Date

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“Placing Shares”	the 56,000,000 new Shares being offered at the Placing Price for subscription pursuant to the Placing subject to the terms and conditions as described in the section headed “Structure and Conditions of the Placing” of this prospectus
“Pointway”	Pointway Corporation Limited (中永有限公司), a limited liability company incorporated in Hong Kong on 5 October 2007, the entire issued share capital of which is owned by Best Kind and is an indirect wholly-owned subsidiary of our Company
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Yuan Tai Law Offices, a qualified PRC law firm, which is the legal advisers to our Company as to PRC law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter) on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date, expected to be on or about Monday, 1 June 2015 on which the Placing Price will be fixed for the purposes of the Placing (or such later time or date as may be agreed between our Company and the Sole Lead Manager)
“RaffAello Capital” or “Sole Sponsor”	RaffAello Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO
“RaffAello Securities” or “Sole Bookrunner” or “Sole Lead Manager”	RaffAello Securities (HK) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, as described in the section headed “History, Development and Reorganisation” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAT”	State Administration of Taxation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 15 May 2015, the principal terms of which are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“sq.ft.”	square feet
“sq.m.”	square metres
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has/have the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has/have the meaning ascribed thereto under the GEM Listing Rules
“Suenglh”	Suenglh Corporation Limited (動能(香港)有限公司), a limited liability company incorporated in Hong Kong on 17 May 2012, and a connected person of our Company, the entire issued share capital of which is owned by Mr. Zhu
“Takeovers Code”	the Code on Takeovers and Mergers, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Techway (China)”	Techway (China) Limited (德偉(中國)有限公司), a limited liability company incorporated in Hong Kong on 15 February 1994, the entire issued share capital of which was owned by Gain Smart before it ceased to be an indirect wholly-owned subsidiary of our Company on 23 July 2013
“Track Record Period”	FY2013 and FY2014
“Underwriters”	the Underwriters of the Placing named in the paragraph headed “Underwriting — Underwriters” in this prospectus

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing entered into on 29 May 2015 by, among others, our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters, particulars of which are set out in the section headed “Underwriting” of this prospectus
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “US dollar(s)” or “USD”	United States dollars, the lawful currency of the United States
“we”, “us” or “our”	our Company or our Group (as the context may require)
“%”	per cent

In this prospectus, unless expressly stated or the context requires otherwise:

- *all data in this prospectus is as of the date of this prospectus;*
- *percentage shareholding of our Company upon or after the completion of Placing and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of options which have been or may be granted under the Share Option Scheme; and*
- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.*

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company or entity, while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.

** For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“battery capacity”	number of mAh a fully charged cell or battery can deliver under specified conditions of discharge
“cylindrical battery”	a disposable battery with cylindrical geometry where the overall height is equal to or greater than the diameter
“disposable battery”	a battery which cannot be recharged and is discarded when it has delivered its useful capacity
“electrode plate”	electrical conductor and the associated active materials at which an electrochemical reaction occurs; also referred to as the positive and negative plates in a rechargeable battery
“electrolyte”	a medium which provides the ion transport function between the positive and negative electrode plates in a battery
“GFA”	gross floor area
“ISO”	the International Organisation for Standardisation, a non-governmental organisation which sets the ISO standards, which are worldwide industrial and commercial standards
“mAh”	milliampere-hour, a unit of electric charge
“micro-button cell”	a disposable small round battery, where the overall height is less than the diameter
“Ni-Cd rechargeable battery”	a rechargeable battery using nickel hydride in its positive electrode, a cadmium compound in its negative electrode, and potassium hydroxide solution in its electrolyte
“Ni-MH rechargeable battery”	a rechargeable battery using hydrogen absorbing alloys in its negative electrode and nickel hydride in its positive electrode
“ODM”	acronym for original design manufacturer, whereby a manufacturer designs and produces a product as specified and eventually rebranded by another party for sale

GLOSSARY OF TECHNICAL TERMS

“OEM”	acronym for original equipment manufacturing, whereby products are manufactured in accordance with the customer’s design and specification and are marketed and sold under the customer’s brand name
“rechargeable battery”	a battery that after discharge may be restored to its charged state by passage of an electric current through the cell
“separator”	electrically insulating layer of material which physically separates electrode plates or opposite polarity
“voltage”	electromotive force or potential difference, expressed in volts (V)

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary and Highlights”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Statement of Business Objectives and Use of Proceeds” of this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” of this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure and future plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the battery industry.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong and the PRC;
- macroeconomic policies of the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” of this prospectus.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Placing Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Placing Shares and cause you to lose part or all of the value of your investment in the Placing Shares.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

The costs of raw materials account for a significant portion of our cost of sales and any fluctuations in their prices may affect our profitability

The major raw materials used in our Group's products are steel, zinc, electrolytic manganese dioxide, copper, separator and plastics. The total costs of raw materials accounted for approximately 74.16% and 78.68% of our total cost of sales for FY2013 and FY2014, respectively. The prices of raw materials may be subject to fluctuations as a result of various factors beyond our Group's control, such as global economic and financial conditions. In addition, since our Group has no long-term supply contracts with our suppliers, prices of raw materials are subject to market fluctuations from time to time. Since our products face keen competition, we may not be able to shift the increase in prices of raw materials to our customers, and our business operations and financial performance may be adversely affected. For the sensitivity analysis in relation to changes in costs, please see the section headed "Financial Information — Key factors affecting the results of operations of our Group — Price fluctuation of raw materials" in this prospectus.

We have no long-term sales contracts with our major customers

For FY2013 and FY2014, sales to our five largest customers accounted for an aggregate of approximately 31.36% and 34.60%, respectively, of our total revenue.

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

We manufacture some of our products on a made-to-stock basis with reference to our sales forecast, which may not be accurate

We manufacture some of our products on a made-to-stock basis (i.e. we manufacture before our customers place orders with us) with reference to our sales forecast prepared in light of our customers' historical buying pattern, particularly batteries to be sold to our customers under our branded business which adopt our original design and specifications. For details, please refer to the paragraph under "Business — Inventory management" in this prospectus. If our sales forecast turns out to be inaccurate and our customers do not

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place orders with us in the volumes expected by us, the products produced may not be absorbed by other customers, and our business, results of operations and financial condition may be adversely affected.

We recorded net current liabilities as of 31 December 2013 and 31 December 2014, and we cannot assure you that we will not experience any net current liability position again in future

Our Group had net current liabilities position of approximately HK\$121.71 million and HK\$111.53 million as at 31 December 2013 and 31 December 2014, respectively. The net current liabilities position was primarily attributable to the fact that short-term bank borrowings were obtained in the amount of approximately HK\$166.88 million and HK\$125.70 million as at 31 December 2013 and 31 December 2014, respectively, which accounted for approximately 55.65% and 45.83% of our total current liabilities as at the same dates respectively. Amongst these bank borrowings, approximately HK\$28.02 million and nil was repayable after one year but subject to the lending banks' overriding right of repayment on demand and therefore classified as current liabilities as at 31 December 2013 and 31 December 2014, respectively. For details of our Group's bank borrowings, please refer to the section headed "Financial Information — Indebtedness" in this prospectus. Such net current liabilities were recorded as we principally financed our operation and capital expenditure with short-term bank borrowings. Since 2011 up to the Track Record Period, we applied short-term bank borrowings for (i) the aggregate payment of approximately HK\$72.32 million for our production lines and other machinery as our investment in property, plant and equipment; and (ii) the payment of dividend of approximately HK\$9.30 million and HK\$2.00 million for FY2013 and FY2014, respectively. Thus, our net current liabilities were primarily resulted from such arrangement to finance our non-current assets and declared dividend with current liabilities as at 31 December 2013 and 31 December 2014. For a detailed analysis on our current assets and liabilities, please refer to the section headed "Financial Information — Liquidity and capital resources — Net current liabilities" in this prospectus.

There is no assurance that our Group will not experience net current liabilities position again in future. Our Group may not have sufficient working capital to meet our current liabilities or expand our Group's operations as anticipated. In such circumstances, our business, financial condition and prospects may be materially and adversely affected.

We have thin profit margins and we may not be able to sustain our historical profitability in future

Our Group's net profit margins (excluding the effect of income tax expense, other gains and losses, and listing expenses) for FY2013 and FY2014 were 3.87% and 6.64%, respectively. To the best of our Directors' knowledge and understanding, our thin net profit margins are attributable to the competitive and mature nature of the disposable battery industry in the PRC. In addition, our financial results and net profit margin may be significantly adversely affected by a number of factors, such as (i) listing expenses, (ii) fluctuation in administrative expenses including labour costs, Directors' remuneration (in particular independent non-executive Directors' remuneration) and compliance expenses (such as expenses relating to the engagement of compliance adviser and legal advisers), (iii)

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fluctuation in sales, selling prices of our products, our production volume, raw material prices and effective tax rate, many of which are beyond our control. The historical market prices of disposable alkaline cylindrical batteries (which accounted for approximately 43.18% and 53.60% of our total gross profits for FY2013 and FY2014, respectively) and carbon cylindrical batteries (which accounted for approximately 10.98% and 12.16% of our total gross profits for FY2013 and FY2014, respectively) in the PRC dropped by 1.71% and 6.26% respectively from 2011 to 2013 according to the Ipsos Report, and this decreasing trend may adversely affect our ability to achieve higher profit margins amidst competition.

Our thin profit margins may adversely affect our working capital sufficiency and sensitivity to unfavourable changes in selling prices, costs and interest rates. If we experience any substantial decrease in profit margins, our business, financial condition and results of operations may be adversely affected.

Breach of bank covenants by our Group may result in demand for early repayment of loans and/or reduction in the credit limit granted to our Group

During the Track Record Period, some subsidiaries of our Group breached the covenants in relation to the minimum net tangible assets requirements for their bank borrowings. Please refer to the section headed “Financial Information — Indebtedness — Bank borrowings” and Note 22 of the Accountants’ Report in Appendix I to this prospectus for the details of such breaches.

There are some cross default provisions in the bank facility letters between our Group and some banks. For details of our internal control measures to monitor the observance of bank covenants, please refer to the section headed “Business — Internal control and risk management policies” in this prospectus. In case there is any future breach of bank covenants by our Group, the cross default provisions in the bank facility letters between our Group and the banks may be triggered and the banks may, among others, demand early repayment of the outstanding loans at the material time and/or reduce the credit limit granted to our Group, and our business and financial condition may be adversely affected.

Our Group’s revenue is mainly derived from the sale of disposable batteries, which may be adversely affected by the market of electronic devices and threats posed by other batteries such as rechargeable batteries

For FY2013 and FY2014, approximately 94.61% and 95.17% of our Group’s revenue was derived from the sale of disposable batteries, of which a majority of the revenue among the sale of disposable batteries was from the sale of alkaline cylindrical batteries, which accounted for approximately 43.98% and 50.16% of our Group’s revenue for FY2013 and FY2014, respectively. The demand for disposable batteries in general and alkaline cylindrical batteries depends on the need for such 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 source of energy which do not require the use of batteries. For details, please refer to the paragraphs headed “Industry Overview — Analysis of the

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disposable battery industry in China — Market threats and opportunities to the disposable battery market in the PRC”, “Industry Overview — Analysis of the disposable battery industry in the EU — Trends and developments of the U.S. and EU disposable battery industries” and “Industry Overview — Other trends of the disposable battery industry” in this prospectus. Accordingly, if we fail to identify new business opportunities or otherwise react to any significant drop in demand for disposable batteries, our Group’s business, financial condition and results of operations may be materially and adversely affected.

If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely and materially affected

The PRC’s disposable battery manufacturers are developing the technology for mercury-free batteries. Our competitors continuously search for ways to improve the quality and specifications of the batteries they produce and to make them more environmentally friendly, which, if successful, could render our Group’s products uncompetitive or obsolete. As a result, our Group continues to invest human and capital resources in research and development to improve our existing products and to develop new products. However, there is no assurance that our Group will be successful in developing and manufacturing environmentally friendly products with improved quality and specifications in a timely manner or at all in future. Even if we are successful in developing such products, there is no assurance that they will be sold in volumes and at prices that will generate expected returns on our research and development investments, and it could materially and adversely affect our Group’s financial condition, results of operations and prospects.

Our Group’s business may be affected by seasonality

Our Group’s business is subject to seasonality. During the Track Record Period, our Group recorded relatively lower revenue in the first quarter of each year. Our Group believes that it is mainly due to the fact that our factories were shut down for operation for around 10 days during Chinese New Year holiday and around 14 days during our annual maintenance which was conducted in January 2013 and February 2014, which lowered the production output of our Group during the relevant periods. As a result, our revenue generated in the first quarter of 2013 and 2014 accounted for only 20.15% and 18.84% of the total revenue during the respective years. Also, the revenue generated during the month of Chinese New Year is significantly lower than average at 4.53% and 3.81% for FY2013 and FY2014, respectively. As such, any comparison of sales and results of operations between different periods within a single financial year for our Group may not be meaningful and should not be relied upon as indicators of our Group’s performance.

Increases in the costs of labour and the shortage of skilled labour may materially and adversely affect our business, financial condition and results of operations

Although most of our Group’s production processes involve the use of machinery, most of them are not fully automated and they require workers to operate. The direct labour cost incurred by our Group was approximately HK\$26.04 million and HK\$14.74 million for FY2013 and FY2014 respectively, representing approximately 8.96% and 4.97% of our total cost of sales for the same periods.

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In recent years, average labour costs in the PRC have increased due to the PRC government's policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Further, there has been a growing shortage of labour, especially skilled labour, in the PRC. The turnover rate in respect of our Group's production workers was approximately 49.48% and 38.67% for each of FY2013 and FY2014 respectively ^(Note) and the utilisation rate of our production facilities during the Track Record Period was limited by our ability to recruit sufficient labour for night shifts. We cannot assure you that our Group will be successful in recruiting and retaining sufficient labour in a timely manner for its existing and future operations at reasonable cost, or at all. In addition, as the competition for skilled labour is increasingly intense, our Group may need to enhance its remuneration packages and welfare benefits to employees in order to recruit and retain labour.

Accordingly, if our Group experiences any shortage of labour or significant increase in labour cost to the extent that we are not able to offset such increase by reducing other costs or passing it on to our customers, our Group's business, financial condition and results of operations may be materially and adversely affected.

Our manufacturing facilities are highly capital-intensive to construct and maintain, and we may not be able to obtain additional capital on favourable terms or at all in future

Our manufacturing facilities are highly capital-intensive to construct and maintain. For FY2013 and FY2014, our spending on investment in property, plant and equipment amounted to HK\$20.53 million and HK\$18.92 million, respectively. Our capital requirements primarily depend on the amount of capital expenditures and new product development. We may need to raise additional funds to meet these requirements in future. If we fail to obtain necessary funding on acceptable terms or at all, we may be forced to delay capital investment projects, research and development activities, potential acquisitions and investments or otherwise curtail operations.

Transfer pricing risk

Our Group has adopted transfer pricing arrangements among its group companies in Hong Kong and the PRC to regulate intra-group trades. For details of our intra-group trades, please refer to the paragraph headed "Business — sales, marketing and distribution — Transfer pricing" in this prospectus. Our Group's tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

For details of the Hong Kong and PRC laws and regulations in relation to transfer pricing arrangements, please refer to the paragraphs headed "Regulatory Overview — Hong Kong regulatory overview" and "Regulatory Overview — PRC regulatory overview — 3. Taxation — f) Transfer pricing" respectively in this prospectus.

Note: Staff turnover rate was calculated as the number of resigned employees in the period divided by the sum of the number of existing employees as at the beginning of the period and the number of new employees who joined in that period.

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In the event that our Group's tax position is subject to review and possible challenge by the Hong Kong and/or PRC tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong and/or the PRC, it may adversely affect our Group's financial position and results of operation. In preparing our Group's financial information, our Directors have reviewed and assessed our Group's transfer pricing risk as it is possible that the tax authorities may challenge our Group's transfer pricing policy, although our Directors believe that our Group has grounds to defend against such possible challenge. However, there can be no assurance that our Group will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our Group's transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws. For further details of our transfer pricing arrangements and the advice given by our tax adviser on transfer pricing, please refer to the paragraph headed "Financial Information — Principal components of results of operations — Income tax expenses" in this prospectus.

Fluctuations in foreign currency exchange rates may result in foreign currency exchange losses and may have adverse effect on your investment

During the Track Record Period, our Group's revenue was denominated in Renminbi, HK dollars and US dollars and our cost of sales was primarily denominated in Renminbi and the remaining denominated in HK dollars, US dollars and Euros. For FY2013 and FY2014, approximately 32.36% and 31.34% of our Group's revenue was denominated in Renminbi respectively, whilst approximately 84.61% and 88.92% of our Group's invoices from suppliers for cost of sales were denominated in Renminbi respectively.

The value of Renminbi against HK dollars and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in the PRC. Since 1994, the conversion of Renminbi into other currencies, including HK dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand and referenced to a basket of currencies. Since the adoption of this new policy, while the value of Renminbi against the HK dollar has fluctuated daily, the overall value of Renminbi has generally appreciated against the HK dollar. The PRC government has since made and may in the future make further adjustments to the exchange rate system.

Although the HK dollar is currently pegged against the US dollar, there is no assurance that the linkage of the HK dollar to the US dollar will not be altered or unpegged in future.

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Our cash flows, revenues, earnings and financial position may be materially and adversely affected if there is any severe fluctuation in exchange rates among Renminbi, HK dollars, US dollars and Euros.

Our operations and financial performance may be materially and adversely affected if we experience any major disruptions, damage or destruction at our production facilities

Our Group's business is dependent on the proper functioning of our manufacturing facilities which are located at Jiangmen and Dongguan in the PRC. Our Group's manufacturing facilities are subject to operating risks and disruptions, such as the breakdown or failure of equipment, labour strikes or shortages, natural disasters and industrial accidents. If any of our Group's manufacturing facilities experience any of these disruptions, damage or destruction, our Group may not be able to manufacture our products and meet our delivery obligations to our customers in a timely manner or at all, in which case our business, results of operations and financial condition would be materially and adversely impacted.

Any problems with product quality or performance could result in a loss of customers and sales and may subject us to product liability claims, which could result in significant costs or negatively affect our reputation

The success of our Group's business depends on our ability to consistently deliver products with high quality and reliability. If the quality or performance of any of our products deteriorates for any reason, our Group may be faced with returns or cancellations of orders and customer complaints. Moreover, as our Group's products contain chemical substances, such as potassium hydroxide, any defects or improper performance of our products may directly or indirectly result in harm to the environment and human health, safety and daily lives.

We do not have express contractual protection from our suppliers which would entitle us to compensation in relation to product quality. Further, if there is any property damage or personal injury resulted from any defects or improper performance of our products, our Group may be subject to product liability claims. The costs and resources required to defend such claims may be substantial and, if such claims are successful, our Group could be liable to paying some or all of the costs and/or damages awarded to the claimants. Although our Group maintains product liability insurance, the coverage is limited to a fixed amount and may not be sufficient to cover all costs and/or damages for which our Group is held liable. Accordingly, any problems with our product quality or performance may have a material and adverse effect on our Group's reputation, profitability and future growth.

Our future success depends on the continuing service of our senior management team and other key personnel, as well as our ability to attract and retain key personnel

Our Group's future success is dependent upon the continuing services of our executive Directors and senior management as the operations and development of our Group rely on their industry experience and expertise. In particular, our Group relies heavily on our executive Directors for their business networks in the battery industry and their management skills. If any of our executive Directors were unable or unwilling to

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continue in their present positions, or if they leave our Group, our Group may not be able to find suitable and timely replacements with comparable experience and expertise, which would cause severe disruption to the business operations of our Group and it would be detrimental to the ongoing success of our Group. In addition, if our Group is unable to retain or replace these key personnel, we may not be able to implement our business strategies and our financial condition and results of operations may be materially and adversely affected.

Our Group's insurance coverage may be insufficient to cover all risks associated with our operations

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to human or damage to properties. The insurance policies maintained by our Group primarily include (i) social insurance for our employees as required by the relevant PRC rules and regulations, (ii) product liability insurance, (iii) property all-risks insurance, (iv) insurance for our goods in transit; and (v) business interruption insurance. During the Track Record Period and up to the Latest Practicable Date, our Group had not made any material claims under its insurance policies. There is no assurance that our insurance policies will be adequate to cover all losses and liabilities incurred by our Group in future. Losses incurred and associated liabilities may have a material adverse effect on our results of operations if such losses or liabilities are not adequately covered by our insurance policies.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the flow of funds between and amongst our Company and our PRC subsidiaries could have a material adverse effect on our ability to conduct our business

Our Company is the holding company of our Group. Our turnover is generated from our business operations conducted through our subsidiaries. Our Company's ability to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the financial needs of our subsidiaries, depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their after-tax profit, if any, determined in accordance with PRC accounting standards. Our Group's PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant laws and provisions in their respective articles of associations until the accumulative amount of the statutory reserve fund reaches 50 percent or more of their respective reserve fund. As a result, our Group's PRC subsidiaries are restricted in their ability to transfer a portion of their profits to us in the form of dividends. Any restriction on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow,

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make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Distributions by our PRC subsidiaries to our Company in forms other than dividends may be subject to government approval and taxes. On the other hand, any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder's loan or as an increase in registered capital, is subject to registration with, or approval of, the relevant PRC government authorities. These limitations on the flow of funds between and amongst our Company and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries in a timely manner.

Our Group may not be able to renew the necessary regulatory permits or approvals, or our certifications of battery products and production systems, and our business and results of operations may be materially and adversely affected

Our Group's operation is regulated by the government and is subject to various laws and regulations in the PRC. For example, we are required to obtain permits in relation to environmental matters and pollution discharge for our production processes. Our compliance with the relevant government requirements and standards can be expensive and could lead to an increase in our production costs. Failure to maintain or renew such permits, licences, registrations, certificates or approvals could have a material adverse effect on our business, profitability and prospects. Furthermore, extensive government regulations and delays in granting relevant approvals can significantly hinder our introduction of new products. The occurrence of any of these events could increase our operating costs and materially and adversely affect our market competitiveness.

We have received various certifications for our battery products and production systems, including, ISO9001: 2008, ISO14001: 2004, SA8000: 2008 and 質量信用AA級企業 (AA Graded Corporation Certification*) certifications. Most of these certifications are subject to renewal every year or after a period of time in accordance with the standards set by the relevant issuing organisations and authorities. In the event of non-renewal, delay in renewal or revocation of any of these certifications, our Group's business and results of operations may be materially and adversely affected.

Our business could be adversely affected by any dispute on production know-how or intellectual property rights

Our success depends largely on our ability to use and develop our technology and know-how. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defence and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to obtain licences from third parties, pay ongoing royalties or redesign our products or subject us to injunctions

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prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigation.

Failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect such rights may be costly and may not be resolved in our favour

We mainly rely on patent laws to establish, protect and maintain our propriety intellectual property, technologies and other confidential information. As at the Latest Practicable Date, we held 22 patents in the PRC and one patent in Hong Kong. The existence of a patent, however, may not necessarily protect us from competition, as any granted patent may be challenged, invalidated or held unenforceable. In the event that our granted patents or other intellectual property rights do not adequately describe, enable or otherwise provide coverage for our products, technologies or designs, we would not be able to prevent others from developing or commercialising these products, technologies or designs. Competitors may successfully challenge our patents, produce similar products that do not infringe our patents or produce products in countries that do not recognise our patents. Further, changes in either the patent laws or in the interpretation of patent laws may diminish the value of our intellectual property. The occurrence of any of these events could harm our competitive position and decrease our revenue.

Moreover, our brand and trademarks are critical to our success. Given the large geographic coverage to which we sell our products, monitoring and preventing unauthorised use are difficult. Any unauthorised use of our brand, trademarks and other intellectual property rights could harm our competitive advantages, goodwill and business.

Litigation may be necessary in future to enforce our intellectual property rights, the costs for which could be substantial. Enforcement of intellectual property rights may be more difficult and/or less effective in the PRC compared to other jurisdictions, such as the United States or the European Union, that have a longer history of recognising and enforcing such rights. Any adverse outcome in litigation or similar proceedings could adversely affect our business, financial condition and results of operations.

We sell some of our own-brand battery products to our distributors, over which we have limited control

Our Group does not operate any retail shop or point of sale for our own-brand battery products. For FY2013 and FY2014, our sales to distributors accounted for approximately 56.96% and 45.49% of the total sales of our own-brand battery products respectively. Save for the control measures in respect of Nan Hua Jin Li and Suenglh as disclosed in this prospectus, our Group did not have control over our distributors. We may not be able to accurately track the sales and inventory levels of our distributors in relation to our products, which could cause us to predict sales trends inaccurately. Further, we have limited control over the actions and practices of our distributors, and our reputation and business may be adversely affected if our distributors fail to perform their obligations owed to us or fail to comply with relevant laws and regulations. In addition, our Group has not entered into any long-term distribution agreement with our distributors. Hence, there can be no assurance that our Group will be able to maintain our relationships with our distributors. If

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a significant number of our Group's distributors cease to purchase our Group's products and our Group is unable to find suitable replacement distributors, our Group's business and results of operations in relation to our own-brand battery products may be adversely affected.

We rely on the success of our private label and OEM customers, which may be affected by external factors, such as developments in the battery industry and slowdown in economic growth

For our private label business and OEM business, we rely on the success of our customers in selling their products, which may be affected by external factors, such as developments in the battery industry and slowdown in economic growth in general. Our business and financial performance are susceptible to any unanticipated major fluctuation in the conditions of the market for batteries, including any price war, decrease in demand for disposable batteries and advancement in technology resulting in built-in rechargeable battery systems becoming more competitive and popular. There can be no assurance that our private label and OEM customers will be able to respond to any such fluctuation in an appropriate and timely manner and our business performance may in turn be adversely affected.

Certain defects related to certain properties leased by us in the PRC may materially and adversely affect our ability to use such properties

As of the Latest Practicable Date, with respect to four blocks of buildings in our Dongguan Production Facility in the PRC, the relevant landlord had not been able to provide its building ownership certificates evidencing its rights to lease the properties to us. These properties are used as our machinery workshop, battery parts production department, warehouse, office, chemical testing laboratory and staff quarters, with an aggregate GFA of approximately 15,036 sq.m.

As advised by our PRC Legal Advisers, the leasing of premises without building ownership certificates is not permissible and the relevant lease agreements may be deemed invalid, and we may be forced to move out from the relevant leased property in case such lease agreements are deemed invalid. Any forced relocation will result in relocation expenses and cause disruption to our business operations. Our Directors estimate that the aggregate relocation costs (including the costs of water and electrical installations and renovation costs for the alternative premises) will be approximately RMB4.5 million, and that it will take approximately 60 working days to relocate our operation in the properties with defective title under our contingency plan. Please refer to the section headed "Business — Properties — Properties in the PRC" in this prospectus for further details.

Our Group may be ordered to make up any unpaid contribution to the social security insurance schemes and housing provident fund during the Track Record Period and may be subject to penalties

Under the PRC laws and regulations, our subsidiaries in the PRC are required to apply for social insurance registration and housing provident fund registration within 30 days from their establishment, and then to make mandatory contributions to social insurance

RISK FACTORS

schemes and housing provident fund for their employees. As advised by our PRC Legal Advisers, under the applicable national laws and regulations, our PRC subsidiaries during the Track Record Period, namely Goldtium (Jiangmen) Energy, Dongguan Victory Battery, Dongguan Golden Power, and Goldtium (Jiangmen) Battery which ceased to be a member of our Group on 23 July 2013, are required to make contributions to these social insurance schemes and housing provident fund.

However, our PRC subsidiaries specified above had not fully contributed towards social insurance for all of their employees during the Track Record Period. It is estimated that the outstanding social insurance contributions for the Track Record Period amounted to approximately RMB2.15 million. As advised by our PRC Legal Advisers, pursuant to the relevant PRC laws and regulations, our PRC subsidiaries may be ordered to pay the unpaid social insurance amounts within a prescribed time limit and a daily default fine of 0.05% on any unpaid payment, which amounts to approximately RMB542,000. In addition, a fine equivalent to one time to three times of the unpaid social insurance payment may be imposed on our PRC subsidiaries if they fail to make such payment within the prescribed time limit.

Since January 2014 and up to the Latest Practicable Date, we have made social insurance contributions for our employees in full compliance with the relevant PRC laws and regulations. Nevertheless, we may be required to pay the outstanding amount of contributions previously due and may be subject to penalty as advised by our PRC Legal Advisers above.

Apart from the failure to make social insurance contributions, our PRC subsidiaries had not fully contributed towards the housing provident fund for all their employees during the Track Record Period. It is estimated that the outstanding housing provident fund contributions for the Track Record Period amounted to approximately RMB1.14 million. As advised by our PRC Legal Advisers, pursuant to the relevant PRC laws and regulations, our PRC subsidiaries may be ordered to pay a penalty between RMB10,000 and RMB50,000 if they fail to open housing provident fund accounts for their employees within the prescribed time limit and may be ordered to pay the unpaid housing provident fund contributions within a prescribed time limit.

Since January 2014 and up to the Latest Practicable Date, we have made housing provident fund contributions for the employees of Dongguan Golden Power and Dongguan Victory Battery in full compliance with the relevant PRC laws and regulations. We have made up the shortfall in housing provident fund contributions for the employees of Goldtium (Jiangmen) Energy from July to September 2014, and started making contributions in full compliance with the law with effect from October 2014. Nevertheless, we may be required to pay the outstanding amount of contributions previously due as advised by our PRC Legal Advisers above.

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Furthermore, the relevant employees may take legal actions, such as filing reports or complaints, against us in future in respect of our failure to make contributions to the social insurance and housing provident fund for such employees. Please refer to the section headed “Business — Non-compliance of our Group — II. Issues in relation to compliance with the laws and regulations in the PRC” in this prospectus for further details.

In the event that the aforementioned penalties are imposed on our Group, or other administrative sanction is ordered by the relevant PRC authorities against us, for our previous failure to make full contributions to social insurance and/or housing provident fund for our employees, such penalties or administration sanction could adversely affect our financial condition and reputation.

Our Group may not be able to successfully implement our future business plans and strategies, which may adversely affect our Group’s business prospects

The success of our Group’s operations depends on, among other things, the proper and timely execution of our Group’s future business plans and strategies, some of which are described in the sections headed “Statement of Business Objectives and Use of Proceeds” and “Business — Production facilities — Expansion plan” in this prospectus. Some of our Group’s future business plans are still in preliminary stages of planning and are not yet supported by a detailed feasibility study. Some of our Group’s business plans are based on the assumption that certain future events will occur. We can give no assurance that our future business plans and expansion plan will materialise, or result in the conclusion or execution of any agreement within the intended time frame, or result in higher revenue or profit to our Group, or that our Group’s objectives will be fully or partially accomplished, because these business plans and expansion plan may involve substantial time, costs, cash outflows and market uncertainties. Accordingly, our Group’s profitability, operations, prospects and/or financial condition may be materially and adversely affected if any or all of our Group’s future plans cannot be accomplished in the manner described in the paragraphs headed “Statement of Business Objectives and Use of Proceeds — Business objectives and strategies” and “Business — Production facilities — Expansion plan” in this prospectus.

RISKS RELATING TO THE INDUSTRY

We face intense competition

Our Group faces competition from other manufacturers of battery products in the PRC and overseas, and it may be difficult for us to differentiate our products from our competitor’s products. Our competitors may have greater financial, research and other resources, pricing flexibility and name recognition. There is no assurance that our Group will be able to compete effectively against our existing and potential competitors, and intensified competition may result in price reduction and negatively affect our profitability. To the extent that our competitors become more successful with respect to key competitive factors such as sourcing of raw materials and expertise in the sale and distribution of battery products, our Group’s future growth and profitability may be materially and adversely affected.

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We may be adversely affected by changes in the laws, regulations and policies in relation to the battery industry

On 11 October 2013, the Ministry of Environmental Protection, the National Development and Reform Commission, the Ministry of Industry and Information Technology and the Ministry of Finance of the PRC jointly issued the Notice on Strengthening the Prevention and Control of Mercury Pollution of Major Mercury-added Products and Related Mercury-added Raw Material Production Industry (關於加強主要添汞產品及相關添汞原料生產行業汞污染防治工作的通知) (Huan Fa [2013]119). According to the Notice, with effect from the 60th day after the issuance of the Notice, any newly constructed, reconstructed or extended production projects in relation to the production of alkaline micro-button cells and pasted carbon cylindrical batteries shall use mercury-free raw materials; with effect from 31 December 2015, battery production companies shall use mercury-free raw materials to produce alkaline micro-button cells and pasted carbon cylindrical batteries. PRC and international technology standards and environmental regulations continually evolve, and we cannot assure you that our Group will continue to be successful in designing and manufacturing new products in a timely manner that conform to such new standards or regulations in future. The introduction of new PRC and international laws, regulations and policies in this respect could increase our operating costs and adversely affect the profitability of our business.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC may have a material and adverse effect on our business, financial condition, results of operations and future prospects

Our Group's production facilities are located in the PRC. As such, our operations, financial results and future prospects are subject to the economic, social and political developments of the PRC. The PRC economy differs from the economies of the most developed countries in many respects, such as structure, level of government involvement, control of foreign exchange and allocation of resources. The PRC economy is generally a planned economy, in which periodic economic plans and measures are promulgated and implemented by the government. The PRC has been reforming its economic and political system towards a more market oriented economy in the past two decades, and many of the reforms are unprecedented and are expected to be refined and improved. The PRC government plays a significant role in the PRC economic growth. In view of concerns over the PRC's economic and fixed investment growth, bank credit and inflationary pressure, the PRC government has taken measures, including direction and/or restrictions on bank loans to certain sectors and change in interest rates, with the aim of managing the PRC's economic growth. Such measures, and any additional measures which may be further taken by the PRC government, may have a significant negative impact on the PRC economy which in turn will adversely affect our Group's business, results of operations and future prospects.

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There is no assurance that the PRC government will continue to pursue economic reforms, or that such reforms will be conducive to the benefit of our Group. Furthermore, changes in the political, economic and social conditions, laws, regulations and policies of the PRC government may have a material and adverse effect on our Group's business, financial results and future prospects.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us

Our business in the PRC is conducted through our PRC subsidiaries. Thus, our operations in the PRC are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protection afforded to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are non-binding, there are uncertainties involved in the interpretation and enforcement of these laws and regulations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in future for commission of acts that are not in violation of the current policies and rules. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

Our Group may be subject to PRC taxation on our worldwide income

Under the EIT Law and its implementation rules issued by the State Council, both of which took effect on 1 January 2008, enterprises established outside the PRC of which "de facto management bodies" are located in the PRC are considered as "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT specified certain criteria for the determination of the "de facto management bodies" for foreign-registered China-invested holding enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises.

It is unclear under PRC tax law whether our Group has a "de facto management body" located in the PRC for PRC tax purposes. If our Group is deemed to be a PRC resident enterprise for PRC tax purposes, our Group would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income.

RISK FACTORS

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds our Group received from the Placing to make loans or additional capital contribution to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business

In utilising the proceeds of the Placing in the manner described in the section headed “Statement of Business Objectives and Use of Proceeds” of this prospectus, as an offshore holding company of our PRC operating subsidiaries, we may make loans, additional capital contributions to our PRC subsidiaries or a combination thereof. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by our Company to our subsidiaries in the PRC which are foreign-invested enterprises to finance their activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange or its local counterpart. In addition, any capital contributions to our PRC subsidiaries must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds of the Placing and to capitalise our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to civil claims or administrative sanctions for our operations or potential harm to employees caused by our operations and may not be able to meet the increasingly stringent environmental protection requirements imposed by the PRC government

Our production process involves the use of hazardous substance, such as potassium hydroxide, zinc chloride and ammonium chloride, which, if handled inappropriately, could be detrimental to the health of our employees as well as the environment. We are subject to extensive and changing environmental, health and safety laws and regulations that affect our operations, facilities and products in the PRC.

We are required to obtain and maintain various permits for the construction and operation of our production facilities in the PRC. We cannot assure you that we will be able to obtain or renew all the relevant permits. If we fail to obtain or renew any required permit, we may be subject to civil and administrative claims that may result in potentially significant monetary damages and fines or suspension of our operations.

As our production may affect the health of our employees and the surrounding environment, our failure to control the pollutants generated as a by-product of our production could subject us to potential civil and administrative claims and may result in potentially significant monetary damages and fines or suspension of our business operations, which may harm our results of operations. If more stringent regulations are enacted in the future, the related compliance costs could be substantial and our results of operations and future prospects may be materially and adversely affected. Any failure to comply with any present or future environmental, health and safety laws and regulations could result in the imposition of fines and other sanctions against us, which could disrupt, limit or result in the suspension of the operations of our Group.

RISK FACTORS

Governmental control of currency conversion in the PRC may affect the value of your investment

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive most of our revenues from our PRC operations in RMB. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from or registration or filing with the relevant government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our operation and financial position may be adversely affected.

We face uncertainty with respect to PRC tax obligations in connection with indirect transfers of equity interests in our PRC resident enterprises through their non-PRC holding companies

Pursuant to the Notice of the SAT on Strengthening Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises* (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Notice 698**”), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an “indirect transfer”, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise of this indirect transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. Notice 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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On 3 February 2015, the SAT issued a new circular on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise 《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》 (the “**Announcement No. 7**”), which abolishes certain provisions and provide more guidance on a number of issues in relation to Notice 698, including extending the coverage of Circular 698 to indirect transfer of assets such as immovable property in the PRC, changing the reporting requirement of indirect transfer of assets from mandatory to voluntary and allowing either party to an indirect transfer transaction to report to the PRC tax authority.

Announcement No. 7 also imposes a withholding obligation on the transferee of the assets and a penalty on the unpaid tax on the transferor or transferee in certain circumstances.

We may become at risk of being taxed under Notice 698 (as varied and supplemented by Announcement No. 7) in the future and we may be required to expend valuable resources to comply with Notice 698 (as varied and supplemented by Announcement No. 7) or to establish that we should not be taxed under Notice 698 (as varied and supplemented by Announcement No. 7), which may have a material adverse effect on our financial condition and results of operations.

You may experience difficulty in enforcing foreign judgments obtained from non-PRC courts against us in the PRC

Our Company is incorporated in the Cayman Islands. During the Track Record Period, most of our manufacturing operations were conducted in the PRC and a majority of our assets are located in the PRC. Since the PRC does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of judgment of courts, recognition and enforcement in the PRC of judgments by a court in any of these jurisdictions may be difficult.

RISKS RELATING TO THE PLACING

Our financial results are expected to be adversely affected by the expenses in relation to the Placing

Our financial results will be adversely affected by the expenses in relation to the Placing. The total estimated listing-related expenses (excluding underwriting commission) in connection with the Placing comprising principally professional fees are expected to amount to approximately HK\$32.04 million. As at 31 December 2014, we had incurred expenses of approximately HK\$19.57 million in connection with the Placing, of which approximately HK\$14.05 million are accounted for as our expenses with the remaining amount of approximately HK\$5.52 million recorded as prepayment in the accounts. Upon the completion of the Placing, we expect to incur additional listing-related expenses of approximately HK\$12.47 million among which, an estimated amount of approximately HK\$8.26 million is to be recognised as our expenses and the remaining estimated listing-related expenses is expected to be charged to equity upon the Listing. Therefore, our financial results for the year ending 31 December 2015 will be adversely affected by the expenses in relation to the Placing.

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There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Placing, no public market for our Shares existed. Following the completion of the Placing, the Stock Exchange will be the only market on which our Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Placing. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Placing at or above the Placing Price. The Placing Price for our Shares is expected to be fixed by agreement among the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company, and is not indicative of the market price of our Shares following the completion of the Placing. If an active trading market for our Shares does not develop or is not sustained after the Placing, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in the battery industry may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific commercial reasons. In particular, factors such as variations in our revenue, net income, cash flow, profits and dividends could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Any future issuance of Shares by our Company may dilute your shareholding

For the purpose of recognising the contribution of certain senior management and employees of our Group and as an incentive for their future performance, we adopted the Share Option Scheme, details of which are set out in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus. Any exercise of the share options which may be granted under the Share Option Scheme in future will result in a reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

Our Group may need to raise additional funds in future to finance expansion or new developments relating to our operations or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of our Company, the percentage ownership of our Shareholders may be reduced and our Shareholders may experience dilution in their percentage shareholdings in our Company.

RISK FACTORS

Sale or perceived sale of substantial amounts of the Shares in the public market after the Placing could materially and adversely affect the prevailing market price of the Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that our Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods. Sale of a substantial number of these Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares.

You may face difficulties in protecting your interests because we are incorporated under the Cayman Islands law, and the Cayman Islands law may provide remedies to minority shareholders different from those under the laws of Hong Kong and other jurisdictions

The corporate affairs of our Company are governed by the Memorandum, the Articles, the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in Hong Kong. Such differences may mean that the remedies available to our minority Shareholders may differ from those available to them under the laws of Hong Kong. For details, please refer to the section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix IV to this prospectus.

We will continue to be controlled by our Controlling Shareholders, whose interests may not align with those of our other Shareholders

Immediately following the Placing, Mr. Chu, our executive Director and the chairman of our Board, will beneficially own approximately 65% of our outstanding Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of our Directors and other significant corporate actions, and the power to prevent or cause a change in control. Without the consent of our Controlling Shareholders, we may not be allowed to enter into transactions that could be beneficial to us and our other Shareholders. We cannot assure you that our Controlling Shareholders will act completely in our interests or that conflicts of interest will be resolved in our favour.

Our historical dividend payments should not be taken as an indication of our future dividend policy

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to our Shareholders’ approval. Our Board will review dividend policy from time to time in light of various factors such as our results of operations, our cash flows, our financial conditions, our Shareholders’ interests, general business conditions and strategies,

RISK FACTORS

our capital requirements, the payment by our subsidiaries of cash dividends to us and other factors our Board may deem relevant in determining whether dividends are to be declared and paid.

Our Group declared dividends of approximately HK\$9.30 million and HK\$2.00 million for FY2013 and FY2014, respectively. As of the Latest Practicable Date, all the dividends declared have been fully paid. These historical dividend payments should not be regarded as an indication of future dividend policy or our payment of dividends in the future.

Statistics and facts from official sources in this prospectus have not been independently verified and may not be reliable

This prospectus includes certain statistics and facts relating to the economy and the battery industry that have been extracted from official government sources and publications or other unofficial sources. While we have exercised reasonable care in compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisers, nor the Sole Sponsor, the Underwriters or any of their affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from these sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate. Statistics, industrial data and other information relating to the economy and the industry derived from sources used in this prospectus may not be consistent with statistics, industrial data and other information available from other sources and therefore, investors should not unduly rely upon such facts and statistics while making investment decisions.

Forward-looking statements included in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Investors of our Placing Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information. Please refer to the section headed “Forward-looking Statements” of this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions which would constitute non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules, following completion of the Placing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of such non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver is set out in the section headed "Connected Transactions" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Future (Stock Market Listing) Rules and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE PLACING

The Placing Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

UNDERWRITING OF THE PLACING SHARES

This prospectus is published solely in connection with the Placing which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined by the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company on or about Monday, 1 June 2015, or such later date as may be agreed by the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company. The Placing Price is currently expected to be not more than HK\$1.35 per Placing Share and not less than HK\$1.25 per Placing Share.

If the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company are unable to reach an agreement on the Placing Price on or before Monday, 1 June 2015, or such later date as may be agreed between the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company, the Placing will not become unconditional and will lapse immediately.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

An announcement of the level of indication of interest in the Placing and the basis of allocation of the Placing Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.goldenpower.com on or before Thursday, 4 June 2015.

SELLING RESTRICTIONS

Each person acquiring the Placing Shares will be required to confirm or by his/her acquisition of the Placing Shares will be deemed to confirm that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM is refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

HONG KONG BRANCH SHARE REGISTRAR AND THE STAMP DUTY

All the Shares will be registered on the branch register of members of our Company in Hong Kong to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Dealings in the Shares registered on our Company’s branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

REGISTER OF MEMBERS

Our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

Our Company’s principal register of members will be maintained by our principal share registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company’s Hong Kong branch register of members will be maintained by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Friday, 5 June 2015. The stock code of the Shares is 8038. The Shares will be traded in board lot of 2,000 Shares each.

Our Company will not issue any temporary document of title.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisors or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” of this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains conversion of certain Renminbi amounts into HK dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into HK dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into HK dollars have been made at the rate of RMB0.80 to HK\$1.00.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or million of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chu King Tien (朱境淀)	House No. 16, 27th Street Hong Lok Yuen Tai Po, New Territories Hong Kong	Chinese
Ms. Chu Shuk Ching (朱淑清)	House No. 25, 26th Street Hong Lok Yuen Tai Po, New Territories Hong Kong	Chinese
Mr. Tang Chi Him (鄧志謙)	Flat D, 33/F Block 3, Ma On Shan Centre Ma On Shan, Shatin, New Territories Hong Kong	Chinese
Mr. Chu Ho Wa (朱浩華)	House No. 16, 27th Street Hong Lok Yuen Tai Po, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chow Chun Hin Leslie (周駿軒)	Flat C, 59/F, Tower 2 Phase 1, Banyan Garden 863 Lai Chi Kok Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Mr. Hui Kwok Wah (許國華)	Flat B, 7/F Block 37, City One Shatin Sha Tin, New Territories Hong Kong	Chinese
Mr. Ma Sai Yam (馬世欽)	Flat D, 51/F Block 2, The Victoria Towers 188 Canton Road Tsim Sha Tsui, Kowloon Hong Kong	Chinese

Further information of our Directors is disclosed in the section headed “Directors, Senior Management and Staff” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Sole Sponsor	RaffAello Capital Limited Room 2002, 20/F Tower Two, Lippo Centre 89 Queensway, Admiralty Hong Kong
Sole Bookrunner and Sole Lead Manager	RaffAello Securities (HK) Limited Room 2002, 20/F Tower Two, Lippo Centre 89 Queensway, Admiralty Hong Kong
Co-Lead Manager	CNI Securities Group Limited 10/F, Sun's Group Centre 200 Gloucester Road Wanchai, Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> ONC Lawyers 19th Floor, Three Exchange Square 8 Connaught Place Central, Hong Kong <i>As to PRC law</i> Yuan Tai Law Offices 14/F, Huaxia Bank Plaza 256 South Pudong Road Shanghai, PRC <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong <i>As to U.S. law</i> Nixon Peabody LLP One Embarcadero Center 18th Floor San Francisco, California 94111-3600 United States of America <i>As to European Union law</i> Graf von Westphalen Poststrasse 9 – Alte Post 20354 Hamburg Germany

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law

Deacons

5th Floor, Alexandra House
18 Chater Road, Central
Hong Kong

As to PRC law

Global Law Office

1501–1502, Tower 1
Excellence Century Center
Fuhua 3 Road, Futian District
Shenzhen 518048, PRC

Auditors and reporting accountants

PKF Hong Kong

Certified Public Accountants

26/F, Citicorp Centre
18 Whitfield Road, Causeway Bay
Hong Kong

Property valuer

Vigers Appraisal and Consulting Limited

10th Floor, The Grande Building
398 Kwun Tong Road, Kowloon
Hong Kong

Compliance adviser

RaffAello Capital Limited

Room 2002, 20/F
Tower Two, Lippo Centre
89 Queensway, Admiralty
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House, 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters in Hong Kong	Flat C, 20/F, Block 1 Tai Ping Industrial Centre 57 Ting Kok Road Tai Po, New Territories Hong Kong
Principal place of business in Hong Kong registered under Part XI of the Predecessor Companies Ordinance	Flat C, 20/F, Block 1 Tai Ping Industrial Centre 57 Ting Kok Road Tai Po, New Territories Hong Kong
Company's website	www.goldenpower.com <i>(Note: the information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Tse Kar Keung (<i>HKICPA, FCCA</i>) Flat B, 11/F, Block 3 Liberte 833 Lai Chi Kok Road Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Ms. Chu Shuk Ching House No. 25 26th Street Hong Lok Yuen Tai Po, New Territories Hong Kong Mr. Tse Kar Keung Flat B, 11/F, Block 3 Liberte 833 Lai Chi Kok Road Kowloon Hong Kong
Compliance officer	Ms. Chu Shuk Ching House No. 25 26th Street Hong Lok Yuen Tai Po, New Territories Hong Kong

CORPORATE INFORMATION

Audit committee	Mr. Hui Kwok Wah (<i>Chairman</i>) Mr. Ma Sai Yam Mr. Chow Chun Hin, Leslie
Remuneration committee	Mr. Hui Kwok Wah (<i>Chairman</i>) Mr. Chu King Tien Mr. Ma Sai Yam
Nomination committee	Mr. Chu King Tien (<i>Chairman</i>) Mr. Hui Kwok Wah Mr. Ma Sai Yam
Principal share registrar	Appleby Trust (Cayman) Ltd. 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
Principal bankers	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong Shanghai Commercial Bank Limited 35/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong Industrial and Commercial Bank of China Limited Jiangmen Sub-branch No. 190 Jianshe Road Jiangmen City PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted, in part, from various official government publications and a market research report prepared by Ipsos and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Bookrunner, the Underwriters and their respective directors, advisors and affiliates and advisers has independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters and their respective directors, advisors and affiliates or any other party involved in the Placing makes any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

SOURCES OF INFORMATION

General

We engaged the business consulting unit of Ipsos to undertake a research on the defined disposable battery market globally, in the PRC, U.S. and European Union (“EU”), which includes alkaline cylindrical batteries, carbon cylindrical batteries and micro-button cells at a fee of approximately HK\$446,800. The research is set out in the Ipsos Report. Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with us in any way. Our Directors further confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

About Ipsos

According to the business consulting unit of Ipsos, Ipsos is a member of Ipsos SA, which is a market research and consulting group with offices in across 85 countries. Services of the business consulting unit of Ipsos include market profiling, sizing, share and segmentation analysis, distribution and value chain analysis, and forecasting and scenario planning. This prospectus, particularly in the sections headed “Industry Overview” and “Business” contains some information extracted from the Ipsos Report.

Research Methodology

The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research client consultation conducted by the business consulting unit of Ipsos including specialised industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database maintained by Ipsos; (ii) client consultation and (iii) primary research by interviews with key stakeholders

INDUSTRY OVERVIEW

and industry experts in Hong Kong including disposable battery manufacturers and wholesalers, associations, industry analysts and experts. Such methodology has guaranteed a full circle/multi-level information sourcing process where information gathered will be able to be cross-referenced to ensure accuracy. Intelligence gathered has been analyzed, assessed and validated using Ipsos' in-house analysis models and techniques. The information contained herein has been obtained from sources which Ipsos believe are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the choice of the parameters. Revenue of key global disposable battery manufacturers, China's disposal battery industry and the GDP growth rates globally and of China are the parameters considered in the market size of the Ipsos Report.

TYPES OF BATTERIES

Disposable battery is a cell in which an irreversible chemical reaction generates electricity and readily available and affordable but cannot be reusable. There are three major types of disposable batteries including (a) alkaline cylindrical batteries (excluding alkaline micro-button cells), (b) carbon cylindrical batteries and (c) micro-button cells in the global disposable battery industry. Micro-button cells in the global disposable battery industry can be categorised into (a) alkaline micro-button cells, (b) silver oxide micro-button cells, (c) lithium manganese micro-button cells and (d) zinc air micro-button cells.

Disposable batteries in each of these main product categories can be classified into low-end and middle-to-high end. Middle-to-high end products generally have longer shelf life, better sealing process, better leakage proof and are sold at a higher price.

Rechargeable battery comprises one or more electrochemical cells which the electrochemical reactions are electrically reversible.

ANALYSIS OF THE GLOBAL DISPOSABLE BATTERY INDUSTRY

Overview

Demand of the global disposable battery industry

According to the Ipsos Report, driven by the rising popularity of portable electronic devices (include beauty and healthcare products) and increasing consumer income levels, the total sales of global disposable battery market has increased from approximately HK\$180.2 billion in 2008 to HK\$195.3 billion in 2013, representing a CAGR of 1.6% from 2008 to 2013. Asia Pacific accounted for over half of the global sales for disposable batteries in 2013, of which China accounted for approximately 24.50% of the total sales value of global disposable battery, followed by Europe and the USA which accounted for approximately 20.80% and 16.80%, respectively. According to the Ipsos Report, the type of disposable battery used may vary greatly from region to region, for example, carbon cylindrical batteries are popular in many developing countries, such as India and Indonesia, while alkaline cylindrical batteries are used more in developed countries, such as the USA and Canada.

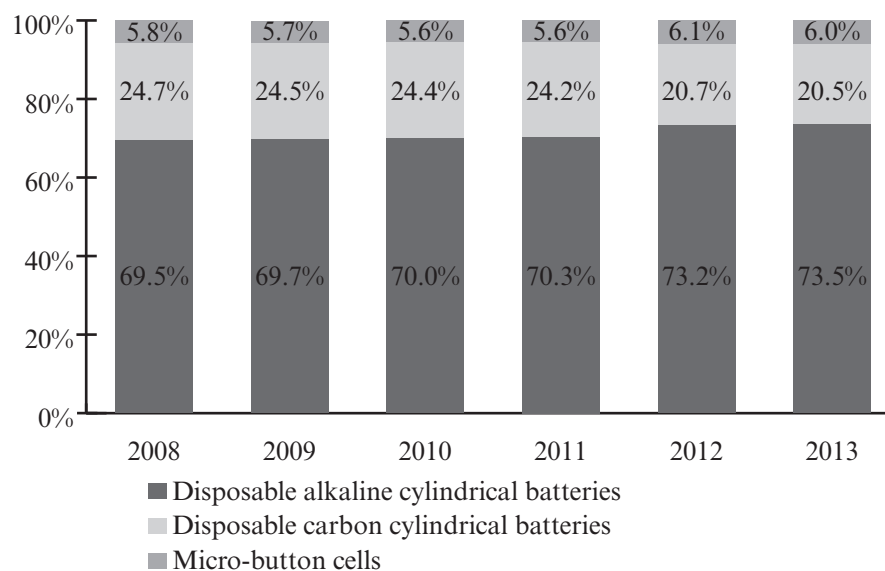
INDUSTRY OVERVIEW

With the recovery in the global economy, demand of the global disposable battery market is expected to exhibit a steady growth through the period from 2014 to 2018. China is expected to emerge as the single largest and fastest growing market for disposable batteries driven by strong economic growth, increasing per capita income, continued industrialization and solid demand for battery-enabled consumer electronic products. The same factors are also expected to drive the demand for disposable batteries in other developing regions, including India, South Korea, Indonesia, Iran, Poland and Argentina. The USA, Europe and Japan are relatively mature markets compared with the emerging markets, and altogether accounted for approximately 40% of the total sales of global disposable battery market in 2013.

Supply of the global disposable battery industry

The market value of global disposable battery industry has increased from approximately HK\$54.1 billion in 2008 to HK\$59.8 billion in 2013, representing a CAGR of 2.0%. In 2013, disposable alkaline cylindrical batteries accounted for a great majority of the production of all disposable batteries following by disposable carbon cylindrical batters and micro-button cells. The following graph shows the market shares of the global disposable battery industry by product types from 2008 to 2013:

Market shares of the global disposable battery industry by product types from 2008 to 2013



According to the Ipsos Report, the disposable battery industry is relatively stable compared to other consumables. The enormous size of the replacement markets and the variety of applications in which disposable batteries are used have allowed the disposable battery industry to buffer against extreme changes in economic conditions. The real increase in purchasing power is expected to boost spending on a variety of electronic devices, which is expected to boost the demand for disposable batteries, with its production value expected to reach at about HK\$66.9 billion in 2018.

Trends and Developments of the Global Disposable Battery Industry

High-performance batteries are expected to lead the trend

Consumer electronic products are one of the major usages of disposable batteries, especially the portable electronic devices such as remote controls, toys, portable computing devices and digital cameras. These portable electronic devices require more powerful electronic supply to cater for the multifunctional features. Disposable batteries with low discharge performance will be squeezed out from the disposable battery market finally. As a result, alkaline cylindrical batteries with high drain discharge performance is expected to be the trend of disposable battery demand in the future.

Future Disposable Battery will be good in leakage resistance

With the growing concerns on product safety by the consumers, disposable battery with better leakage resistance will be the trend of usage by consumers, as such demand for alkaline cylindrical batteries is expected to increase in the future as it has a better leakage resistance.

ANALYSIS OF THE DISPOSABLE BATTERY INDUSTRY IN CHINA

Overview

Demand of the China disposable battery industry

According to the Ipsos Report, disposable batteries are widely used in consumer products, various industrial equipment, government applications and other sectors (such as healthcare applications), which accounted for about 62.0%, 31.9%, 4.0%, 2.1% in terms of applications, respectively in 2013.

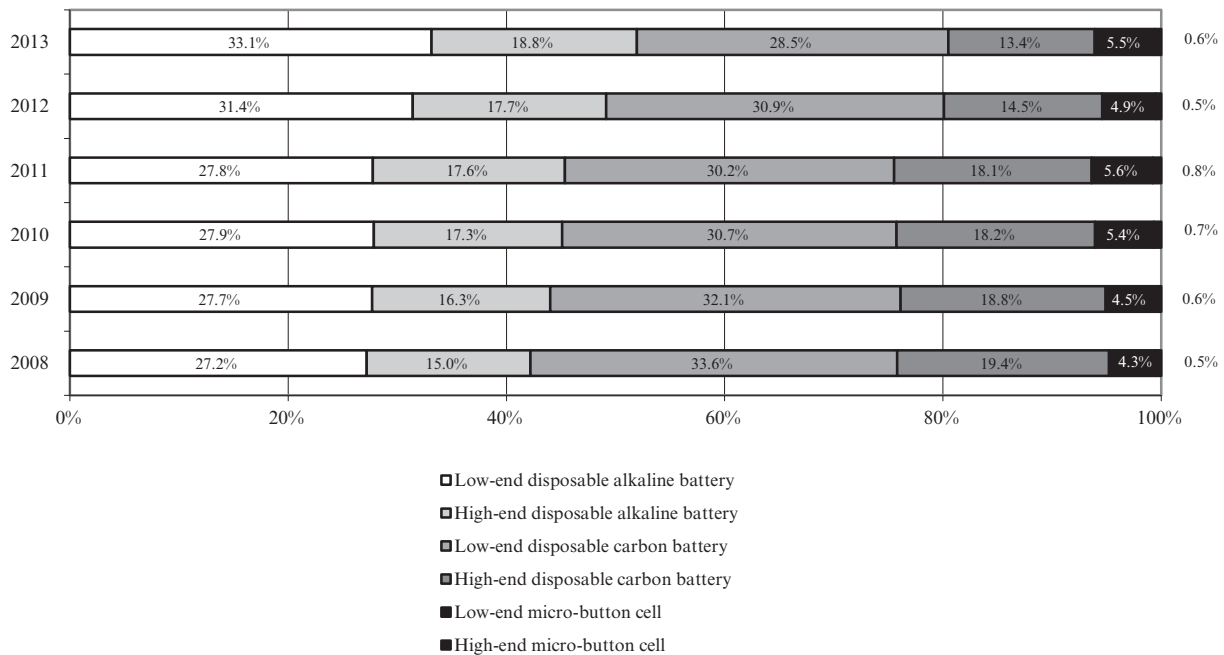
From 2008 to 2013, the rapid development of downstream industries in China, such as toys, games, watches, clocks and electronics, has stimulated demand for disposable batteries.

INDUSTRY OVERVIEW

Supply of the China disposable battery industry

According to the Ipsos Report, in 2013, the production value of China's disposable battery market was about HK\$26,140 million, with a production volume of about 42.0 billion units, grown at a CAGR of approximately 4.7% compared to HK\$20,731 million in 2008. Market share of disposable alkaline cylindrical batteries grew from approximately 42.1% in 2008 to approximately 52.0% in 2013, at a CAGR of approximately 4.3%. Market share of disposable carbon cylindrical batteries declined from approximately 53.0% in 2008 to approximately 41.9% in 2013, at a CAGR of approximately -4.6%. Market share of micro-button cells remained at approximately 5% to 6% from 2008 to 2013. The following chart sets out the market shares of the disposable battery industry in China by product type from 2008 to 2013:

Market Shares of the Disposable Battery Industry in China by Product Type from 2008-2013



Source: Ipsos Report

Currently, Chinese battery manufacturers target mid to low-end markets; while foreign invested battery manufacturers target developed markets. There are more than 1,000 disposable battery manufacturers in China, of which about 320 manufacturers are above scale (with revenue of more than RMB20 million). Foreign invested battery manufacturers, including Hong Kong, and some leading local manufacturers focus on high-end OEM/ODM business for private labels and electric and electronic devices exported to developed countries. They usually provide premium product quality, such as longer product life, better seal with no leakage and stable current. Their products have international certificates meeting strict standards from the EU and the USA. The majority of local Chinese battery manufacturers focus on low to mid-end market and supply products to developing

INDUSTRY OVERVIEW

countries. Their product quality is not as good as leading players, usually with a shorter product life, poor leakage resistance or unstable current. Their products cannot meet the international standards.

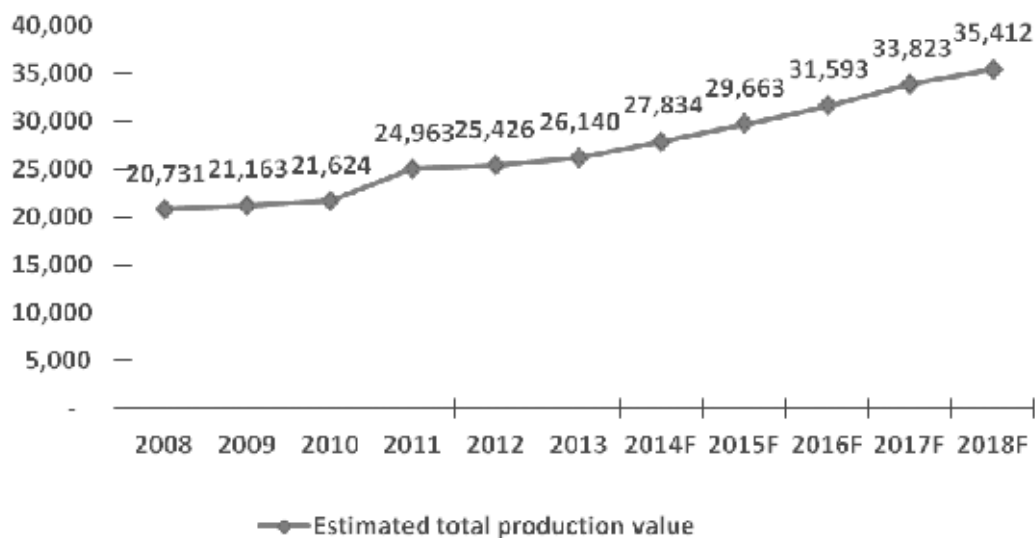
Lithium batteries are ideal for applications require low drain current and offer the greatest range of operating temperatures compared to the other three miniature battery technologies.

Export of disposable battery products from China to the global market

The export value of disposable battery products from China to the global market grew from about HK\$11,306 million in 2008 to about HK\$13,741 million in 2013, at a CAGR of about 4.0%. Hong Kong was the top destination for the export of disposable battery products from China with export value of about HK\$1,803 million, which accounted for about 13.1% of the total export value from China in 2013. The US was the second largest destination (about 9.9%) for the export of disposable battery from China, followed by Benin (about 8.2%), Japan (about 3.6%) and Tanzania (about 3.1%), respectively in 2013.

Estimated total production value in the Disposable Battery Industry in China

The following chart sets out the estimated total production value of manufacturers in the disposable battery industry in China from 2008 to 2018:



Source: Ipsos Report

INDUSTRY OVERVIEW

The steady growth of the estimated total production value in the disposable battery industry in China has been supported by low drain electronic devices, especially toys in the past few years. Nowadays, there are more electronic and mechanical toys have been produced for children, disposable batteries have become a necessity for every household which is expected to further support the growth of the disposable battery industry in China.

Despite the reform and developments in rechargeable batteries in the late 1990s and early 2000s, disposable batteries still retain the dominant position in China's battery market. Most consumers would still prefer the disposable batteries due to its ease of use, even though rechargeable batteries have lower total cost of use as compared to disposable batteries.

Estimated Total Production Value in the Disposable Battery Industry in China by Segmentation

The following table sets out the estimated production value of manufacturers in the disposable battery industry in China from 2008 to 2018 by segments:

Year	Carbon cylindrical battery											
	Alkaline cylindrical battery		Total		Pasted battery		Paper battery		Micro-button cell		Total	
	Production Value	Share of Total	Production Value	Share of Total	Production Value	Share of Total	Production Value	Share of Total	Production Value	Share of Total	Production Value	Share of Total
	(HK\$ million)	Production Value %	(HK\$ million)	Production Value %	(HK\$ million)	Production Value %	(HK\$ million)	Production Value %	(HK\$ million)	Production Value %	(HK\$ million)	Production Value %
2008	8,741	42.1%	10,982	53.0%	2,703	13.0%	8,279	39.9%	1,008	4.9%	20,731	100.0%
2009	9,305	44.0%	10,780	50.9%	2,646	12.5%	8,133	38.4%	1,078	5.1%	21,163	100.0%
2010	9,754	45.1%	10,557	48.8%	2,591	12.0%	7,966	36.8%	1,313	6.1%	21,624	100.0%
2011	11,324	45.4%	12,047	48.2%	2,537	10.2%	9,510	38.1%	1,593	6.4%	24,964	100.0%
2012	12,411	49.1%	11,550	45.4%	2,483	9.8%	9,067	35.8%	1,390	5.5%	25,351	100.0%
2013	13,580	52.0%	10,964	41.9%	2,424	9.3%	8,540	32.7%	1,596	6.1%	26,140	100.0%
2014F	15,248	54.8%	10,770	38.7%	2,376	8.5%	8,394	30.2%	1,816	6.5%	27,834	100.0%
2015F	17,116	57.7%	10,577	35.7%	2,019	6.8%	8,558	28.9%	1,970	6.6%	29,663	100.0%
2016F	19,048	60.3%	10,402	32.9%	1,757	5.6%	8,645	27.4%	2,142	6.8%	31,592	100.0%
2017F	21,239	62.8%	10,250	30.3%	1,528	4.5%	8,722	25.8%	2,334	6.9%	31,823	100.0%
2018F	23,085	65.2%	9,846	27.8%	1,330	3.8%	8,516	24.1%	2,481	7.0%	35,412	100.0%
CAGR 2008–2018 (%)	10.2%		-1.1%		-6.8%		0.3%		9.4%		5.5%	

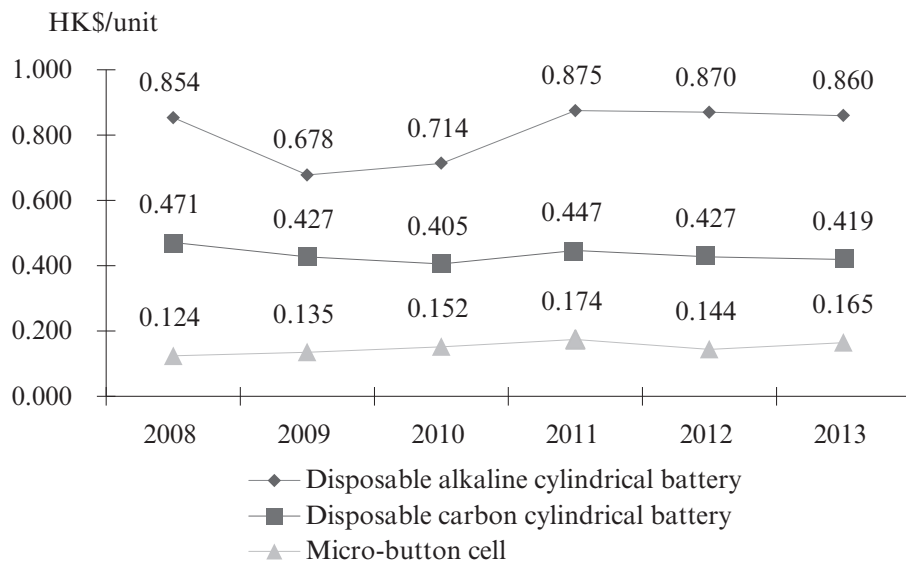
Ipsos expects that the production value of alkaline cylindrical batteries, carbon cylindrical batteries and micro-button cells to grow at CAGRs of about 10.2%, -1.1% and 9.4%, respectively, from 2008 to 2018. In respect of carbon cylindrical batteries, the production value of pasted batteries and paper batteries are expected to be at CAGRs of -6.8% and 0.3%, respectively.

The forecasted growth in the production value of paper battery is based on (i) the shift to mercury-free batteries in production to meet the PRC government's policy; (ii) higher pricing of mercury-free batteries; (iii) more advanced technology will be applied in paper battery production as compared to pasted battery production; and (iv) paper battery production has received encouragement from the PRC government.

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Historical Price Trend of Disposable Batteries in China

The following graph set forth the historical price trend of alkaline cylindrical batteries, carbon cylindrical batteries and micro-button cells in China from 2008 to 2013:



Source: Ipsos Report

Alkaline cylindrical batteries experienced the largest fluctuation in price in China during 2008 to 2013, compared with carbon cylindrical batteries and micro-button cells. The price of alkaline cylindrical batteries and micro-button cells grew at CAGRs of about 0.1% and 5.8%, respectively, from 2008 to 2013, while the carbon cylindrical batteries decreased at a CAGR of about -2.3% during the same period.

The price of alkaline cylindrical batteries declined by about 20% in 2009 due to reduce in demand and a significant decrease in the prices of raw materials, as a result of the financial crisis. With the cost of raw materials returning to previous levels as well as the increase in other production costs, the alkaline cylindrical battery industry recovered to the level in 2008, reaching an average of HK\$0.86 per unit in 2013.

The market share of carbon cylindrical batteries suffered negative growth while the consumption of alkaline cylindrical batteries and disposable lithium batteries soared as product quality improved. The highly intense competition and lack of production innovation has caused the price of carbon cylindrical batteries to decline in the past five years.

INDUSTRY OVERVIEW

Trends and developments of the China Disposable Battery Industry

Growth in demand for alkaline cylindrical battery outpaced carbon cylindrical batteries in 2012 and is likely to accelerate during the period from 2013 to 2018

According to the Ipsos Report, the demand for alkaline cylindrical batteries has experienced rapid growth and was estimated to overtake carbon cylindrical batteries by 2012 as the alkaline cylindrical battery has greater power and longer shelf life than carbon cylindrical battery. Market growth of carbon cylindrical batteries is expected to further slow down in 2014 due to its lower energy density ratio and a narrowing price gap with alkaline cylindrical batteries.

Facilitating of the research and development of key components for manufacture of alkaline cylindrical batteries to reduce the production cost of alkaline cylindrical batteries

According to the Ipsos Report, the manufacturers of alkaline cylindrical batteries recently rely on the imports of some key components, such as separator paper and steel, however, the local manufacturers have started to intensify the research and development of these key components which is expected to reduce the production cost of disposable batteries in the future.

Market threats and opportunities to the disposable battery market in the PRC

RMB appreciation and elimination of government tax rebate policy

- The appreciation of the RMB affects the profit margin of disposable battery manufacturers and exports of disposable batteries, which is becoming a threat to Chinese disposable battery manufacturers. The profit margin of disposable battery manufacturers is squeezed under continuing appreciation of the RMB, which led to higher cost of production, including the cost of raw materials and labor costs. As a result, some disposable battery manufacturers may find it difficult to sustain their business. RMB appreciation also raised the export price of disposable batteries to foreign countries. Such may cause foreign countries to shift their demand to other countries, where price is less expensive and hamper the export demand for disposable batteries in China. Further, since 2009, the PRC government has implemented a 15% export tax rebate policy to mercury free disposable alkaline cylindrical battery, disposable carbon cylindrical battery and micro-button cell batteries. The elimination of the policy will causes profit losses to the industry and further squeezed profit of battery exporters. As our Group manufactures its own battery components, instead of sourcing from external suppliers, our Directors believe that our Group has better cost control over its supply chain, thereby giving it a strong pricing power. That, in turn, reduces the financial pressure on production costs.

INDUSTRY OVERVIEW

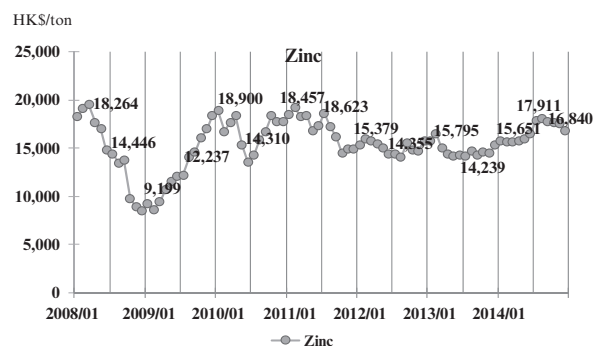
The rising rechargeable battery segment and increasing awareness as to environmental protection

- Disposable batteries are faced with intensifying competition from rechargeable batteries. Although disposable batteries have a relatively lower initial cost and are more ready-to-use compared with rechargeable batteries, rechargeable batteries are gaining popularity as they are long-lasting, reusable and environmental friendly. The rising popularity of rechargeable batteries, as a substitute, is threatening the development of the disposable battery market. We have introduced the “ecototal” series and the globally recognized conventional “Greenenergy” series which provides a legal solution for the diversified market demand. Further, the battery industry is included in and is of priority of the Government’s Light Industry Restructuring and Revitalization Plan (《輕工業調整和振興規劃》), providing great opportunities to Chinese battery manufacturers. Our Directors believe that we will benefit from such plan and also the National Engineering Technology Research Center which will be established to promote environmentally-friendly disposable batteries.

OVERVIEW OF MAJOR PRODUCTION MATERIALS

Zinc, electrolytic manganese dioxide and cold rolled steel are the major raw materials used in our Group’s production in terms of our total purchase of raw materials during the Track Record Period. Fluctuation and increase in the prices of these raw materials will increase our Group’s production costs.

Zinc

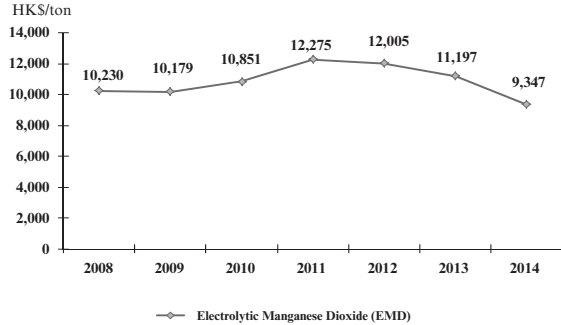


According to the Ipsos Report, the price of zinc decreased from about HK\$18,264 per ton at the beginning of 2008 to HK\$15,651 per ton at the beginning of 2014. The chart on the left sets forth the price trend of zinc in China from 2008 to 2014:

Sources: Ipsos Report
London Metal Exchange

INDUSTRY OVERVIEW

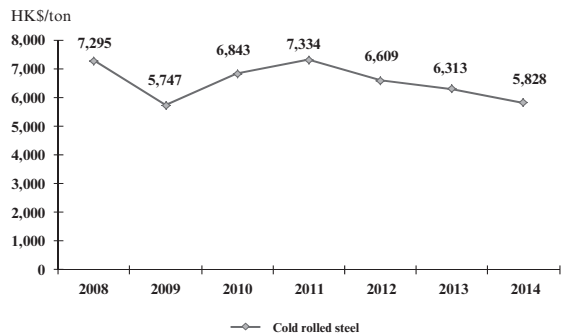
Electrolytic Manganese Dioxide



According to the Ipsos Report, the average price of electrolytic manganese dioxide decreased from HK\$10,230 per ton in 2008 to HK\$9,347 per ton in 2014. The chart on the left sets forth the price trend of electrolytic manganese dioxide in China from 2008 to 2014:

Sources: Ipsos Report
London Metal Exchange

Cold Rolled Steel



According to the Ipsos Report, the price of cold rolled steel exhibited a downward trend from about HK\$7,295 per ton in 2008 to HK\$5,828 per ton in 2014. The chart on the left sets forth the price trend of cold rolled steel in China from 2008 to 2014:

Source: Ipsos Report

COMPETITIVE ANALYSIS

Competitive Landscape

There were about 600 disposable battery manufacturers with revenue more than RMB20 million in the world in 2013 and about 54% of them were from China which accounted for approximately 43.60% of the global total production value of disposable batteries of about HK\$26.14 billion in 2013, being the largest supplier in the world.

China's disposable battery industry is fragmented with about 320 disposable battery manufacturers as of 2013, but market consolidation is anticipated in the years to come. The majority of them (slightly less than 300) are engaged in the manufacturing of disposable alkaline cylindrical batteries and disposable carbon cylindrical batteries, while a limited number of them are engaged in the manufacturing of micro-button cell batteries. Nonetheless, most of them focus on OEM/ODM for overseas markets. Amongst these manufacturers of micro-button cells, 40 of them were offering mercury-free micro-button cells.

INDUSTRY OVERVIEW

According to the Ipsos Report, small-scale disposable battery manufacturers, with annual revenue below RMB20 million, are faced with difficulties to sustain their business due to the appreciation of the RMB and global economic slowdown. This gives rise to opportunities for large-scale disposable battery manufacturers to increase their market share through merger and acquisition. In addition, it is possible that different background and scale of disposable battery manufacturers are being consolidated or acquired by other battery manufacturers in China. In general, small-scale disposable battery manufacturers are the targets for acquisition because the cost of acquisition is normally more affordable.

China's disposable battery manufacturers can be classified into two groups — low-end and middle-to-high end product manufacturers. The low-end product manufacturers target developing countries, especially Africa, and developed countries, while our Group mainly competes with the relatively low number of mid-to-high end product manufacturers in the PRC which target markets such as the United States and Europe.

Manufacturers of rechargeable battery in the PRC are also in competition with our Group as rechargeable batteries have lower total cost of use and environmental impact than disposable batteries. Some rechargeable battery types are available in the same sizes as disposable types. Further, rechargeable batteries have higher initial cost but can be recharged very cheaply and used many times.

Market Share of the Top 5 Players of the Disposable Battery Industry and Major Battery Products in China

According to the Ipsos Report, the top 5 players accounted for about 44.3%, and the top player accounted for about 16.7% of the total production value of about HK\$26.14 billion in the PRC disposable battery industry in 2013. Meanwhile, our Group shared about 0.6% of the total production value of about HK\$59.8 billion in the global disposable battery industry and 1.4% of the total production value of HK\$26.14 billion in the PRC disposable battery industry in 2013.

The top 5 players accounted for about 47.2%, and the top player accounted for about 17.7%, of the total production value of about HK\$13.58 billion in China's alkaline cylindrical battery industry and our Group shared about 1.2% of the total production value in 2013.

Further, the top 5 players accounted for about 46.7%, and the top player accounted for 26.4% of the total production value of about HK\$10.96 billion in China's carbon cylindrical battery industry and our Group shared about 0.9% of the total production value in 2013.

INDUSTRY OVERVIEW

According to the Ipsos Report, the top 5 players accounted for about 25.7%, and the top player accounted for 7.9% of the total production value of about HK\$1.60 billion in China's micro-button cells industry and our Group, ranked third, shared about 5.2% of the total production value in 2013. The table below sets forth the competitive landscape for the micro-button cells industry in China:

Rank	Competitors	Revenue in 2013 (HK\$ million)	Share of total production value (%)
1.	Competitor A	127	7.9
2.	Competitor B	95	5.9
3.	Our Group	83	5.2
4.	Competitor C	65	4.0
5.	Competitor D	42	2.7
	Others	1,184	74.3
	Total	1,596	100.0

Entry Barriers

Entry barriers for the disposable battery industry in China include: (i) technology barrier — new entrants with limited order may not be able to meet the high quality requirements of production equipment and compete with the existing large scale electronic manufacturers; (ii) brand building barrier — consumers are believed to have formed specific consumption behaviour given the maturity of the disposable battery industry in China and may be difficult for them to shift the preference towards new entrants; (iii) established distribution channels — most of the existing manufacturers have well-established relationships with their customers, it may be difficult for new entrants to access downstream stakeholders.

ANALYSIS OF THE DISPOSABLE BATTERY INDUSTRY IN THE U.S.

Overview

Demand of the U.S. disposable battery industry

According to the Ipsos Report, alkaline cylindrical batteries remain the most popular type of disposable battery in the U.S. and are expected to increase moderately in the near-to medium-term, as there is room for U.S. consumers to switch to high-performance disposable alkaline cylindrical batteries from old-fashioned low-performing disposable carbon cylindrical batteries that have around one-tenth of the power of alkaline ones.

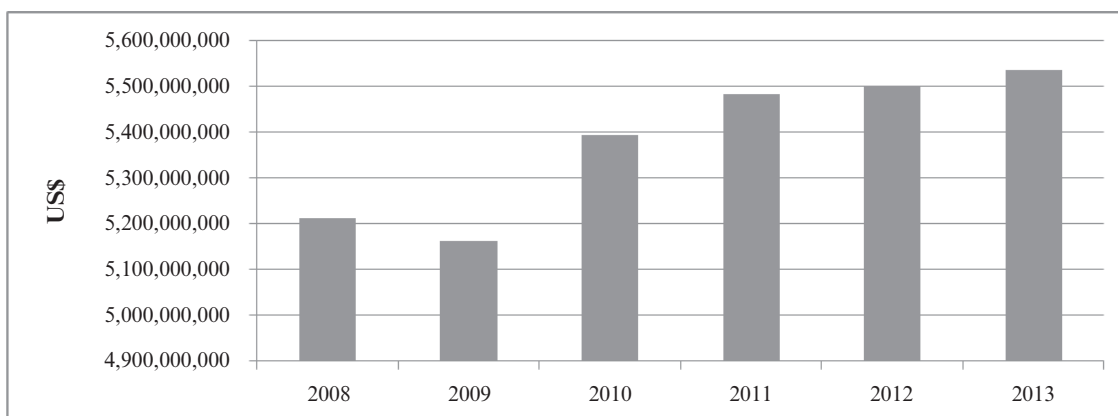
Alkaline cylindrical batteries currently account for around 80% of disposable batteries manufactured in the U.S. while carbon cylindrical batteries account for only 6%.

INDUSTRY OVERVIEW

Supply of the U.S. disposable battery industry

As of 2013, the size of the U.S. disposable battery market is estimated at about US\$5.53 billion in terms of value. During 2008–2013, the U.S. market for disposable batteries grew at a CAGR of about 1.2%. The figures also reflect that the annual growth of the U.S. market for disposable batteries slowed gradually. In 2009, the market contracted by about 1% following the global financial crisis, but then rebounded by about 4.5% on an improving economy in 2010. However, market growth slowed during 2011–2013, meaning that the U.S. disposable battery market is maturing.

The following chart sets out the market size of the disposable battery industry in the U.S. from 2008 to 2013:



Source: Ipsos Report

As stated in the Ipsos Report, the U.S. disposable battery market continues to be dominated by a few brands but competition is intensifying as many U.S. consumers now buy batteries at discount shops and favour own-brand or non-branded versions over the pricey branded products. As of 2013, the U.S. battery industry employed about 26,000 people, of whom about 7,000 were hired by disposable battery manufacturers. In 2013, the market share of our Group in the U.S. disposable battery market is estimated at about 0.4%.

Import of disposable battery products to the U.S. from the global market

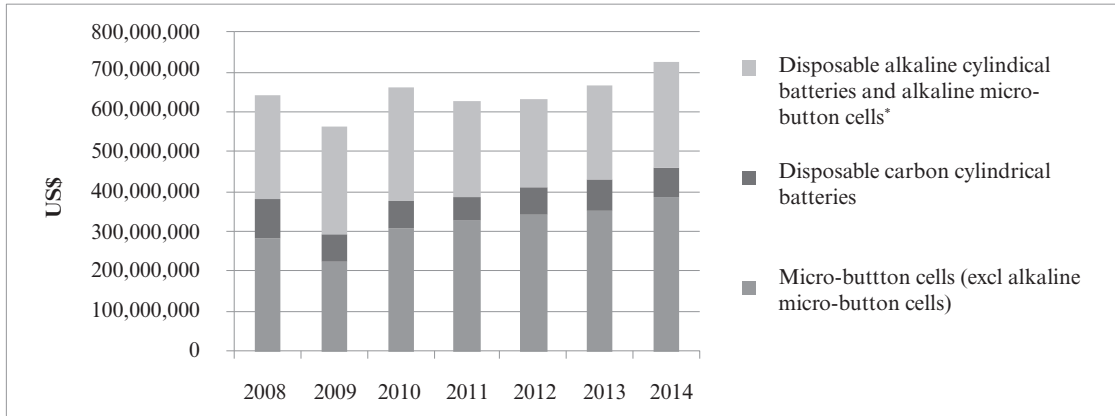
During 2008–2014, the total value of disposable alkaline cylindrical batteries and alkaline micro-button cells imported to the US increased at a CAGR of about 0.55 per cent, from about US\$260 million in 2008 to about US\$268 million in 2014.

Over the same period, the total value of disposable carbon cylindrical batteries imported to the US declined at a CAGR of about –4.3 per cent, from about US\$97.6 million in 2008 to about US\$74.9 million in 2014.

INDUSTRY OVERVIEW

Over the same period, the total value of micro-button cells (excl alkaline micro-button cells) imported to the US grew at a CAGR of about 5.2 per cent, from about US\$283 million in 2008 to about US\$384 million in 2014, mainly due to the fact that demand for smaller and lighter electronic devices, which are usually powered by micro-button cells, increased during the period.

Total import value of disposable battery products to the U.S. in 2014 was approximately US\$727.4 million. The following chart sets out the import values of disposable batteries to the U.S. by type from 2008 to 2014:



Note: According to the Ipsos Report, separate data for alkaline cylindrical batteries and alkaline micro-button cells, respectively, are unavailable in the U.S.

Source: Ipsos Report

According to the Ipsos Report, China was the region which accounted for the largest import value of disposable batteries to the U.S. in 2013, with approximately 40.87% of the total import value of disposable batteries to the U.S.

INDUSTRY OVERVIEW

Historical Price Trend of Disposable Batteries in the U.S.

The following table sets forth the average historical prices of disposable batteries in the U.S. from 2008 to 2013:

	Average price (US\$ per unit)					
	2008	2009	2010	2011	2012	2013
Alkaline cylindrical batteries and alkaline micro-button cells ^{Note}	0.157	0.156	0.151	0.150	0.165	0.161
Carbon cylindrical batteries	0.246	0.266	0.216	0.222	0.159	0.129
Micro-button cells (excluding alkaline micro-button cells)	0.669	0.625	0.591	0.578	0.607	0.587

Note: According to the Ipsos Report, separate data for alkaline cylindrical batteries and alkaline micro-button cells, respectively, are unavailable in the U.S.

Source: Ipsos Report

During 2008 to 2013, average price of alkaline cylindrical batteries and micro-button cells imported to the U.S. increased at a CAGR of about 0.5%, reaching about US\$0.161 per unit in 2013. Over the same period, average price of carbon cylindrical batteries imported to the U.S. decreased at a CAGR of about -12%, falling to about US\$0.129 per unit in 2013. Over the same period, average price of micro-button cells imported to the U.S. fell at a CAGR of about -2.6%, falling to about US\$0.587 per unit in 2013.

The recession in 2009 following the global financial crisis stagnated the U.S. economy, causing consumers to purchase fewer items requiring batteries and opting for relatively inexpensive batteries, i.e. carbon cylindrical batteries, causing the average prices of alkaline cylindrical batteries and alkaline micro-button cells to fall between 2008 and 2011. However, as the U.S. economy continued to improve in later years, demand for higher-performance alkaline cylindrical batteries/micro-button cells rebounded, prompting the average prices of alkaline cylindrical batteries to rise again.

ANALYSIS OF THE DISPOSABLE BATTERY INDUSTRY IN THE EU

Overview

Demand of the EU disposable battery industry

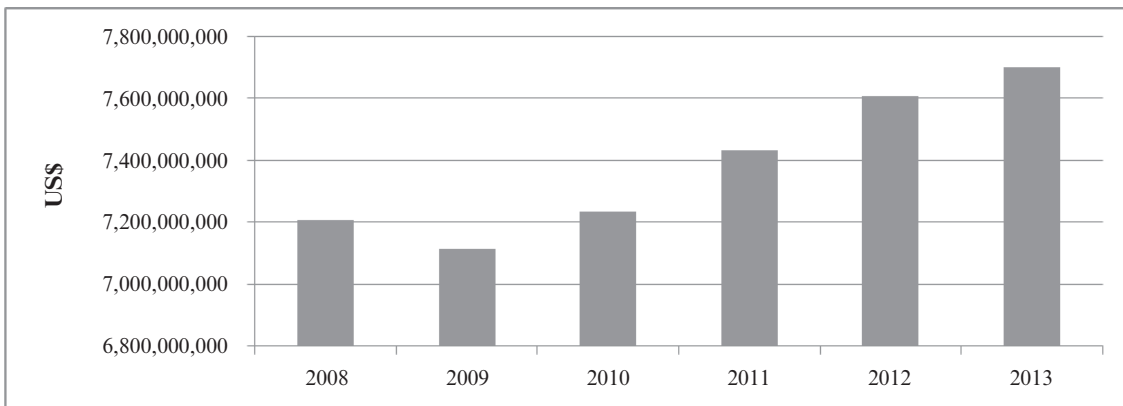
As stated in the Ipsos Report, In the EU, the disposable battery market is largely dominated by alkaline cylindrical batteries, followed by carbon cylindrical batteries. The recent evolution of the EU market tends to confirm this trend for at least the few years ahead, with the proportion of alkaline cylindrical batteries increasing at the expense of other disposable batteries, mainly carbon cylindrical batteries. Alkaline cylindrical batteries currently account for about 47% of all disposable batteries sold in the EU, while carbon cylindrical batteries account for about 18%.

INDUSTRY OVERVIEW

Supply of the EU disposable battery industry

As of 2013, the size of the EU disposable battery market is estimated at about US\$7.7 billion in terms of value. During 2008 to 2013, the EU market for disposable batteries grew at a CAGR of about 1.3%. The figures also reflect that the annual growth of the EU market for disposable batteries slowed gradually. In 2009, the EU market for disposable batteries shrank by about 1.3% after the global financial crisis, but then grew by a faster pace in 2010 and 2011. However, market growth slowed in 2012 and 2013, indicating that the EU disposable battery market as a whole is maturing.

The following chart sets out the market size of the disposable battery industry in the EU from 2008 to 2013:



Source: Ipsos Report

According to the Ipsos Report, as of 2013, the EU battery industry employed about 40,000 people, of which about 14,000 were hired by disposable battery manufacturers. The EU disposable battery market is hyper competitive and private label is the share leader with about 32% market share, followed by a few brands. In 2013, the market share for our Group in the EU disposable battery market is estimated at about 0.8%.

Import of disposable battery products to the EU from the global market

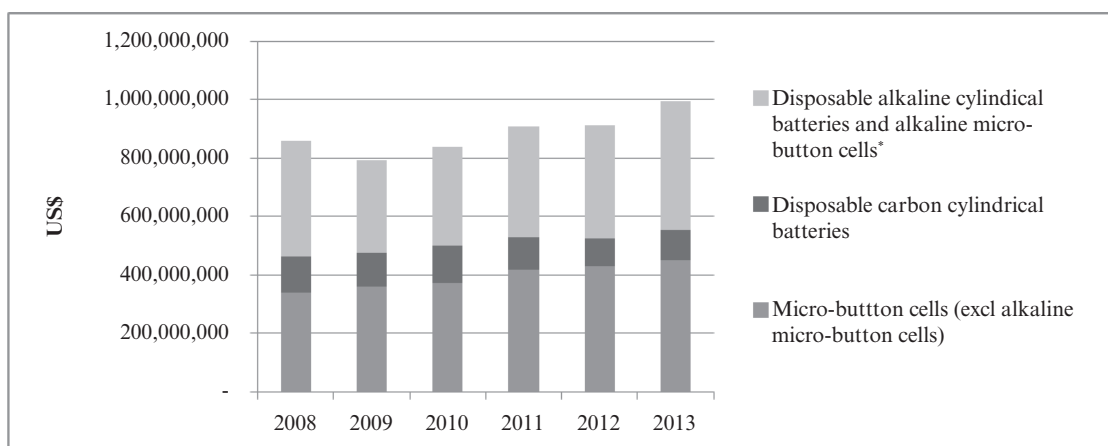
During 2008 to 2013, the total value of alkaline cylindrical batteries and alkaline micro-button cells imported to the EU grew at a CAGR of about 2.3%, from about US\$393 million in 2008 to about US\$442 million in 2013, which is in line with the rising trend in Europe demand for alkaline cylindrical batteries.

Over the same period, the total value of carbon cylindrical batteries imported to the EU declined at a CAGR of about -4.5%, from about US\$126 million in 2008 to about US\$99.6 million in 2013, confirming the fact that consumer demand for carbon cylindrical batteries weakened during the period.

INDUSTRY OVERVIEW

Over the same period, the total value of micro-button cells (excluding alkaline micro-button cells) imported to the EU grew at a CAGR of about 6%, from about US\$337 million in 2008 to about US\$452 million in 2013. However, import volume fell at a CAGR of about -15.4% (mainly due to the slump in import volume of lithium micro-button cells and a surge in average unit price of lithium micro-button cells), with average unit price rising to about US\$0.61 in 2013 from about US\$0.20 in 2008. These figures suggest that the European market saw a stronger demand for higher-performance, more expensive lithium micro-button cells for use in more advanced electronic devices during the period.

Total import value of disposable battery products to the EU in 2013 was approximately US\$1,028.49 million. The following chart sets out the import values of disposable batteries to the EU by type from 2008 to 2013:



Note: According to the Ipsos Report, separate data for alkaline cylindrical batteries and alkaline micro-button cells, respectively, are unavailable in the EU.

Source: Ipsos Report

According to the Ipsos Report, China was the region which accounted for the largest import value of disposable batteries to the EU in 2013, with approximately 41.41% of the total import value of disposable batteries to the EU.

INDUSTRY OVERVIEW

Historical Price Trend of Disposable Batteries in the EU

The following table sets forth the average historical prices of disposable batteries in the EU from 2008 to 2013:

	Average price (US\$ per unit)					
	2008	2009	2010	2011	2012	2013
Alkaline cylindrical batteries and alkaline micro-button cells ^{Note}	0.221	0.190	0.181	0.195	0.173	0.176
Carbon cylindrical batteries	0.247	0.224	0.244	N/A	0.203	0.261
Micro-button cells (excl alkaline micro-button cells)	0.197	0.475	0.414	0.561	0.424	0.610

Note: According to the Ipsos Report, separate data for alkaline cylindrical batteries and alkaline micro-button cells, respectively, are unavailable in the EU.

Source: Ipsos Report

During 2008 to 2013, average price of alkaline cylindrical batteries and alkaline micro-button cells imported to the EU decreased at a CAGR of about -4.5%, falling to about US\$0.176 per unit in 2013. Over the same period, average price of carbon cylindrical batteries imported to the EU increased at a CAGR of about 1.1%, reaching about US\$0.261 per unit in 2013. Over the same period, average price of micro-button cells imported to the EU increased at a CAGR of about 25%, reaching US\$0.610 per unit in 2013.

Due to the recession in 2009 following the global financial crisis stagnated the EU economy, as well as the lingering Eurozone debt crisis, demand for higher-performance alkaline cylindrical batteries and alkaline micro-button cells weakened throughout the period, causing their average prices to decline moderately. On the other hand, as more European consumers opted for cheaper carbon cylindrical batteries, many of them being non-branded products, average prices of carbon cylindrical batteries increased moderately throughout the period.

Trends and developments of the U.S. and EU Disposable Battery Industries

In developed economies such as the US and the EU, the growth of disposable battery market as a whole is slowing down and is expected to shrink in the years to come as more consumer gadgets are powered by rechargeable batteries. Many devices that use batteries are designed to use less energy, such as LED flashlights. Other products that used to be major users of disposable batteries, such as transistor radios or portable tape players, have been replaced in the market by devices that use rechargeable, longer-life batteries.

Despite the expected slowdown in overall demand for disposable batteries, the alkaline cylindrical battery market segment is seen as the growth driver at least in the near- to medium-term future, because there is still room for consumers to switch to high-performance alkaline cylindrical batteries from the old-fashioned low-performing carbon

INDUSTRY OVERVIEW

cylindrical batteries that have around one-tenth of the power of alkaline. Another fast-growing part of the disposable battery market is disposable lithium batteries, which are powerful, light and do not leak in the cold.

Leading battery manufacturers are now looking to tap the market potential derived from the proliferation of smart phones, or literally personal multi-functional devices that also feature radio, flashlight, calculators, alarm clocks, etc. that were usually powered by disposable batteries. It is also researching into the potential of standardising batteries for different types of phones, smart phones, smart devices, etc. so that consumers will be able to buy a replacement battery for their phones at a supermarket or a convenience store.

OTHER TRENDS OF THE DISPOSABLE BATTERY INDUSTRY

From a power characteristic perspective, lithium cylindrical batteries typically last up to 2 to 4 times longer than their alkaline counterparts. From a voltage operation perspective, most lithium cylindrical batteries also operate at higher voltages than alkaline cylindrical batteries. Lithium cylindrical batteries are best for devices with high-drain, high-use, and crucial consumer devices. These devices include high-end, power demanding devices such as video and digital cameras, as well as their accessories such as flashes and portable lighting. The increased adoption of these portable audio visual consumer electronics will drive the use of lithium cylindrical batteries. From a pricing perspective, lithium cylindrical batteries are also more expensive than their alkaline counterparts.

Smart home appliances can be queried and controlled through either the remote PC interface or mobile phones. Most smart appliances can be controlled over connections over Bluetooth or the Internet via the mobile phones. Smart appliances currently are generally more expensive than non-smart appliances. As a result, the proliferation of smart appliances will likely take at least a number of years until the prices of these smart-appliances reach prices acceptable for the mass consumers. While existing non-smart home appliances can be made “smart” by adding specialized wall outlet adapters enabling remote “on” and “off” capabilities at extra cost, these specialised adapters can only provide simple on/off capabilities and will not be able to provide other capabilities available on the native remote controls.

Some examples of solar power operated devices include garden lightings, flash lights and radios. These devices typically require secondary batteries to store the power generated by the solar panels for use at a later time (i.e. in the evening for lighting related products). Solar power is a source of abundant energy at a free cost. Electricity can be produced with the help of solar panels. With the current solar panel technologies, the solar power to electrical conversion efficiency ranges from 9.9% to 46.0%. More importantly, the use of solar power as a power source is highly dependent on the availability and the direct view of the sun. The low efficiency and environmental requirements will continue to limit the use of solar power as a replacement for primary cylindrical batteries.

ANALYSIS OF THE MERCURY-FREE BATTERY INDUSTRY

Overview of the global mercury-free battery industry

Mercury-free micro-button cells are considered as replacement of mercury micro-button cells, and are in trend for environmental concern. Due to recent legislations in USA and Europe, these developed countries have promoted the use of mercury-free micro-button cells domestically and through import. As such, Ipsos expects these countries to continue to be the major markets for disposable battery products and are forecasted to grow moderately from 2014 to 2018.

Environmental-friendly products are the development focus of disposable battery manufacturers and are one of the trends and developments of the global disposable battery industry. The heavy metal contained in disposable batteries such as mercury, cadmium and lead are harmful to the environment and human body. Regulations and policies are set by many countries such as China, US and other European countries to prevent the pollution by disposable batteries. Disposable batteries contained with harmful substance will be squeezed out from the disposable battery market gradually. As such, disposable battery manufacturers are developing new technologies to produce environmental friendly disposable batteries such as lead-free, mercury-free and cadmium-free batteries to meet the international standards of disposable battery.

Another trend and development of the global disposable battery industry is the rising demand for mercury-free micro-button cells used in household healthcare and beauty devices. With higher living standard, “at-home beauty” is getting more popular worldwide. In order to meet these new lifestyles, the household healthcare and beauty product manufacturers tend to extend their product become more portable and smaller in size with mercury-free micro-button cells equipped. Amongst the battery manufacturers which provide OEM and private label services in the global disposable battery industry, the majority of local Chinese battery manufacturers generally focus on low-to-mid end market, and target at developing countries.

Overview of the mercury-free battery industry in China

According to the Guobiao standards (GB24428-2009), there are regulations in China regarding the limitation of mercury content for zinc silver oxide, zinc oxygen and zinc manganese dioxide button batteries. Mercury-free micro-button cells are environmentally-friendly as incorrect disposal of mercury may cause pollution and health problems, many initiatives aim to phase out batteries containing mercury around the world. According to China Battery Association, mercury-free micro-button cells account for about 30% of the market share in the total micro-button cells in China in 2013. Mercury-free micro-button cells are becoming more common in the industry as manufactured goods to developed countries from China are required to use mercury-free micro-button cells and the awareness to the environment has increased in China. More than 40 manufacturers, all based in China, have already offered mercury-free micro-button cells in a variety of sizes.

INDUSTRY OVERVIEW

Demand for mercury-free batteries is a significant trend in the disposable battery industry in China. According to the Ipsos Report, due to recent legislation and policy development in the PRC, China's disposable battery industry is aiming to eliminate the production of micro-button cells using/containing mercury and carbon cylindrical batteries using/containing mercury, cadmium or lead, and to increase the market share of mercury-free alkaline cylindrical batteries by about 50% by 2015.

Overview of the mercury-free battery industry in the U.S. and EU

In the U.S., more than 30 states have already passed or proposed legislation to ban the sale and distribution of micro-button cells containing mercury, including silver oxide and zinc air micro-button cells. It is estimated that mercury-free products account for 70–90% of both the silver oxide and zinc air micro-button cell markets, respectively. However, like most “green” measures, mercury-free batteries come with a higher price tag, which is around 5–7% more for mercury-free silver-oxide micro-button cells because of the additional manufacturing steps.

The European Commission (EC) has carried out a research this year on the availability of mercury-free micro-button cells for hearing aids, in accordance with Article 4.4 of Directive 2006/66/EC. The EC report concludes that viable mercury-free alternatives exist for micro-button cells used in hearing aids. The most frequently used types make use of zinc air technology.

Because micro-button cells account for the bulk of mercury use in the battery sector, significant mercury reductions in this sector can only be achieved by phasing out mercury use in micro-button cell battery production. Fortunately, the technology for producing mercury free micro-button cells is already well established, and many major producers are already transitioning toward a mercury free future in response to policy directives and market forces in the U.S. and the EU.

The U.S. passed the Battery Management Act in 1996 which prohibited the sale of mercuric oxide cells, but allowed up to 25 milligrams of mercury to be added to alkaline manganese micro-button cells. So far, more than 30 states in the US have passed or proposed legislation in this respect. The total shipment value of mercury-free micro-button cells is estimated at about US\$484.9 million in 2013, accounting for about 90% of the U.S. market for micro-button cell batteries.

On the heels of the U.S., the EU decided in 2013 to phase out mercury in micro-button cells eventually. Under Article 4.2 of the EC Batteries Directive (2006/66/EC), micro-button cells are currently exempted from the restriction that batteries and accumulators should contain no more than 0.0005% mercury by weight such that they may have a mercury content of up to 2% by weight. This exemption is currently due to expire on 1 October 2015, and a study is being carried out to examine whether suitable mercury-free batteries are available, especially for hearing aids. Currently, mercury-containing micro-button cells account for about 60% of the EU market for micro-button cells, and that market share is expected to increase at a faster pace in the run up to the expiry of the exemption.

INDUSTRY OVERVIEW

Major producers of alkaline, silver oxide and zinc air micro-button cells now make large quantities of mercury-free products which the market believes work as well as the mercury-added versions. The availability of these mercury-free products will increase substantially in the next few years in response to government policies and market forces in the U.S. and the EU.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations in Hong Kong, PRC, U.S. and European Union which are relevant to our Group's operations and business in Hong Kong, PRC, U.S. and European Union. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

HONG KONG REGULATORY OVERVIEW

As at the Latest Practicable Date, companies operating the business of our Group in Hong Kong are required to comply with the laws of Hong Kong generally and there are no particular laws or regulations of Hong Kong which are specific to the business of our Group and the industry in which our Group operates in Hong Kong other than the laws on transfer pricing as discussed below.

Laws Relating to Transfer Pricing

Section 20(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO") provides that where a resident person conducts transactions with a "closely connected" non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the "IRD") wide powers to collect tax due from non-residents.

The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

PRC REGULATORY OVERVIEW

1. Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

The establishment, operation and management of PRC Subsidiaries of our Group shall be in compliance with the Company Law of the PRC and its relevant laws and regulations.

On 29 December 1993, the Standing Committee of the Eighth National People's Congress of the PRC promulgated the Company Law of the PRC (中華人民共和國公司法) which came into effect on 1 July 1994 and was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law became effective on 1 March 2014. The establishment and operation of corporate entities in the PRC is governed by the Company Law of the PRC. The Company Law of the PRC generally governs two types of companies — limited liabilities companies and joint stock limited companies, both types of companies have the status of legal persons. A "limited liability company" refers to a company whose shareholders are responsible for the debts of the company in the amount equivalent to the amount of capital they contribute to the registered capital of the company. The company bears responsibility for its debts equivalent to the value of its total assets. A "company limited by shares" refers to a company whose total capital is divided equally amongst shares of equivalent value. The liability of the shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it. The Company Law of the PRC shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

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Wholly foreign-owned enterprise (the “WFOE”) is governed by the Wholly Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and was subsequently amended on 31 October 2000, and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended on 12 April 2001.

(a) Procedures for establishment of a WFOE

The establishment of a WFOE shall be approved by Ministry of Commerce (the “MOC”) (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to the MOC (or its delegated authorities) for its record. A WFOE must also obtain a business license from the State Administration of Industry and Commerce (or its delegated authorities) before it can commence business.

(b) Nature

The organization form of a WFOE is limited liability company. A WFOE may also be in other forms of liability subject to approval. A WFOE is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. The foreign investor may make its contributions by instalments and the registered capital shall be contributed in accordance with the articles of association of the WFOE.

On 10 March 2015, the National Development and Reform Commission and the MOC jointly promulgated a revised Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄), which came into effect on 10 April 2015. The Catalogue lists those industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited. Any industry not listed in the Catalogue is a permitted industry. Pursuant to the Catalogue, production and assembling of batteries falls within the permitted catalogue.

2. Foreign Exchange Control

The PRC Subsidiaries of our Group within the territory of the PRC are under foreign exchange control.

On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) which took effect on 1 April 1996 and were amended on 14 January 1997 and 1 August 2008. Under the regulation, RMB are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of the State Administration of Foreign Exchange of the PRC (the “SAFE”) or its local counterpart is obtained in advance.

On 29 August 2008, the General Affairs Office of the SAFE promulgated the Notice on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (“**Notice 142**”), which specified the payment and

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settlement issues of foreign currency capital of foreign-funded enterprises. Pursuant to the Notice 142, RMB fund from the settlement of foreign currency capital of a foreign-funded enterprise shall be used within the business scope as approved by the examination and approval authorities, and shall not be used for domestic equity investment unless otherwise provided. Except foreign-funded real estate enterprises, no foreign-funded enterprise shall use the RMB fund from the settlement of foreign currency capital to purchase domestic real estate for any purpose other than its own use.

The SAFE promulgated the Notice on Further Improving and Adjusting the Foreign Exchange Control of Direct Investment (進一步改革和調整直接投資外匯管理政策的通知) on 19 November 2012 and effective from 17 December 2012, in relation to direct foreign investments in the PRC, foreign investors are no longer required to obtain approval from the SAFE to re-invest in the PRC by using income legally generated from the PRC. No approval from the SAFE is required for opening the foreign exchange accounts, payment into certain accounts, settlement of the foreign exchange and for the purchase and external payment of foreign exchange. Also, transfer of foreign exchange in the PRC under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign-invested enterprises are permitted to remit funds to their offshore parent companies. On 10 May 2013, the SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) which came into force from 13 May 2013 and its supportive documents, which specified that registration with SAFE is required for foreign direct investment, including but not limited to remittance of upfront expenses, incorporation or acquisition of enterprise, capital contribution, share transfer, re-investment, profit distribution.

3. Taxation

Laws and regulations of major tax imposed on the PRC Subsidiaries of our Group are as follows:

a) Income tax on foreign investment enterprises

According to the EIT Law which came into effect on 1 January 2008, the income tax rate for both domestic-invested enterprises and foreign-invested enterprises is 25%.

b) Tax on income from PRC derived by a Non-Resident enterprise

According to the EIT Law and its implementation rules, income such as dividends, rental, interest and royalty from PRC derived by a non-resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors.

According to Arrangement between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排, the “Tax Arrangement”) executed on 21 August 2006 which came into effect on 1 January 2007, the applicable income tax rate for dividends arising from enterprises incorporated in the PRC to an enterprise incorporated in Hong Kong or a foreign enterprise incorporated outside Hong Kong but being controlled or managed in Hong Kong is 5%, if such enterprise beneficially owns not less than 25% equity interest in the said enterprises incorporated in the PRC.

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According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its “de facto management bodies” located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprise are exempted from EIT.

c) Value added tax

The Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council came into effect on 1 January 1994 and amended on 5 November 2008. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例實施細則), value added tax (the “VAT”) is imposed on any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods within the PRC for the added value derived during the process of manufacture, sale or service provided. The amount of VAT payable shall be the balance of the current output tax after deducting the current input tax. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing or repairs and replacement services in the PRC, the rate of VAT shall be 17%.

d) Value-add tax export refund

According to the Administrative Measures for Tax Rebate (Exemption) of Exported Goods (Trial Implementation) (出口貨物退(免)稅管理辦法(試行)), promulgated by the SAT and dated 16 March 2005, unless otherwise prescribed, goods exported of export merchants, upon declaration of export and financial accounting for sale, the value-added tax and goods and service tax could be rebated or exempted upon approval by tax authority.

e) Income tax on share transfer

Pursuant to the Notice of the SAT on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知, the “**Notice 698**”) promulgated by SAT and came into effect from 1 January 2008, and the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公 告, the “**Announcement No.7**”) promulgated by SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as “**enterprises abroad**”) and other similar equities (hereinafter referred to as “**equity**”) and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

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According to the Announcement No.7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

f) Transfer pricing

According to the EIT Law and its implementation rules, for business transactions between an enterprise and its affiliates which are not in conformity with the arm's length principle and which would result in reduction of the amount of taxable income or income of the enterprise or its affiliates, the PRC tax authority shall have the right to make tax adjustments in accordance with reasonable methods. Arm's length principle is the principle that dedicates that transactions carried out between related companies should be valued as if they had been carried out between unrelated parties, each acting for his own best interest. "Reasonable methods" shall include comparable uncontrolled price method, resale price method, cost plus method, transaction net margin method, profit split method and other methods that accord with the arm's length principle. Pursuant to the Notice of the SAT on Strengthening the Monitoring and Investigation of Cross-border Affiliated Transactions (國家稅務總局關於強化跨境關聯交易監控和調查的通知) promulgated on 6 July 2009, any enterprise with limited functions and risks set up by a multinational corporation in China, which is responsible only for production (processing of supplied or imported materials), distribution or contracted research and development and so on, shall not bear market and decision-making risks in financial crisis, and shall maintain a reasonable level of profit according to the transfer pricing principle that matches risk with profit.

4. Labour Law

Operation of the PRC Subsidiaries of our Group within the territory of the PRC shall be in compliance with labour laws and regulations. Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and amended on 27 August 2009, and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the Standing Committee of the NPC and came into effect on 1 January 2008 and amended on 28 December 2012, companies must enter into written employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The Labour Contract Law of the PRC set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about. In addition, companies must establish and effectively implement system of ensuring

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occupational safety and health, educating employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

5. Social Insurances and Housing Provident Funds

The PRC Subsidiaries of our Group shall participate in and pay for social insurance and housing provident funds for their employees in the PRC.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the Standing Committee on 28 October 2010 which became effective on 1 July 2011, the PRC government established social insurance systems including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and birth insurance (the "Social Insurances"). Employers are required to contribute, on behalf of their employees, to the Social Insurances. If an employing entity does not go through the formalities for social insurance registration, the social insurance administration department shall order it to make rectification within the stipulated period. If rectification is not made within the stipulated period, the employing entity shall be imposed a fine from one to three times of the amount of the social insurance premium that should be paid. The personnel directly in charge and other personnel subject to direct liability shall be imposed a fine of more than RMB500 and less than RMB3,000. If an employing entity does not pay the full amount of the Social Insurance premiums as scheduled, the social insurance premium collection institution shall order it to pay the outstanding contribution within the stipulated period together with an additional fine at the daily rate of 0.05% of such outstanding contribution within a prescribed time limit. If the payment is not settled by the prescribed time limit, such employing entity will be subject to a penalty starting from one time and up to three times of the total outstanding contribution of the Social Insurances.

Pursuant to the Administration Rules on Public Accumulation Funds for Housing (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, the State organs, State-owned enterprises, collective enterprises in cities and towns, foreign-invested enterprises, private enterprises in cities and towns and other enterprises in cities and towns, institutions, private non-enterprise units and associations (hereinafter collectively referred to as "units") shall pay housing provident funds for their on-the-job staff and workers.

A newly established unit shall go to the housing provident fund management center to undertake housing provident fund payment and deposit registration within 30 days from the date of its establishment, and go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its staff and workers within 20 days from the date of the registration with the verified documents of the housing provident fund management center.

If a unit fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than 10,000 yuan nor more than 50,000 yuan shall be imposed. If a unit is overdue in the payment and deposit of, or underpays, the housing provident fund, the fund administration center shall order the unit to pay up the fund in the prescribed time limit, if the unit still fails to pay up the fund, the fund administration center may apply to the court for enforcement of the unpaid amount.

6. Environmental Protection Regulations

The construction and operation of the PRC Subsidiaries of our Group shall be in compliance with environmental protection regulations. Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) adopted by the Standing Committee of the National People's Congress of the PRC (the "Standing Committee") on 26 December 1989 and amended on 24 April 2014, any entity which discharges pollutants should implement environmental protection methods and procedures to control and properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise vibrations and electromagnetic radiation and other hazards it produces. Any entity which discharges pollutants shall set up a system of accountability and specify the responsibilities of the persons in charge and relevant personnel thereof. The environmental protection facilities should be designed, built and put into construction and used together with the principal part of the project. Any company or enterprise which discharges environmental pollutants should report and register such discharge with relevant environmental protection authorities and pay pollutant discharge fees for the discharge.

The environmental protection authorities shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the different circumstances. Such penalties include warnings, fines, orders to rectify and make treatment within the prescribed period, orders to cease production, orders to re-install contamination prevention and treatment facilities which have been removed or left unused, imposition of administrative action against relevant responsible persons, or orders to shut down those enterprises.

According to the Appraising of Environment Impacts of the PRC (環境影響評價法) adopted by the Standing Committee of the National People's Congress of the PRC on 1 September 2003, on the basis of the extent of the effects exerted on the environment by construction projects, a construction unit shall prepare a written report on the environmental effects or a statement on such effects, or filling out a registration form of environmental effects and the report, statement or registration form shall be approved by competent environmental protection administrative department.

According to the Management Regulations of Environmental Protection of Construction Project (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on 29 November 1998, the PRC practices a system for the evaluation of the environmental impact of a construction project. A construction entity shall, on or prior to commencement of construction or, during the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact report form or environmental impact registration form for approval. Further, the construction entity shall, during a certain construction stage or upon the completion of the construction project, file an application with the relevant department of environmental protection administration that examined and approved the said construction project for inspection and acceptance.

According to the Law on Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法) promulgated by the Standing Committee 11 May 1984 and amended on 15 May 1996 and 28 February 2008, the discharge of pollutants shall not exceed the national or local standards for discharging water pollutants and the standard of total discharge of major pollutants.

Any enterprise or institution that directly or indirectly discharges industrial waste water, medical sewage and other waste water and sewage shall obtain the relevant pollutant discharge permit; any entity that operates facilities for centralized treatment of urban sewage is also required to obtain the relevant pollutant discharge permit. No enterprise or institution is allowed to discharge the aforementioned waste water and sewage into water bodies without the requisite pollutant

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discharge permit or in violation of the provisions set forth in relation to the pollutant discharge permit. Enterprises, institutions and sole proprietors that discharge pollutants directly into a water body shall pay a pollutant discharge fee in accordance with categories, quantities of the pollutants discharged and standards for charging pollutant discharge fees.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) promulgated by the Standing Committee on 30 October 1995 and amended on 29 December 2004 and 29 June 2013, the State follows the principle whereby the polluter is held responsible for the environmental pollution caused by its solid waste discharge in accordance with law. Manufactures, sellers, importers and users of products shall, in accordance with law, be responsible for preventing and controlling pollution by solid waste generated by their products. Entities that generate waste as listed in the national catalogue of hazardous waste formulated by the administrative department for environmental protection shall dispose hazardous waste in accordance with the relevant State regulations. Supplying or entrusting hazardous waste to a unit that does not have a business license for collection, storage, utilization and treatment of hazardous waste is prohibited. An entity that intends to transfer hazardous waste shall, according to the relevant State regulations, fill in duplicate forms for transfer of hazardous waste and submit an application to the administrative department for environmental protection of the local people's government at or above the level of a city divided into districts in the place where the hazardous waste is to be moved out. Without such approval, hazardous waste shall not be transferred.

According to the Law of the PRC on Prevention and Control of Pollution by Environmental Noise (中華人民共和國環境噪聲污染防治法) promulgated by the Standing Committee on 29 October 1996 which became effective from 1 March 1997, enterprises and institutions that produce environmental noise pollution must maintain normal operation of the facilities for prevention and control of such pollution, and pay fees for excessive emission of such pollution according to the regulations of the State.

According to the Measures for the Administration of Collection Standards for Pollutant Discharge Fees (排汙費徵收標準管理辦法) jointly promulgated by the State Development Planning Commission, the Ministry of Finance, the State Environmental Protection Administration and the State Economic and Trade Commission adopted as of 1 July 2003, environmental protection administrative department at or above the county level shall collect pollutant discharge fees from polluter in respect of discharging waste water, waste gas, solid wastes, hazardous wastes and excessive noise.

According to the Measures for the Prevention and Control of Environment Pollution by Discarded Dangerous Chemicals (廢棄危險化學品污染環境防治辦法) promulgated by the State Environmental Protection Administration on 30 August 2005 which became effective from 1 October 2005, the manufactures, sellers, importers and users of dangerous chemicals shall be responsible for the prevention and control of disposed dangerous chemicals. The sellers, importers and users of dangerous chemicals shall recycle, utilized dispose discarded dangerous chemicals by themselves or entrust any entity that has the corresponding class of business and business scale and holds the permit for operation of dangerous waste.

According to the Administration Regulations on Environmental Protection Acceptance of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the State Environmental Protection Administration on 27 December 2001 and amended on 22 December 2010, upon completion of construction projects, the administration for environmental protection

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shall assess whether the project meet the requirement of environmental protection. Upon completion of the principal parts of the construction projects, its supporting environmental protection facilities shall be put into operation or be used simultaneously.

7. Product Quality Law

Products of the PRC Subsidiaries of our Group shall be in compliance with products quality law in the PRC.

The Product Quality Law of the PRC (中華人民共和國產品質量法) was promulgated by Standing Committee of National People's Congress of the PRC on 22 February 1993 and amended on 8 July 2000. According to the Product Quality Law, producers shall be liable for the quality of the products they produce. The products shall meet the following quality requirements: (1) constituting no unreasonable threats to personal safety or safety of property, and conforming to the national standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards; (2) possessing the properties as required, except for those with directions stating their functional defects; and (3) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product directions, samples, etc.

If a producer's defective product causes physical injury to a person or damage to property other than the defective product itself (hereinafter referred to as another person's property), he shall be liable for compensation. A producer shall not be liable for compensation if he can prove the existence of any of the following circumstances: (1) the product has not been put in circulation; (2) the defect causing the damage does not exist at the time when the product is put in circulation; or (3) the science and technology at the time the product is put in circulation is at a level incapable of detecting the defect.

Any producer or seller that produces or sells products not up to the relevant national or sectoral standards for ensuring human health, personal safety and safety of property shall be ordered to discontinue production or sale of such products, the products illegally produced or ready for sale shall be confiscated, and such producer or seller shall be subject to a fine of a sum equal to the amount of but not more than three times of the value of the products illegally produced or ready for sale (including those already sold and those unsold). The illegal gains, if any, shall also be confiscated. If the circumstances are serious, the business license shall be revoked. If a crime is committed, investigation will be conducted in accordance with the law.

Where a producer or a seller mixes impurities or imitations into a product, or passes off fake products as genuine, or passes off defective products as quality, or passes off substandard product as up-to-date, he shall be ordered to discontinue production or sale, the products illegally produced or for sale shall be confiscated. The relevant producer or seller shall be fined no less than 50 percent but not more than three times of the value of the products illegally manufactured or ready for sale; the unlawful earnings, if any, shall be confiscated; if the circumstances are serious, the business license shall be revoked; if a crime is committed, investigation will be conducted in accordance with the law.

Law on Protection of Consumers Rights and Interests (消費者權益保護法) was promulgated by the Standing Committee of NPC on 31 October 1993 and came into effect on 1 January 1994 and amended on 27 August 2009 and 25 October 2013. According to the Law on Protection of Consumers Rights and Interests, the rights of consumers in respect of safety of person and property in purchasing or using commodities and receiving services shall be protected. Consumers whose

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legitimate rights and interests are infringed upon their purchasing or using of such commodities and receiving services may demand compensation from the sellers and/or suppliers of the services concerned. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the producers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers.

According to the Tort Law of the PRC (侵權責任法) adopted by the Standing Committee of National People's Congress as from 1 July 2010, a manufacturer shall bear tort liability if its product causes damage to others due to a defect. If a defective product endangers the personal or property safety of others, the infringer shall be entitled to request that the manufacturer or seller assume tort liability through, inter alia, removal of obstacle and elimination of danger. If a defect is found in a product after it has been put into circulation, the manufacturer and the seller shall take remedial measures in a timely manner including, inter alia, alerts and recalls. In the event of damage arising from a failure to take remedial measures in a timely manner or inadequate remedial measures, they shall bear tort liability. In the event of death or serious damage to health arising from a product that is manufactured or sold when it is known to be defective, the infringer shall be entitled to claim corresponding punitive compensation.

8. Production Safety

Operation of the PRC Subsidiaries of our Group shall be in compliance with production safety laws in the PRC.

The Production Safety Law of the PRC (中華人民共和國安全生產法) was enacted by the Standing Committee of National People's Congress of the PRC. It was promulgated on 29 June 2002, became effective and implemented on 1 November 2002 and was amended on 27 August 2009. This law stipulates that production and operation entities must establish a sound production safety responsibility system according to the law and the major responsible person shall be fully responsible for the production safety of the entities. Production and business units shall truthfully inform the employees of the risk factors, preventive measures and emergency measures of the workplace and the job and provide the employees with protective equipment that are up to national or industrial standards and supervise and educate their wearing and use. Production and business units shall, take part in work injuries social insurance according to the law and pay the premium for the staff. In the labour contracts entered into between production and operation entities and employees, matters relating to the protection of employee safety, prevention of occupational hazards as well as payment of insurance premiums for industrial injuries suffered by employees shall be stated. Production and operation entities shall not enter into agreements with employees in any format to waive or reduce their legal liabilities for the injury or death of employees caused by production safety issues. Generally, any production and business operation entity with more than 300 employees shall establish an administrative body of safe production or have full-time personnel for the administration of safe production. If the enterprise has less than 300 employees, it shall have full-time or part-time personnel for the administration of safe production or entrust engineering technicians who have the relevant professional technical qualifications as required by the state to provide services with regard to the administration of work safety. Violation of the PRC Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases.

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According to Regulations on Safety Management of Hazardous Chemicals (危險化學品安全管理條例) promulgated by the State Council on 26 January 2002 and amended on 16 February 2011, any entity that engages in the production, storage, utilization, operation, or transportation of hazardous chemicals shall meet the safety conditions required by laws, administrative regulations, national standards, and industrial standards, establish and improve safety management rules and production safety accountability system, and provide their employees with safety education, legal education, and job-related technical training. The employees thereof shall accept the education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise only designated employees having such qualification to assume the post.

According to the Interim Measures for Supervision and Administration of “Three Simultaneities” for the Safety Facilities of Construction Projects (建設項目安全設施“三同時”監督管理暫行辦法) promulgated by the State Administration of Work Safety on 14 December 2010 and came into effect on 1 February 2011, for construction projects other than specially set forth in the Construction Projects Interim Safety Measures, the production and business operation entities are required to: (i) conduct a comprehensive analysis of the project conditions and facilities for production safety and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures; (ii) organize the review on the design of the safety facilities of the construction projects and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures; and (iii) organize the execution of inspection and acceptance of safety facilities and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures.

9. Registration for Import and Export Goods

Export of goods by the PRC Subsidiaries of our Group shall be subject to exporting laws and regulations of the PRC.

According to the Customs Law of the PRC (中華人民共和國海關法), promulgated by the Standing Committee on 22 January 1987 and amended on 8 July 2000 and 29 June 2013, unless otherwise provided for, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the permission of the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws. The declaration of inward and outward articles and payment of duties on them may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法), promulgated by the Standing Committee on 6 April 2004 and became effective from 1 July 2004, foreign trade operators engaged in goods or technology import and export shall go through the record-filing registration formalities with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that do not need to go through the record-filing registration formalities prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. The specific measures for record-filing registration shall be formulated by the competent department of foreign trade under the State

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Council. Where a foreign trade operator fails to go through the record-filing registration formalities, the customs shall refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

10. Intellectual Property Right

The PRC Subsidiaries of our Group own trademarks and patent in the PRC.

According to the Trademark Law of the PRC (中華人民共和國商標法), promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013, trademarks registered upon verification and approval of the Trademark Office are registered trademarks, including commodity trademarks, service marks, collective marks, and certification marks. A trademark registrant shall be entitled to the exclusive right to use the registered trademark and such right shall be protected by law. Any natural person, legal person or other organization that needs to obtain the exclusive right to use a trademark for its goods or services during production and business operations shall apply for trademark registration with the Trademark Office. A registered trademark shall be valid for ten years, commencing from the date of registration approval. Where a trademark registrant intends to continue using the registered trademark upon expiry of its validity period, the trademark registrant shall go through renewal procedures within 12 months prior to the date of expiry in accordance with the relevant provisions, failing which a grace period of six months may be granted. Each renewal of registration shall be valid for ten years commencing from the date immediately following the date of expiry of the last validity period of the trademark. If no application for renewal is filed upon expiry of the grace period, the registered trademark shall be deregistered. According to the Trademark Law, (i) using a trademark that is identical with a registered trademark on the same goods without the authorization of the owner of the registered trademark; (ii) using a trademark that is similar to a registered trademark on the same goods or using a trademark that is identical with or similar to a registered trademark on similar goods without the authorization of the owner of the registered trademark, which is likely to cause confusion, shall be deemed to constitute an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages and etc.

According to the Patent Law of the PRC (中華人民共和國專利法), promulgated by the Standing Committee of the National People's Congress on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008, upon an invention or a utility model patent right is granted, unless otherwise specified, no organization or individual may exploit the patent without licensing from the patentee, i.e., they may not, for the purposes of production and business operation, produce, use, offer to sell, sell, or import the patented products, nor use the patented method or use, offer to sell, sell or import products that are acquired directly through the patented method. Upon a design patent right is granted, no organization or individual may exploit the patent without licensing from the patentee, i.e., they may not produce, offer to sell, sell or import the design patent products for the purposes of production and business operation. Where the infringement of patent is determined, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages and etc. The duration of the invention patent right shall be 20 years and that of the utility model patent right or design patent right shall be 10 years, commencing from the date of application. The patentee shall pay annual fees commencing from the year when the patent right is granted.

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U.S. REGULATORY OVERVIEW

Laws Relating to Product Liability

In the United States, there are two separate and distinct aspects that govern liability with respect to products, product liability law and product safety regulations. The first, products liability law, governs private litigation of product accidents. Exposure to United States products liability law is broad and allows consumers to sue the party who designed, manufactured, sold, or supplied an offending product. Based upon the analysis of personal jurisdiction, which is set forth below, our legal advisers as to U.S. laws believe that it is unlikely that our Group can be subject to United States jurisdiction and therefore will likely not be held to U.S. standards for products liability law. Nevertheless, for a full understanding of the issues faced by our Group, the following is an overview of United States laws as it relates to products liability.

There are four basic theories of recovery when dealing with a product alleged to be defective: strict products liability, negligence, breach of warranty, and tortious misrepresentation. Strict products liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. This is because, unlike negligence, strict products liability wrongs do not depend on the degree of carefulness by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer.

Negligence actions, on the other hand, require a plaintiff to show that (1) the defendant owed the plaintiff a duty of due care, (2) the defendant breached that duty by furnishing a defective product, and (3) the defendant's breach caused the plaintiff's injury. The duty to exercise reasonable care involves every phase of getting the product to the public, from its design to its packaging and by the failure to provide adequate instructions for its safe use.

The breach of warranty cause of action is governed by contract law. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code (the "UCC"). The UCC has been adopted in every state of the U.S. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Finally, misrepresentation claims are similar to breach of warranty claims in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing misrepresentation claims can be either statutory, and come in the form of consumer protection state laws, or judge-made rules, both of which vary from jurisdiction to jurisdiction in the U.S.

Jurisdiction Analysis

The Due Process Clause of the Fourteenth Amendment to the U.S. Constitution (the "**Fourteenth Amendment**") allows a state to exercise personal jurisdiction over a non-resident defendant only if that defendant has certain minimum contacts with the forum state. The two broad jurisdictional concepts that must be considered when analyzing whether personal jurisdiction exists are "general" and "specific" jurisdiction. As explained below, our Group likely will not be found to have sufficient contacts to satisfy either concept. "General jurisdiction" requires a defendant to defend a lawsuit unrelated to its contacts with a forum if the defendant has had continuous and systematic general business contacts with the state in the U.S. Alternatively, a court may have

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“specific jurisdiction” over a non-resident defendant when that defendant has purposefully directed its activities at residents of that state, and the litigation results from alleged injuries that arise out of or relate to those activities.

More specifically, with respect to general jurisdiction, our legal advisers as to U.S. laws are of the opinion that our Group will likely not be considered to have the kind of continuous and systematic general business contacts with a U.S. forum needed to support the exercise of general jurisdiction. To be subject to general jurisdiction, a defendant must have a continuous and systematic business presence in the forum state. The continuous and systematic contacts test is a difficult one to meet, requiring extensive contacts between a defendant and a forum. Our Group is not registered nor licensed to do business in any state in the U.S.; does not have any offices or places of business in the U.S.; does not own or lease real property in the U.S.; does not maintain any bank accounts in the U.S.; and does not have any employees in the U.S. Most significantly, our Group does not sell directly to any consumers in the U.S. Our Group’s contacts are limited to attending periodic trade shows in the U.S.

The exercise of specific jurisdiction under the Fourteenth Amendment is proper only where the defendant’s contacts proximately result from actions by the defendant itself that create a “substantial connection” with the forum state. A plaintiff seeking to exercise personal jurisdiction over a defendant must establish that the defendant took affirmative action, purposefully targeted at the forum state, with the intent to serve that market, rather than the U.S. market as a whole. Thus, while our Group’s products are indeed exported to the North America and therefore placed into the U.S. stream of commerce, our Group does not purposefully direct any products to any particular U.S. state because it does not have a direct relationship or contract with any U.S. distributor, nor does our Group have any role in creating or controlling the distribution network in the U.S. for our products. Taken together with the fact that our Group completes almost all of our transactions in China and/or Hong Kong and does not exercise control over the destinations of our products, our legal advisers as to U.S. laws are of the opinion that our Group likely will not be seen as purposefully availing ourselves of any U.S. forum state.

Laws Relating to Product Safety

The second body of law is product safety law. The law of product safety is regulatory law and it is administered primarily by the Consumer Product Safety Commission (the “CPSC”), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC has jurisdiction over the safety and labeling of consumer products pursuant to three major statutes: (i) the Consumer Product Safety Act (the “CPSA”), (ii) the Consumer Product Safety Improvement Act (the “CPSIA”), and (iii) the Federal Hazardous Substances Act (the “FHSA”).

The CPSIA, passed in 2008, constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into or distributed within the United States. Products imported into the U.S. which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. custom agents, its jurisdiction does not extend beyond the territorial limits of the United States.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule under the CPSA or is subject to any other rule, standard, regulation, or ban issued by the CPSC pursuant to the CPSA or any

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other statute. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include the CPSA, Flammable Fabrics Act, FHSA, and Poison Prevention Act and must be furnished to United States Customs and to the CPSC upon request.

The FHSA regulates the safety warnings for “hazardous substances” (as defined in the FHSA) which are required to bear: (i) cautionary labeling to warn the consumer of the hazard(s) associated with the use of the product so as to enable the consumer to safely use and store the product; (ii) first aid instructions where applicable; and (iii) the statement, “Keep out of reach of children.”

While regulatory actions can be directed against entities involved in the chain of production and distribution of products, including foreign-based manufacturers, the court in which the claim is brought must possess proper jurisdiction over a non-resident defendant. Our legal advisers as to U.S. laws are of the opinion that our Group, for the same reasons as described above, will likely not have exposure with respect to product safety.

Laws Relating to Product Requirements

Due to the harmful effects produced by mercury in the environment, the U.S. has restricted the import and use of mercury in all batteries through the Mercury-Containing and Rechargeable Battery Management Act of 1996 (the “**Battery Act**”). The Battery Act added specific uniform federal regulations for disposition of batteries which replaced the state-by-state ad hoc regulation for disposing of nickel cadmium (Ni-Cd) rechargeable batteries and other common rechargeable batteries. (See 42 U.S.C. §§ 14322–23; see also *Universal Waste Rule (Hazardous Waste Management System; Modification of the Hazardous Waste Recycling Regulatory Program)*, 60 FR 25492-01 (May 11, 1995)) The Battery Act also banned the intentional introduction of mercury in all alkaline batteries, including cylindrical and micro-button cells. The Battery Act permits use of mercury only with express governmental authorization, strict oversight and designation of a nearby disposal site. (See 42 U.S.C. §§ 14332–36)

There are also several regulations that ban, restrict or impose specific requirements for transporting batteries, such as certain labeling requirements on shipments. For example, federal regulations in the U.S. apply to batteries containing potassium hydroxide (KOH) and to disposable lithium batteries, including lithium micro-button cells, that are shipped in excess of 5 kilograms (i.e. 11 lbs.). (See 49 C.F.R. § 172.102 s.p. 188, 237; *Hazardous Materials; Transportation of Lithium Batteries*, 72 Fed. Reg. 44929 (Aug. 9, 2007); 49 C.F.R. § 173.185). International regulations may also apply to shipments in the U.S. and these specifically regulate the transportation of all lithium batteries, including micro-button cell batteries. (See *International Air Transportation Assoc., Dangerous Goods Regulations Manual* (56 ed. 2015))

California Specific Statutes and Regulations

In addition to the regulatory scheme imposed at the federal level and managed by the CPSC, state regulations may also control the distribution of imported products into the U.S. For instance, some of the states of the U.S., including Maine, Connecticut and Rhode Island, have passed legislation that restricts the distribution of mercury-added micro-button cells.

California’s Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as the “**Proposition 65**”) requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a

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carcinogen and/or a reproductive toxicant. Cadmium, cobalt, lead, lead compounds, mercury, nickel and various phthalates are among the chemicals so regulated. This statute and the related regulations apply to all consumer products sold in California, and may include batteries containing mercury, nickel or other regulated chemicals. The statute requires specific warnings to consumers for any exposures that may occur from handling a product. Proposition 65 may be enforced by the California governmental authorities or by private citizens and may result in fines of up to US\$2,500 per day, per each item sold, in addition to the payment of all legal fees and expenses incurred by the enforcer.

Laws Relating to Import

Our Group does not sell products directly to retail customers or distributors in the U.S., and therefore it does not import products into the U.S. Instead, our Group delivers our products to our overseas customers located outside the territorial U.S. primarily on free-on-board terms (at PRC ports or Hong Kong ports) or ex-factory terms in accordance with our overseas (non-U.S.) customers' specifications. Under these circumstances, our legal advisers as to U.S. laws are of the opinion that the U.S. laws and regulations relating to import would not apply to our Group directly.

However, our Group's customers may sell our products in the U.S. market pursuant to their own distribution networks. Those customers who sell our Group's products directly in the U.S. may be subject to importing tariffs and other trade requirements under U.S. laws and regulations.

Laws Relating to Intellectual Properties

Trademarks law in the U.S. is governed by both state and federal law and the main federal statute is the Lanham Act. A trademark includes any word, name, symbol, slogan or device (such as design), or any combination of these, used to identify goods or services and to distinguish them from those manufactured, sold or serviced by others. The remedies for trademark infringement can include injunctions, lost profits and damages.

Patent law in the U.S. is governed exclusively by federal law, namely the Patent Act, which secures for inventors an exclusive right to their discoveries. Types of patents recognized under U.S. law include utility patents, design patents and plant patents. A patent is essentially a limited monopoly whereby the patent holder is granted the exclusive right to make, use and sell the patented innovation for a limited period of time.

EUROPEAN REGULATORY OVERVIEW

There are extensive European Union (the "EU") rules on product safety, product liability, standards and labeling. The general framework for most consumer protection legislation within the EU is based on EU legislation but implemented and mostly enforced at the national level. Although the principal framework of laws on product safety and liability has been largely harmonized under EU law, each member state of the EU has its own consumer laws that may introduce further obligations. In addition, each national jurisdiction will have its own national laws covering issues such as negligence (or other forms of tortious liability), contract law, and laws relating to distribution and agency.

It is important to distinguish between the so-called EU Regulations, which are directly applicable to the member states and EU Directives, which are not directly applicable or enforceable in the member states, but have to be implemented by each member state. Accordingly, there may be varying legal requirements in each member state.

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The principal EU laws and regulations concerning product safety and product liability applicable to our Group and/or our products are set out below.

Laws Relating to Product Liability

The European Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the member states concerning liability for defective products (the “**Product Liability Directive**” or “**PLD**”) of the EU lays down the principle that the producer of a product is liable for damage that was caused by a defect in its products (Art. 1 of the PLD). It applies to damages such as death or personal injuries or damage that was caused to an item of property intended for private use. Under the PLD, a product is defective if it fails to provide the safety which a person is entitled to expect, taking into account of all circumstances, including the presentation of the product, the reasonable use of the product and the time when the product was put into market circulation (Art. 6 (1) of the PLD). A product shall not be considered defective for the sole reason that a better product is subsequently put into circulation (Art. 6 (2) of the PLD). An injured person carries the burden of proof of actual damage, defect in the product and the causal relationship between such damage and defect, but he does not have to prove negligence or fault of the producer or importer (Art. 4 of the PLD).

Our Group may be considered a producer under the PLD because our Group is the manufacturer of a finished product or of a component part on the EU market and our Group affixes our name and/or trademark to our products and thus presenting ourselves as the producer thereof.

However, according to Art. 7 of the PLD, the producer would not be held liable under the PLD if it can prove that, in particular, (i) the defect did not exist at the time when the product was put into circulation by him or that this defect came into being after the product was put into circulation; or (ii) the state of scientific and technical knowledge at the time when the product was put into circulation was insufficient to identify the defect (at that time). However, with regard to exception (ii), the PLD states expressly that member states may deviate from that provision and hold the producer liable even if at the time of circulation, the state of scientific and technical knowledge was insufficient to identify the defect.

According to Art. 10 of the PLD, member states shall provide for a limitation period of three years which shall apply to proceedings for the recovery of damages under the PLD, beginning from the day on which the injured person became aware, or should reasonably have become aware, of the damage, the defect and the identity of the producer. With regard to suspension or interruption of the limitation period, the national law of each member state applies.

However, according to Art. 11 of the PLD, upon the expiry of a period of 10 years from the date on which the producer put into circulation the actual product which caused the damage, an injured person’s rights under the PLD shall be extinguished, unless the injured person has in the meantime instituted proceedings against the producer.

The liability of the producer under the PLD may not, in relation to the injured person, be limited or excluded by a provision limiting his liability or exempting him from liability.

Since our Group qualifies as a manufacturer of the product under the PLD, our Group can be held liable for damage (death or personal injuries or damage to an item of property intended for private use) that was caused by a defect in our products in the EU.

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There may also be civil claims in both contract claims (for breach of an implied term of not supplying a product of adequate quality) and tort claims (such as negligence) in respect of product liability or safety and consumer protection. However, these are subject to the national law of each member state (or possibly, in particular for contractual claims, the applicable law as agreed upon by the parties).

Laws Relating to Product Safety

Directive 2001/95/EC of the European Parliament and the European Council of 3 December 2001 on general product safety (the “**General Product Safety Directive**” or “**GPSD**”) of the EU applies to products that can be used directly by consumers and lays down a general safety requirement imposed on producers and distributors of any product on the EU market that is used or under reasonably foreseeable conditions likely to be used by consumers.

Our Group may be considered a producer under the GPSD because we affix our name and/or trademark to our products and thus presenting ourselves as the manufacturer thereof and we are a professional in the supply chain whose activities may affect the safety properties of our products sold in the EU market. However, if the manufacturer of a product is not established within the EU and there is no representative established thereof either, the importer of the product will also be qualified as producer.

In general, the producers must place only safe products on the EU market. A product shall be deemed safe if it complies with specific European requirements, where such requirements exist, and if it conforms to the specific rules of national law of the member state in whose territory the product is marketed.

In particular, the producers must (i) provide consumers with the necessary information in order to assess a product’s inherent threat during its normal or expected use, particularly when such inherent threat is not directly obvious and (ii) take the necessary and proportionate measures to avoid such inherent threats. If the producers discover that a product is dangerous, they must notify the competent authorities and if necessary, cooperate with them.

Our Group does not sell products directly to retail customers in Europe and does not import products into Europe. We deliver our products to our overseas customers primarily on free-on-board terms (at PRC ports or Hong Kong ports) or ex-factory terms in accordance with our overseas customers’ specifications. Further, our Group does not have an establishment in any member state of the EU and does not sell our products directly to the overseas retail customer.

Therefore, our legal advisers as to EU laws concluded that it is unlikely that our Group would be approached directly by European or member state authorities with regard to compliance of the products with European product safety requirements. European or member state authorities would most likely approach the importer of the product and prescribe appropriate measures (e.g. recall, taking product off the market), should the product not comply with European safety requirements.

Laws Relating to Product Requirements

Directive 2006/66/EC of the European Parliament and the European Council of 6 September 2006 on batteries and accumulators and waste batteries and accumulators and repealing Directive 91/157/EEC (the “**Batteries and Accumulators Directive**” or “**BAD**”) of the EU became effective in 2008 and applies to disposable (“primary”) batteries and accumulators (rechargeable or “secondary” batteries) such as battery packs, portable batteries, automotive and industrial batteries. In 2013, the

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BAD was amended and revised in relation to the restrictions on the use of heavy metals such as mercury and cadmium in batteries and the labeling requirements for lead, mercury and cadmium content. For certain products, there is a transitional period until 1 October 2015. Our legal advisers as to EU laws are of the opinion that our products comply with these requirements or fall under the exception which provides for a transitional period.

According to Art. 6(1) of the BAD, member states may not in any way prohibit, impede or restrict the placing on the market of products that meet the requirements of the BAD.

Art. 21 of the BAD provides for various labeling requirements. All batteries, accumulators and battery packs are appropriately marked with the symbol shown in Annex II of the BAD, a crossed-out wheeled bin indicating 'separate collection'. Further specific labeling requirements apply to batteries, accumulators and button cells containing more than 0.0005% mercury, more than 0.002% cadmium or more than 0.004% lead. Also, since 26 September 2009, the capacity of all portable and automotive batteries and accumulators has to be indicated on them in a visible, legible and indelible form. These capacity labeling requirements are further specified in, directly applicable, Commission Regulation (EU) No 1103/2010 of 29 November 2010. Our legal advisers as to EU laws are of the opinion that our Group's products comply with these requirements.

The BAD also provides for a framework of rules with regard to the implementation of collection schemes, treatment, recycling and disposal of batteries and accumulators and obligation for registration of all producers. However, all of these rules are addressed to either member states or producers. According to Art. 3(12) of the BAD, only persons in a member state qualify as producers. Since our Group does not have any establishment in any European member state, our legal advisers as to EU laws are of the opinion that these rules would not apply directly to our Group and our Group would not be required to implement the measures set out above.

Laws Relating to Import

We do not sell products directly to retail customers in the EU and do not import products into the EU. We deliver our products to our overseas customers primarily on free-on-board terms (at PRC ports or Hong Kong ports) or ex-factory terms in accordance with our overseas customers' specifications. According to our terms of sale, our customers are responsible for the import of the products into the EU. Our legal advisers as to the EU laws have advised us that the import laws and regulations in the EU do not apply directly or indirectly to us.

Laws Relating to Intellectual Properties

Trademarks law of the EU is governed by EU law together with national legislation within the member states of the EU. Trademarks may be registered within individual countries, or across the whole of the EU (by means of a Community Trade Mark) as well as by the system of international registration of marks. The system on international registration is administered by the International Bureau of the World Intellectual Property Organisation (the "WIPO"), which maintains the International Register and publishes the WIPO Gazette of International Marks. The remedies for trademark infringement can include injunctions, lost profits and damages.

European patent law covers a wide range of legislations including national patent laws, the Strasbourg Convention of 1963, the European Patent Convention of 1973, and a number of EU directives and regulations in countries which are party to the European Patent Convention of 1973.

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Patents having effect in most European states may be obtained via a centralized patent prosecution process at the European Patent Office. In addition, patents having a national effect in the European state concerned may be obtained nationally, via national patent offices.

Further intellectual property rights are to be considered and are covered by national law in each member state of the EU. Such rights may cover and include technical utility rights, design rights, technical know-how and others. Thus, for each product, the legal status has to be verified on a national basis according to national law and European law before offering and/or importing such product in any such member state of the EU.

HISTORY, DEVELOPMENT AND REORGANISATION

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Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 June 2012. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” under this section, our Company has become the holding company of our Group for the purpose of Listing and holds the entire interests in 14 subsidiaries, namely, Best Kind, Golden Power Corporation, Gain Smart, Golden Power Industries, Champ Profit, Big Power, Golden Pilot, Pointway, Golden Power Properties, Ample Top, Giant Moral, Dongguan Victory Battery, Dongguan Golden Power and Goldtium (Jiangmen) Energy.

OUR BUSINESS DEVELOPMENT

Our 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 both under our own “Golden Power” brand and the brands of our private label and OEM customers. According to the Ipsos Report, we offered one of the broadest ranges of products among the battery manufacturers with production bases in the PRC as at the end of 2013.

The first member company of our Group, Golden Power Industries, was incorporated in Hong Kong in October 1972. Mr. Chu King Shing, being the elder brother of Mr. Chu, our executive Director and Controlling Shareholder, had been managing Golden Power Industries since December 1973 until 2000. Mr. Chu has worked in Golden Power Industries since February 1974 and has served as a director of Golden Power Industries since January 1983. For details of Mr. Chu’s experience, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus.

In around April 1993, Golden Power Industries became a subsidiary of Golden Power Investments, the share capital of which was held by China Oil and Gas (then known as Golden Power International Holdings Limited). In May 1993, the shares in China Oil and Gas were listed on the Stock Exchange. Mr. Chu King Shing and Mr. Chu had served as executive directors of China Oil and Gas until April 2000, after which Mr. Chu continued to serve as a director of Golden Power Industries.

The Golden Power Group Buyout in 2003 marked a new beginning of our Group’s history, when Mr. Chu and Mr. Wong Pui Sum, an Independent Third Party, decided to acquire the entire issued share capital of Golden Power Investments from China Oil and Gas at a total consideration of HK\$37 million. The total consideration represents a discount of approximately 74% to the audited net tangible asset value and net book value of Golden Power Investments of approximately HK\$142.40 million as at 31 July 2002, which was arrived at after arm’s length negotiation and with references made to the business prospects of Golden Power Investments. The discount was due to a number of factors including in particular the investigation of the United States International Trade Commission on alleged patent infringements in May 2003 against a number of PRC-based battery manufacturers, which included one of the subsidiaries of Golden Power Investments. The investigation was brought to an end in April 2008 when the appeal against the decision to terminate the investigation made by the United States International Trade

HISTORY, DEVELOPMENT AND REORGANISATION

Commission was dismissed by the Court of Appeals in the United States. As Mr. Chu had been managing Golden Power Investments and its subsidiaries over the years, he was confident in the business potential of Golden Power Investments and its subsidiaries and decided to buy out the shares in Golden Power Investments together with Mr. Wong Pui Sum, an acquaintance of Mr. Chu, who was also interested in the investment. Out of their own capital and borrowing, they acquired the entire issued share capital of Golden Power Investments through Golden Villa, which was at the material times owned as to 70.10% by Mr. Wong Pui Sum and as to 29.90% by Mr. Chu. The Golden Power Group Buyout was completed on 23 July 2003.

In February 2004, as Mr. Chu would like to further invest in Golden Power Investments to expand its battery business while Mr. Wong Pui Sum decided to pursue other investment opportunities, Mr. Wong Pui Sum realised his investment in Golden Power Investments and sold his shares in Golden Villa to Mr. Chu at a consideration of HK\$21.38 million. The consideration was determined at a discount to Mr. Wong Pui Sum's investment cost after arm's length negotiation on a commercial basis, taking into account the fact that Mr. Wong Pui Sum would like to realise his investment swiftly. Upon completion, Mr. Chu became the sole beneficial owner of Golden Power Investments and its then subsidiaries. Mr. Chu has continued to lead the development of our Group by exploring new markets and establishing sustainable business opportunities for our Group since then.

Prior to 2004, we conducted export sales through different group companies. In October 2004, we streamlined our Group structure and incorporated Golden Power Corporation to centralise our export sales activities. We also gradually diversified our business model to manufacture and sell our "Golden Power" branded batteries as well as batteries on private label and OEM bases.

We expanded our production facilities to manufacture a wide range of battery products. In May 2008, we established Goldtium (Jiangmen) Energy to manufacture alkaline batteries, carbon batteries and silver oxide micro-button cells. In June 2008, we established Dongguan Golden Power to manufacture 9V carbon cylindrical batteries. Further, in September 2009, we established Dongguan Victory Battery to manufacture alkaline micro-button cells.

Prior to 2008, we only conducted limited domestic sales in the PRC as our products were manufactured by a processing enterprise (來料加工企業), namely 東莞企石微型電池廠 (Dongguan Qishi Processing Factory*), which was subject to domestic sales restrictions. Through the establishment of Dongguan Golden Power and Dongguan Victory Battery, which are our indirect wholly-owned subsidiaries, we are able to capture the business opportunities of the growing PRC market.

We endeavour to improve the quality control of our production facilities as well as the environmental management. In recognition of our efforts, in December 2009, our production facilities were awarded with the ISO 9001:2008 quality management system certification and the ISO 14001:2004 environmental management system certification by the Hong Kong Quality Assurance Agency.

HISTORY, DEVELOPMENT AND REORGANISATION

In light of global concern for environmental protection, we strive to produce environmentally friendly battery products. In November 2010, we launched our “ecototal” series of environmentally friendly batteries, which are free of mercury, cadmium and lead. In April 2014, we were granted the certificate of invention patent in relation to the production of mercury-free alkaline and silver oxide micro-button cells by the State Intellectual Property Office of the PRC. We shall continue to innovate our production processes and products to meet the international standards.

The key milestones in our Group’s development to date are set out below:

Year	Events
October 1972	Golden Power Industries, the first member company of our Group, was incorporated in Hong Kong.
May 1993	The shares in China Oil and Gas, being the then ultimate holding company of Golden Power Industries, were listed on the Stock Exchange.
July 2003	Mr. Chu and Mr. Wong Pui Sum acquired, through Golden Villa, the entire issued share capital of Golden Power Investments from China Oil and Gas.
February 2004	Mr. Chu acquired the shares in Golden Villa held by Mr. Wong Pui Sum and became the sole beneficial owner of our Group.
October 2004	We incorporated Golden Power Corporation to centralise our export sales activities.
May 2008	We established Goldtium (Jiangmen) Energy to carry out the manufacture of alkaline batteries, carbon batteries and silver oxide micro-button cells in the PRC.
June 2008	We established Dongguan Golden Power to carry out the manufacture of 9V carbon cylindrical batteries and conduct domestic sale of batteries in the PRC.
September 2009	We established Dongguan Victory Battery to carry out the manufacture of alkaline micro-button cells and conduct domestic sale of batteries in the PRC.
December 2009	Our production plants were awarded the ISO 9001:2008 quality management system certification and the ISO 14001:2004 environmental management system certification by the Hong Kong Quality Assurance Agency.
November 2010	We launched our “ecototal” series of environmentally friendly batteries.

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Year	Events
July 2012	We were graded 質量信用AA級企業 (AA Graded Corporation Certification*) jointly issued by 江門市標準化協會 (Jiangmen City Standards Association*) and 江門市企業質量誠信網 (Jiangmen Enterprise Credit Information Network*), which is maintained by the Administration of Quality and Technology Supervision of Jiangmen, Guangdong.
November 2012	We were first awarded the SA 8000:2008 social accountability management systems and practices certification for our manufacture and sale of battery products by Det Norske Veritas, an accredited third party certification body.
April 2014	We were granted the certificate of invention patent in relation to the production of mercury-free alkaline and silver oxide micro-button cells by the State Intellectual Property Office of the PRC.

OUR GROUP COMPANIES

We set out below particulars of all of our subsidiaries as at the Latest Practicable Date.

Name of subsidiary	Principal business activities	Date and place of incorporation or establishment	Interest attributable to our Group	Share capital structure <i>(Note)</i>
Best Kind	Investment holding	14 April 2011 (BVI)	100%	US\$1
Golden Power Corporation	Trading of batteries and battery-related products	21 October 2004 (Hong Kong)	100%	1,000,000 issued shares
Gain Smart	Investment holding	15 October 2007 (BVI)	100%	US\$1
Golden Power Industries	General trading and investment	24 October 1972 (Hong Kong)	100%	10 ordinary shares and 180,000 non-voting deferred shares
Champ Profit	Investment holding	5 January 2011 (Hong Kong)	100%	1 issued share
Golden Pilot	Holding intellectual property	6 June 2005 (BVI)	100%	US\$50,000
Pointway	Holding intellectual property	5 October 2007 (Hong Kong)	100%	10,000 issued shares
Big Power	Property holding	16 July 2009 (Hong Kong)	100%	1 issued share

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Name of subsidiary	Principal business activities	Date and place of incorporation or establishment	Interest attributable to our Group	Share capital structure <i>(Note)</i>
Golden Power Properties	Property holding	5 December 1980 (Hong Kong)	100%	10 ordinary shares and 100,000 non-voting deferred shares
Ample Top	Investment holding	28 September 2007 (BVI)	100%	US\$1
Giant Moral	General trading and investment	5 October 2007 (Hong Kong)	100%	1 issued share
Dongguan Victory Battery	Manufacture and sale of batteries	11 September 2009 (PRC)	100%	US\$500,000
Dongguan Golden Power	Manufacture and sale of batteries	18 June 2008 (PRC)	100%	HK\$12 million
Goldtium (Jiangmen) Energy	Manufacture of batteries	20 May 2008 (PRC)	100%	HK\$10 million

Note: For companies incorporated in BVI, the share capital structure refers to its issued share capital. For companies established in China, the share capital structure refers to its registered capital. For companies incorporated in Hong Kong, the share capital structure refers to its number of issued shares. As at the Latest Practicable Date, all share capital/shares under the “Share capital structure” column were fully paid up.

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company’s major subsidiaries during the Track Record Period.

Best Kind

Best Kind was incorporated in BVI on 14 April 2011 as a limited liability company. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1 each. It is principally engaged in investment holding.

On 2 July 2011, one share in Best Kind was allotted and issued to Golden Villa at par of US\$1 and Best Kind became a wholly-owned subsidiary of Golden Villa.

On 8 November 2012, our Company acquired one share in Best Kind from Golden Villa at par of US\$1. Such transaction was properly and legally completed and settled on the same day. Upon completion, Best Kind became a wholly-owned subsidiary of our Company.

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Golden Power Corporation

Golden Power Corporation was incorporated in Hong Kong on 21 October 2004 as a limited liability company. It has 1,000,000 shares in issue. It is principally engaged in the trading of batteries and battery-related products.

On 1 November 2004, one subscriber's share in Golden Power Corporation was transferred to Golden Power Investments at par of HK\$1. On the same day, 999,999 shares in Golden Power Corporation were allotted and issued to Golden Power Investments at par of HK\$1 each.

On 13 December 2011, Golden Power Investments transferred 1,000,000 shares in Golden Power Corporation to Best Kind at par of HK\$1 each. Such transaction was properly and legally completed and settled on the same day. Upon completion, Golden Power Corporation became a wholly-owned subsidiary of Best Kind.

Golden Power Industries

Golden Power Industries was incorporated in Hong Kong on 24 October 1972 as a limited liability company. It has ten ordinary shares and 180,000 non-voting deferred shares in issue. It is principally engaged in general trading and investment.

In December 1981, Mr. Chu acquired 2.50% of the issued share capital of Golden Power Industries. From 1981 to 1993, Mr. Chu's shareholding in Golden Power Industries increased to 24.30%, which were converted into non-voting deferred shares on 28 April 1993.

In around April 1993, Golden Power Industries became a wholly-owned subsidiary of Golden Power Investments, the entire issued share capital of which was held by China Gas and Oil.

On 30 September 1993, Mr. Chu acquired one ordinary share in Golden Power Industries from Golden Power Investments, representing 10% of its then issued ordinary share capital. The one ordinary share was subsequently transferred to Hikari Tsushin Investments Management (Hong Kong) Limited on 14 March 2000, which held the share on trust in favour of Golden Power Investments.

Immediately after the Golden Power Group Buyout in 2003, ten ordinary shares in Golden Power Industries were held by Golden Power Investments and Hikari Tsushin Investments Management (Hong Kong) Limited (on trust in favour of Golden Power Investments) as to nine ordinary shares and one ordinary share, respectively, while 180,000 non-voting deferred shares in Golden Power Industries were held by Mr. Chu, Ms. Chu, Chu Suk Man, Man Fai Ming, Chan Yung Tai, Pong Yiu Wing, Choi Kim Ching, Wong Kwok Chu, Chu Keng Chun, Leung Nai Chun, Chu Pak Ching, Chan Siu Chi, Ip Tsz Wa, Lui Kin Kwong and Respectful Corporation.

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On 24 July 2003, Hikari Tsushin Investments Management (Hong Kong) Limited, which held one ordinary share in Golden Power Industries on trust for Golden Power Investments, transferred the said one ordinary share to Golden Villa at nil consideration.

On 13 December 2011, Golden Power Investments and Golden Villa transferred their respective nine ordinary shares and one ordinary share in Golden Power Industries to Best Kind at par of HK\$10 each.

On 19 December 2012, Chan Yung Tai, Pong Yiu Wing, Choi Kim Ching, Wong Kwok Chu, Chu Keng Chun, Leung Nai Chun, Chu Pak Ching, Chan Siu Chi, Ip Tse Wah, Lui Kin Kwong and Respectful Corporation were declared and treated as untraceable shareholders and, pursuant to the articles of association of Golden Power Industries, the 132,200 non-voting deferred shares in Golden Power Industries held by them were transferred to Mr. Chu at par of HK\$10 each. The consideration was considered reasonable on the basis that the non-voting deferred shares carried no economic value as holders of the non-voting deferred shares were not entitled to any dividends or any right to attend or vote at any general meeting of Golden Power Industries pursuant to its articles of association.

We were advised by our Legal Counsel that the transfer of the non-voting deferred shares in Golden Power Industries from the untraceable shareholders to Mr. Chu was valid and effective on the basis that (1) there was no provision in the Predecessor Companies Ordinance which prohibited or otherwise regulated such transfer; (2) Golden Power Industries was authorised to do so under its articles of association; (3) such transfer was in compliance with the requirements under the articles of association of Golden Power Industries; and (4) consideration was paid for the acquisition of the shares and the sale proceeds were indebted to a separate account held by Golden Power Industries. If the untraceable shareholders were to reappear, the sale proceeds could be paid to them in order to satisfy any claims which they may have.

On 21 December 2012, Chu Suk Man, Ms. Chu and Man Fai Ming transferred their respective 1,000, 1,000 and 2,000 non-voting deferred shares in Golden Power Industries to Mr. Chu at par of HK\$10 each. The consideration was determined based on the evaluation of Golden Power Industries as at 15 October 2012 conducted by an independent valuer.

The above transactions were properly and legally completed and settled.

On 4 January 2013, Mr. Chu transferred his 180,000 non-voting deferred shares in Golden Power Industries to Best Kind at par of HK\$10 each. Such transaction was properly and legally completed and settled on the same day. Upon completion, Golden Power Industries became a wholly-owned subsidiary of Best Kind.

Gain Smart

Gain Smart was incorporated in BVI on 15 October 2007 as a limited liability company. It is authorised to issue a maximum of 50,000 shares at par of US\$1 each. It is principally engaged in investment holding.

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On 8 November 2007, one subscriber's share in Gain Smart was allotted and issued to Golden Power Investments at par of US\$1.

On 8 December 2011, Golden Power Investments transferred one share in Gain Smart to Best Kind at par of US\$1. Such transaction was properly and legally completed and settled on the same day. Upon completion, Gain Smart became a wholly-owned subsidiary of Best Kind.

Ample Top

Ample Top was incorporated in BVI on 28 September 2007 as a limited liability company. It is authorised to issue a maximum of 50,000 shares at par of US\$1 each. It is principally engaged in investment holding.

On 8 November 2007, one subscriber's share in Ample Top was allotted and issued to Golden Power Investments at par of US\$1.

On 17 September 2014, Golden Power Investments transferred one share in Ample Top to Best Kind at a nominal consideration of HK\$1. Such transaction was properly and legally completed and settled on the same day. Upon completion, Ample Top became a wholly-owned subsidiary of Best Kind.

Giant Moral

Giant Moral was incorporated in Hong Kong on 5 October 2007 as a limited liability company. It has one share in issue. It is principally engaged in general trading and investment.

On 9 November 2007, one subscriber's share in Giant Moral was transferred to Gain Smart at par of HK\$1. Upon completion, Giant Moral became a wholly-owned subsidiary of our Group.

Dongguan Victory Battery

Dongguan Victory Battery was established in the PRC on 11 September 2009 as a limited liability company with a registered share capital of US\$500,000. Since its establishment, its entire equity interest has been held by Golden Power Industries. Dongguan Victory Battery is principally engaged in the manufacture and sale of batteries.

Champ Profit

Champ Profit was incorporated in Hong Kong on 5 January 2011 as a limited liability company. It has one share in issue. It is principally engaged in investment holding.

On 14 February 2011, one subscriber's share in Champ Profit was transferred to Mr. Chu at par of HK\$1.

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On 13 March 2012, Mr. Chu transferred one share in Champ Profit to Techway (China) at par of HK\$1. Such transaction was properly and legally completed and settled on the same day. Upon completion, Champ Profit became a wholly-owned subsidiary of our Group.

On 14 May 2013, Techway (China) transferred one share in Champ Profit to Best Kind at par of HK\$1. Such transaction was properly and legally completed and settled on the same day.

Dongguan Golden Power

Dongguan Golden Power was established in the PRC on 18 June 2008 as a limited liability company with a registered share capital of HK\$10 million. On 17 November 2010, the registered capital of Dongguan Golden Power was increased to HK\$12 million. Since its establishment, its entire equity interest has been held by Golden Power Industries. Dongguan Golden Power is principally engaged in the manufacture and sale of batteries.

Goldtium (Jiangmen) Energy

Goldtium (Jiangmen) Energy was established in the PRC on 20 May 2008 as a limited liability company with a registered share capital of HK\$10 million. Since its establishment, its entire equity interest has been held by Giant Moral. Goldtium (Jiangmen) Energy is principally engaged in the manufacture of batteries in the PRC.

Big Power

Big Power was incorporated in Hong Kong on 16 July 2009 as a limited liability company. It has one share in issue. Big Power is principally engaged in property holding.

On 10 August 2009, one subscriber's share in Big Power was transferred to Golden Power Investments at par of HK\$1.

On 6 June 2014, Best Kind acquired one share in Big Power from Golden Power Investments at a consideration of approximately HK\$7.48 million, which was determined with reference to the fair value adjustment of the property in Macau held by Big Power from an independent valuation report and a negative net asset value of approximately HK\$3.12 million. Such transaction was properly and legally completed and settled on the same day. Upon completion, Big Power became a wholly-owned subsidiary of Best Kind.

Golden Pilot

Golden Pilot was incorporated in BVI on 6 June 2005 as a limited liability company. It is authorised to issue a maximum of 50,000 shares at par of US\$1 each. It is principally engaged in holding intellectual property.

On 4 August 2005, 50,000 shares in Golden Pilot were allotted and issued to Golden Power Investments at par of US\$1 each.

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On 5 September 2014, Golden Power Investments transferred 50,000 shares in Golden Pilot to Best Kind at a consideration of HK\$132,100 which was determined with reference to the net asset value of Golden Pilot as at 30 June 2014. Such transaction was properly and legally completed and settled on the same day. Upon completion, Golden Pilot became a wholly-owned subsidiary of Best Kind.

Pointway

Pointway was incorporated in Hong Kong on 5 October 2007 as a limited liability company. It has 10,000 shares in issue. It is principally engaged in holding intellectual property.

On 24 October 2007, one subscriber's share in Pointway was transferred to Golden Power Investments at par of HK\$1. On the same day, 9,999 shares in Pointway were allotted and issued to Golden Power Investments at par of HK\$1 each.

On 8 September 2014, Golden Power Investments transferred 10,000 shares in Pointway to Best Kind at par of HK\$1 which was determined with reference to the net asset value of Pointway as at 30 June 2014. Such transaction was properly and legally completed and settled on the same day. Upon completion, Pointway became a wholly-owned subsidiary of Best Kind.

Golden Power Properties

Golden Power Properties was incorporated in Hong Kong on 5 December 1980 as a limited liability company. It has ten ordinary shares and 100,000 non-voting deferred shares in issue. It is principally engaged in property holding.

On 22 June 1981, Mr. Chu was allotted 2,500 shares in Golden Power Properties, representing 2.50% of the then issued share capital of Golden Power Properties. From 1981 to 1993, Mr. Chu's shareholdings in Golden Power Properties increased to 17.50%, which were converted into non-voting deferred shares on 28 April 1993.

In around April 1993, Golden Power Properties became a wholly-owned subsidiary of Golden Power Investments, the entire issued share capital of which was held by China Gas and Oil. The shares in China Gas and Oil were listed on the Stock Exchange since May 1993.

On 30 September 1993, Mr. Chu acquired one ordinary share in Golden Power Properties from Golden Power Investments, representing 10% of its then issued ordinary share capital. The share was subsequently transferred to Hikari Tsushin Investments Management (Hong Kong) Limited on 14 March 2000, which held the share on trust in favour of Golden Power Investments.

Immediately after the Golden Power Group Buyout in 2003, ten ordinary shares in Golden Power Properties were held by Golden Power Investments and Hikari Tsushin Investments Management (Hong Kong) Limited (on trust in favour of Golden Power

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Investments) as to nine ordinary shares and one ordinary share, respectively, while 100,000 non-voting deferred shares in Golden Power Properties were held by Mr. Chu, Chan Yung Tai, Pong Yiu Wing and Respectful Corporation.

On 24 July 2003, Hikari Tsushin Investments Management (Hong Kong) Limited, which held one ordinary share in Golden Power Properties on trust in favour of Golden Power Investments, transferred the said one ordinary share to Golden Villa at nil consideration.

On 3 December 2013, Chan Yung Tai, Pong Yiu Wing and Respectful Corporation were declared and treated as untraceable shareholders and, pursuant to the memorandum and articles of association of Golden Power Properties, the 82,500 non-voting deferred shares in Golden Power Properties held by them were transferred to Mr. Chu at par of HK\$10 each. The consideration was considered reasonable on the basis that the non-voting deferred shares carried no economic value as holders of the non-voting deferred shares were not entitled to any dividends or any right to attend or vote at any general meeting of Golden Power Properties pursuant to its articles of association.

We were advised by our Legal Counsel that the transfer of the non-voting deferred shares in Golden Power Properties from the untraceable shareholders to Mr. Chu was valid and effective on the basis that (1) there was no provision in the Predecessor Companies Ordinance which prohibited or otherwise regulated such transfer; (2) Golden Power Properties was authorised to do so under its articles of association; (3) such transfer was in compliance with the requirements under the articles of association of Golden Power Properties; and (4) consideration was paid for the acquisition of the shares and the sale proceeds were indebted to a separate account held by Golden Power Properties. If the untraceable shareholders were to reappear, the sale proceeds could be paid to them in order to satisfy any claims which they may have.

On 16 December 2013, Mr. Chu transferred his 100,000 non-voting deferred shares in Golden Power Properties to Golden Power Investments at par of HK\$10 each.

The above transactions were properly and legally completed and settled.

On 25 September 2014, Golden Power Investments transferred (i) 100,000 non-voting deferred shares in Golden Power Properties to Ample Top at a nominal consideration of HK\$1; and (ii) nine ordinary shares in Golden Power Properties to Ample Top at a consideration of approximately HK\$10.04 million, which was determined with reference to the pro forma net asset value of Golden Power Properties as at 31 August 2014 which had taken into account the interim dividend of HK\$20 million declared by Golden Power Properties on 1 September 2014. On the same day, Golden Villa transferred one ordinary share in Golden Power Properties to Ample Top at a consideration of approximately HK\$1.12 million, which was determined with reference to the pro forma net asset value of Golden Power Properties as at 31 August 2014 which had taken into account the interim dividend of HK\$20 million declared by Golden Power Properties on 1 September 2014. The above transactions were properly and legally completed and settled on the same day. Upon completion, Golden Power Properties became a wholly-owned subsidiary of the Group.

DISPOSED SUBSIDIARIES

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company's subsidiaries disposed of during the Track Record Period.

Techway (China)

Techway (China) was incorporated in Hong Kong on 15 February 1994 as a limited liability company. Prior to the disposal of Techway (China) by our Group, it was principally engaged in investment holding.

Immediately after the Golden Power Group Buyout in 2003, Techway (China) was owned by Golden Power Investments and Golden Power Industries (on trust in favour of Golden Power Investments) as to 9,999 shares and one share, respectively.

On 6 May 2008, Golden Power Investments and Golden Power Industries transferred 9,999 shares and one share in Techway (China) to Gain Smart at the consideration of approximately HK\$1.04 million and HK\$104, respectively, which were determined with reference to the net assets value of Techway (China) as at 31 December 2007. Such transactions were properly and legally completed and settled on the same day.

On 19 May 2011, a loan repayment agreement (the “**Loan Repayment Agreement**”) was entered into among (i) Goldtium (Hong Kong) (as debtor), being a subsidiary of Techway (China), (ii) a former shareholder of Goldtium (Jiangmen) Battery (as creditor) (the “**Creditor**”), which held 15% of its equity interest, and (iii) Techway (China) (as guarantor), pursuant to which Goldtium (Hong Kong) owed to the Creditor an amount of approximately HK\$20.49 million. In or around November 2011, Goldtium (Hong Kong) repaid an amount of approximately HK\$1.49 million to the Creditor and an outstanding indebtedness in the amount of HK\$19 million (the “**Outstanding Indebtedness**”) was owed to the Creditor by Goldtium (Hong Kong) under the Loan Repayment Agreement. Please refer to the paragraph headed “Financial Information — Analysis of certain items on the consolidated statements of financial position — Receipts in advance, other payables and accruals analysis — Loan from a former subsidiary” in this prospectus for further details of the repayment terms of the Outstanding Indebtedness.

In or around August 2012, Goldtium (Hong Kong) purportedly novated the Outstanding Indebtedness to Champ Profit (the “**Purported Novation**”).

With an aim to streamline the operations of our Group, on 19 July 2013, Gain Smart (as transferor) entered into a sale and purchase agreement with Mr. Chan Wah Hee (as transferee), who is an Independent Third Party, pursuant to which the entire issued share capital in Techway (China) was transferred to Mr. Chan Wah Hee at a consideration of HK\$100,000, which was determined with reference to the net asset value of Techway (China) and its subsidiaries as at 31 December 2012 of approximately HK\$756,000 without taking into account the Outstanding Indebtedness on the understanding that the

HISTORY, DEVELOPMENT AND REORGANISATION

Outstanding Indebtedness was successfully novated to our Group. The transfer under the sale and purchase agreement was properly and legally completed and settled on 23 July 2013. Upon completion, Techway (China) ceased to be a subsidiary of our Group.

As we were advised by our PRC Legal Advisers that there was a doubt as to the validity of the Purported Novation under the PRC law, on 8 September 2014, Gain Smart, Champ Profit, Mr. Chan Wah Hee, Goldtium (Hong Kong) and Techway (China) entered into a repayment agreement. Pursuant to the agreement, the parties confirmed and acknowledged that Champ Profit shall be ultimately responsible for the repayment of the Outstanding Indebtedness, and Goldtium (Hong Kong) shall act as the repayment agent of Champ Profit to repay the Outstanding Indebtedness to the Creditor and be indemnified by Champ Profit.

Goldtium (Hong Kong)

Goldtium (Hong Kong) was incorporated in Hong Kong on 20 June 1997 as a limited liability company. Prior to the disposal of Goldtium (Hong Kong) by our Group, it was principally engaged in general trading and investment.

Immediately after the Golden Power Group Buyout in 2003, Goldtium (Hong Kong) was owned by Techway (China), He Qing and Liu Dongyu as to 700,000, 150,000 and 150,000 shares, respectively.

After a series of share transfers, Techway (China) and Liu Zai Wen held 700,000 and 300,000 shares in Goldtium (Hong Kong), representing 70% and 30% of its issued share capital, respectively. On 26 September 2011, Liu Zai Wen transferred 300,000 shares in Goldtium (Hong Kong) to Techway (China) at a consideration of HK\$8,880, which was determined with reference to the net asset value of Goldtium (Hong Kong) as at 31 December 2010. Such transaction was properly and legally completed and settled on the same day.

Upon completion, Goldtium (Hong Kong) became a wholly-owned subsidiary of our Group.

As the entire issued share capital of Techway (China) was acquired by Mr. Chan Wah Hee on 23 July 2013, Goldtium (Hong Kong) ceased to be a subsidiary of our Group.

Goldtium (Jiangmen) Battery

Goldtium (Jiangmen) Battery was established in the PRC on 28 August 1997 as a limited liability company. Prior to the disposal of Goldtium (Jiangmen) Battery by our Group, it was principally engaged in the manufacture of batteries in the PRC which was conducted through a processing factory in Jiangmen, the PRC. In May 2008, we established Goldtium (Jiangmen) Energy, a wholly foreign-owned enterprise, and our Group's battery manufacturing operations in Jiangmen, the PRC were gradually transferred to and conducted through Goldtium (Jiangmen) Energy instead. Subsequently, in July 2013, Techway (China) together with Goldtium (Jiangmen) Battery were sold to Mr. Chan Wah

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Hee, an Independent Third Party. To the best understanding of our Directors, as at the Latest Practicable Date, Goldtium (Jiangmen) Battery no longer carried on any battery manufacturing business.

Immediately after the Golden Power Group Buyout in 2003, the equity interest in Goldtium (Jiangmen) Battery was owned by Techway (China), 江門市工業產品進出口公司 (Jiangmen Industrial Products Import and Export Corporation*) and 江門市先鋒進出口有限公司 (Jiangmen Pioneer Import and Export Company Limited*) as to 70%, 15% and 15%, respectively.

As the entire issued share capital of Techway (China) was acquired by Mr. Chan Wah Hee on 23 July 2013, Goldtium (Jiangmen) Battery ceased to be a subsidiary of our Group.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

Incorporation of our Company

On 7 June 2012, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. It had an authorised share capital of HK\$390,000 divided into 390,000 shares at par of HK\$1 each. On the same date, one subscriber's Share with a par value of HK\$1 was allotted and issued, credited as fully paid, to Offshore Incorporations (Cayman) Limited.

On 7 June 2012, Golden Villa (as transferee) and Offshore Incorporations (Cayman) Limited (as transferor) executed an instrument of transfer, pursuant to which the one issued Share in our Company was transferred to Golden Villa at par of HK\$1. Upon completion, our Company became a wholly-owned subsidiary of Golden Villa.

Acquisition of Best Kind by our Company from Golden Villa

Best Kind is a company incorporated in BVI on 14 April 2011 with one ordinary share legally and beneficially owned by Golden Villa immediately before the Reorganisation, representing 100% of the issued share capital of Best Kind.

On 8 November 2012, Golden Villa (as transferor) and our Company (as transferee) executed an instrument of transfer, pursuant to which the one ordinary share in Best Kind was transferred to our Company at par of US\$1. Upon completion, Best Kind became a wholly-owned subsidiary of our Company.

Acquisition of Champ Profit by Best Kind from Techway (China)

Champ Profit is a company incorporated in Hong Kong on 5 January 2011 with one ordinary share legally and beneficially owned by Techway (China) immediately before the Reorganisation, representing 100% of the issued share capital of Champ Profit.

HISTORY, DEVELOPMENT AND REORGANISATION

On 14 May 2013, Techway (China) (as transferor) and Best Kind (as transferee) executed an instrument of transfer and bought and sold notes, pursuant to which the one ordinary share in Champ Profit was transferred to Best Kind at par of HK\$1. Upon completion, Champ Profit became a wholly-owned subsidiary of Best Kind.

Transfer of Assets from Goldtium (Jiangmen) Battery to Goldtium (Jiangmen) Energy

Upon the issuance of various value-added tax invoices by Goldtium (Jiangmen) Battery of various dates in May 2013, the machines that were in the possession of and owned by Goldtium (Jiangmen) Battery were sold to and purchased by Goldtium (Jiangmen) Energy at a consideration of approximately RMB6.96 million, which was determined based on the valuation of the machines as at 30 April 2013 conducted by an independent valuer.

Disposal of Techway (China) and its subsidiaries

Techway (China) is a company incorporated in Hong Kong on 15 February 1994 with 10,000 ordinary shares legally and beneficially owned by Gain Smart immediately before the Reorganisation, representing 100% of the issued share capital of Techway (China).

On 19 July 2013, Gain Smart (as transferor) entered into a sale and purchase agreement with Mr. Chan Wah Hee (as transferee), who is an Independent Third Party, and executed an instrument of transfer and bought and sold notes for the sale and purchase of the entire issued share capital in Techway (China), pursuant to which the 10,000 ordinary shares in Techway (China) were transferred to Mr. Chan Wah Hee at a consideration of HK\$100,000. Such transaction was properly and legally completed and settled on 23 July 2013. Upon completion, Techway (China) and its subsidiaries, i.e. Goldtium (Hong Kong) and Goldtium (Jiangmen) Battery, were disposed of from our Group.

Acquisition of Big Power by Best Kind from Golden Power Investments

Big Power is a company incorporated in Hong Kong on 16 July 2009 with one ordinary share legally and beneficially owned by Golden Power Investments immediately before the Reorganisation, representing 100% of the issued share capital of Big Power.

Golden Power Investments (as transferor) and Best Kind (as transferee) entered into a sale and purchase agreement dated 3 June 2014 and executed an instrument of transfer and bought and sold notes on 5 June 2014, pursuant to which the one ordinary share in Big Power was transferred to Best Kind at a consideration of approximately HK\$7.48 million which was determined with reference to the fair value adjustment of the property in Macau held by Big Power from an independent valuation report and a negative net asset value of approximately HK\$3.12 million. Such transaction was properly and legally completed and settled on 6 June 2014. Upon completion, Big Power became a wholly-owned subsidiary of Best Kind.

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Acquisition of Golden Pilot and Pointway by Best Kind from Golden Power Investments

Golden Pilot is a company incorporated in BVI on 6 June 2005 with 50,000 ordinary shares legally and beneficially owned by Golden Power Investments immediately before the Reorganisation, representing 100% of the issued share capital of Golden Pilot.

Pointway is a company incorporated in Hong Kong on 5 October 2007 with 10,000 ordinary shares legally and beneficially owned by Golden Power Investments immediately before the Reorganisation, representing 100% of the issued share capital of Pointway.

Golden Power Investments (as transferor) and Best Kind (as transferee) (i) entered into a memorandum of agreement for sale and purchase and executed an instrument of transfer on 5 September 2014, pursuant to which the 50,000 ordinary shares in Golden Pilot were transferred to Best Kind at a consideration of HK\$132,100, which was determined with reference to the net asset value of Golden Pilot as at 30 June 2014, and (ii) entered into a memorandum of agreement for sale and purchase on 5 September 2014 and executed an instrument of transfer and bought and sold notes on 8 September 2014, pursuant to which the 10,000 ordinary shares in Pointway were transferred to Best Kind at a consideration of HK\$1, which was determined with reference to the net asset value of Pointway as at 30 June 2014. The above transactions were properly and legally completed and settled. Upon completion, Golden Pilot and Pointway became wholly-owned subsidiaries of Best Kind.

Acquisition of Ample Top by Best Kind from Golden Power Investments

Ample Top is a company incorporated in BVI on 28 September 2007 with one ordinary share legally and beneficially owned by Golden Power Investments immediately before the Reorganisation, representing 100% of the issued share capital of Ample Top.

On 17 September 2014, Golden Power Investments (as transferor) and Best Kind (as transferee) entered into a memorandum of agreement for sale and purchase and executed an instrument of transfer, pursuant to which the one ordinary share in Ample Top was transferred to Best Kind at a nominal consideration of HK\$1. Such transaction was properly and legally completed and settled on the same day. Upon completion, Ample Top became a wholly-owned subsidiary of Best Kind.

Acquisition of Golden Power Properties by Ample Top from Golden Power Investments and Golden Villa

Golden Power Properties is a company incorporated in Hong Kong on 5 December 1980 with 100,000 non-voting deferred shares legally and beneficially owned by Golden Power Investments, and nine ordinary shares and one ordinary share legally and beneficially owned by Golden Power Investments and Golden Villa, respectively, immediately before the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

On 18 September 2014, Golden Power Investments (as transferor) and Ample Top (as transferee) (i) entered into a memorandum of agreement for sale and purchase and executed an instrument of transfer and bought and sold notes, pursuant to which the 100,000 non-voting deferred shares in Golden Power Properties were transferred to Ample Top at a nominal consideration of HK\$1; and (ii) entered into a memorandum of agreement for sale and purchase and executed an instrument of transfer and bought and sold notes, pursuant to which the nine ordinary shares in Golden Power Properties were transferred to Ample Top at a consideration of approximately HK\$10.04 million, which was determined with reference to the pro forma net asset value of Golden Power Properties as at 31 August 2014 which had taken into account the interim dividend of HK\$20 million declared by Golden Power Properties on 1 September 2014. The above transactions were properly and legally completed and settled on 25 September 2014.

On 18 September 2014, Golden Villa (as transferor) and Ample Top (as transferee) entered into a memorandum of agreement for sale and purchase and executed an instrument of transfer and bought and sold notes, pursuant to which the one ordinary share in Golden Power Properties was transferred to Ample Top at a consideration of approximately HK\$1.12 million, which was determined with reference to the pro forma net asset value of Golden Power Properties as at 31 August 2014 which had taken into account the interim dividend of HK\$20 million declared by Golden Power Properties on 1 September 2014. Such transaction was properly and legally completed and settled on 25 September 2014.

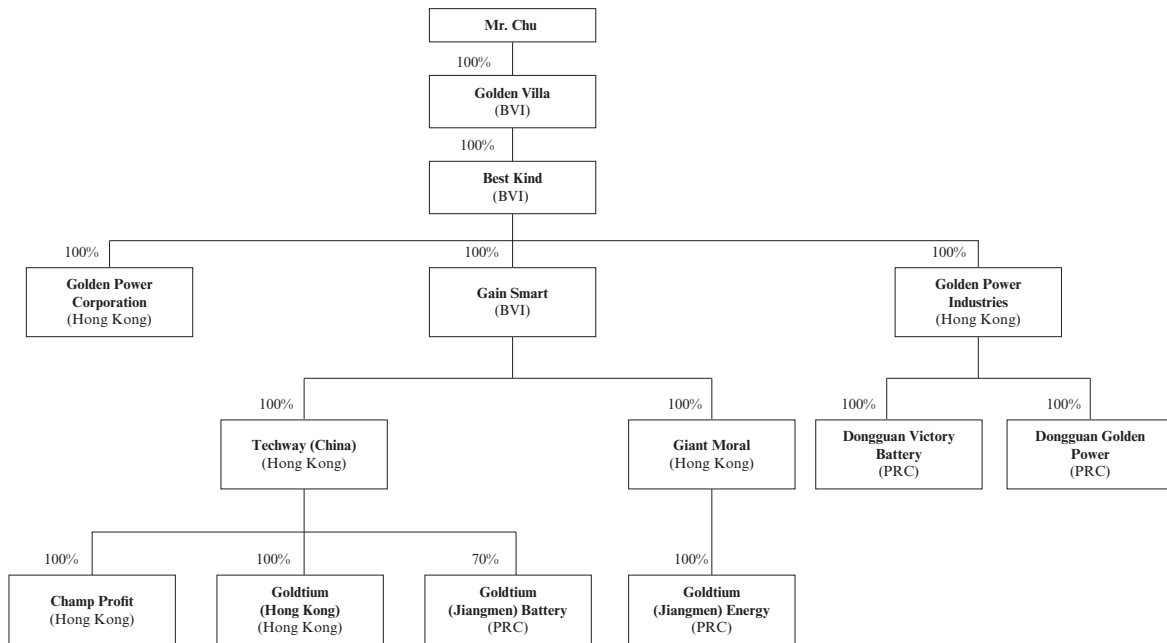
Upon completion, Golden Power Properties became a wholly-owned subsidiary of Ample Top.

Share sub-division and increase of authorised share capital

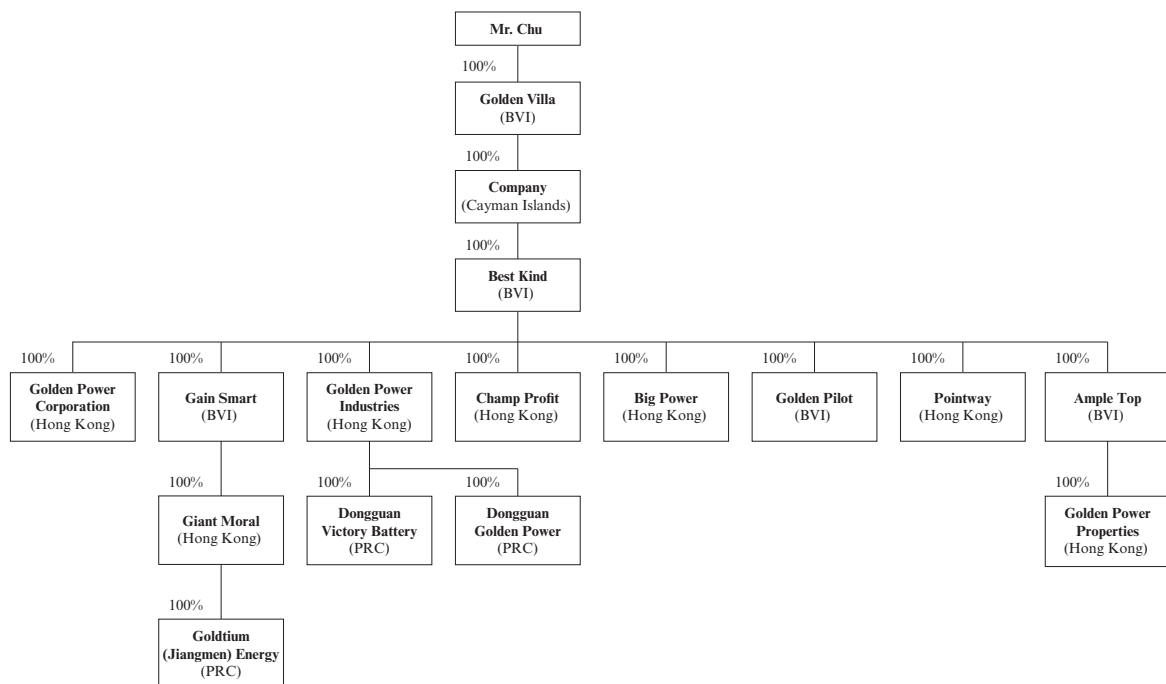
In contemplation of the Placing, each Share of HK\$1 was subdivided into 100 Shares of HK\$0.01 each, and the authorised share capital of our Company increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, pursuant to the written resolutions of our sole Shareholder passed on 15 May 2015.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our Group's shareholding and corporate structure immediately before the Reorganisation:



The following chart sets forth our Group's shareholding and corporate structure immediately after the Reorganisation but before the Capitalisation Issue and the Placing:

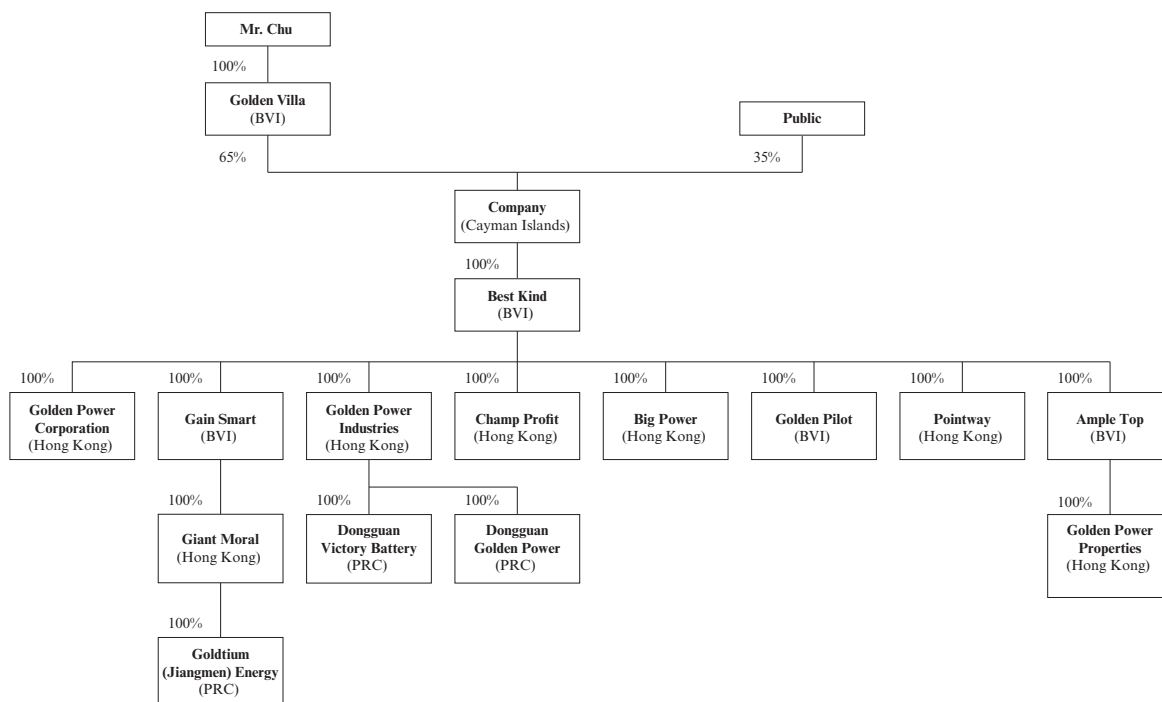


HISTORY, DEVELOPMENT AND REORGANISATION

Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Placing Shares pursuant to the Placing, our Directors are authorised to capitalise an amount of HK\$1,039,999 standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of 103,999,900 Shares for allotment and issue, immediately prior to the Placing, to Golden Villa so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute 65% of the issued share capital of our Company.

The following chart sets forth our Group's shareholding and corporate structure immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme):



PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

Our PRC Legal Advisers have advised us that:

1. the Provisions on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) issued by the Ministry of Commerce of the PRC on 22 June 2009 are not applicable to the Reorganisation and the Listing;
2. the Reorganisation and the Listing are not subject to the approval from the PRC government or regulatory authorities (including the China Securities Regulatory Commission (中國證券監督管理委員會)); and
3. the Circular on the Administration of Foreign Exchange involved in Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**Circular No. 37**”), issued by the State Administration of Foreign Exchange of the PRC on 4 July 2014, sets out certain foreign exchange registration requirements in relation to the round-trip investment activities conducted in the PRC by PRC residents via overseas special purpose vehicles. As Mr. Chu, our Controlling Shareholder, is a Hong Kong permanent resident and has no habitual residence within the territory of China due to relationship of economic interests, Mr. Chu is not subject to the registration process under the Circular No. 37.

SUMMARY

Our 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 both under our own “Golden Power” brand and the brands of our private label and OEM customers. To broaden our product offering, we constantly develop new products and during the Track Record Period, we developed 22 new battery models. We successfully developed and obtained one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of mercury-free alkaline and silver oxide micro-button cells.

We pride ourselves on our diversified portfolio of batteries and related products to cater for the different requirements and preferences of our customers. With more than 270 battery models in different sizes and with battery capacity ranging from 6 mAh to 13,800 mAh, which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators, we offered one of the broadest ranges of products among the battery manufacturers with production bases in the PRC as at the end of 2013 according to the Ipsos Report. Further, as stated in the Ipsos Report, with the introduction of new policies and regulations in the European Union and the PRC, the global battery market is evolving towards hazardous substance-free batteries. We have therefore developed hazardous substance-free batteries under our “ecototal” series which are mercury-free, cadmium-free and lead-free and made use of our PRC invention patent and utility model patents to produce mercury-free alkaline and silver oxide micro-button cells. According to the Ipsos Report, mercury-free batteries come with a higher price tag. During the Track Record Period, our Group sold hazardous substance-free alkaline and silver oxide micro-button cells with a higher average selling price than the average selling price of all micro-button cells sold by our Group during the Track Record Period. In light of the above, our Directors believe that our “ecototal” series will continue to be sold at a relatively higher average selling price than other batteries with the same battery capacities. Although it is estimated that there will be an increase in the cost of sales in respect of hazardous substance-free alkaline and silver oxide micro-button cells which is mainly due to the relatively higher cost of certain raw materials, on the basis and assuming that (i) our Company will fully launch and manufacture and sell our “ecototal” series alkaline and silver oxide micro-button cells starting from January 2016; (ii) the total annual designed production capacity of alkaline and silver oxide micro-button cells remains unchanged after the launch of “ecototal” series; and (iii) the relevant cost of sales (apart from certain raw materials as mentioned above) remains unchanged, it is estimated that our Group will enjoy an overall higher gross profit margin after the “ecototal” series alkaline and silver oxide micro-button cells are fully launched since our Directors believe that the “ecototal” series will continue to be sold at a relatively higher average selling price than other batteries with the same battery capacities. Furthermore, our Directors also believe that our Group can capture the market opportunities in the hazardous substance-free micro-button cells segment since (i) our Group had a track record of selling hazardous substance-free micro-button cells under the “ecototal” series during the Track Record Period; and (ii) our Group has received enquiries in relation to the purchase of hazardous substance-free micro-button cells from our Group.

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Whilst we mostly manufacture and sell disposable batteries, we also trade some batteries and related products that we do not manufacture, such as rechargeable batteries, 9V alkaline cylindrical batteries, lithium manganese and zinc air micro-button cells, battery chargers, battery power packs and electric fans, to provide flexibility to our customers should they require us to provide a one-stop solution to their procurement needs.

With the accumulation of industry know-how and experience through the manufacture and sale of batteries under our own “Golden Power” brand initially primarily to industrial customers, and eyeing the opportunity for growth in the private label and OEM markets as supported by the Ipsos Report, our business model has been diversified and we have expanded our customer base by manufacturing and selling on private label and OEM bases as well. The change of our business model and expansion of our customer base have generally broadened our revenue stream. Our revenue for FY2013 and FY2014 amounted to approximately HK\$366.50 million and HK\$384.75 million, respectively. Our profit for the same periods amounted to approximately HK\$6.59 million and HK\$11.69 million, respectively. During the Track Record Period, our products were sold within the PRC and Hong Kong and were exported to over 40 countries including the United States, the Netherlands, Canada, Brazil, Australia, Germany and Japan. We endeavour to further expand our customer base by exploring new platforms and approaching new customers.

While we are headquartered in Hong Kong, our production activities are carried out at two production facilities, namely, our Dongguan Production Facility and our Jiangmen Production Facility. As at the Latest Practicable Date, we operated a total of 30 production lines at these production facilities and the aggregate annual designed production capacity for FY2013 and FY2014 were approximately 1,349.19 million and 1,418.38 million units, respectively, based on the assumptions as further elaborated in the paragraph headed “Production facilities” in this section. We plan to increase our production capacity by acquiring a production line, as well as enhancing our existing production facilities, to meet the demand for our products. The production of our principal products are vertically integrated extending from design, raw material procurement, production, quality control to sales and delivery. We also produce key parts and components used in our batteries. We believe such model provides our Group with operational flexibility as well as enabling us to control our production cost, product quality and delivery time.

We have also adopted a stringent quality control system covering our entire production process, from selection of suppliers, procurement of raw materials, production, quality control, quality and reliability assurance to maintenance of production equipment and machinery. In recognition of our quality management system, we have obtained certification of ISO 9001: 2008. We have also passed the sample product characteristics tests conducted by National Battery Inspection & Testing Center, showing that our batteries are in accordance with international standards such as IEC 60086 of International Electrotechnical Commission and GB 24427 of Guo Biao (National Standard (People’s Republic of China)).

We recognise the importance of environmental safety and are committed to producing hazardous substance-free batteries. We have successfully developed hazardous substance-free batteries under our “ecototal” series which are mercury-free, cadmium-free and lead-

BUSINESS

free and made use of our PRC invention patent and utility model patents to produce mercury-free alkaline and silver oxide micro-button cells. We have an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from our manufacturing process. In recognition of our environmental management system, we have obtained certification of ISO 14001: 2004. We have also passed the sample product characteristics tests conducted by SGS-CSTC Standards Technical Services Co., Ltd., showing that our batteries are in accordance with the Directive 2006/66/EC of the European Parliament and of the Council and the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

OUR PRODUCTS

Our products are mainly categorised into two segments, namely: (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. Our disposable batteries are categorised into two sub-segments, namely: (i) cylindrical batteries which can be divided into alkaline and carbon cylindrical batteries, and (ii) micro-button cells which can be divided into alkaline, silver oxide, lithium manganese and zinc air micro-button cells. Our other battery-related products include battery chargers, battery power packs and electric fans.

The following table sets out our revenue by our product segments and the percentage contribution of each product segment to our total revenue during the Track Record Period:

Product	FY2013		FY2014	
	<i>Approximate</i> HK\$'000	<i>Approximate</i> %	<i>Approximate</i> HK\$'000	<i>Approximate</i> %
Disposable batteries				
<i>Cylindrical batteries</i>				
Alkaline	161,173	43.98%	192,996	50.16%
Carbon	102,330	27.92%	95,917	24.93%
<i>Micro-button cells</i>				
Alkaline	64,931	17.72%	52,951	13.76%
Other micro-button cells (<i>Note 1</i>)	18,294	4.99%	24,333	6.32%
Rechargeable batteries and other battery-related products				
Rechargeable batteries	18,684	5.10%	15,835	4.12%
Other battery-related products (<i>Note 2</i>)	<u>1,087</u>	<u>0.29%</u>	<u>2,720</u>	<u>0.71%</u>
Total	<u><u>366,499</u></u>	<u><u>100.00%</u></u>	<u><u>384,752</u></u>	<u><u>100.00%</u></u>

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths.

Diversified product portfolio

We are able to offer a broad range of products to our customers to cater for their different requirements and preferences. Our products are mainly categorised into two segments, namely: (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. Our disposable batteries are categorised into two sub-segments, namely: (i) cylindrical batteries which can be divided into alkaline and carbon cylindrical batteries, and (ii) micro-button cells which can be divided into alkaline, silver oxide, lithium manganese and zinc air micro-button cells. In order to capture different types of target customers, we offer multiple battery models with different sizes and levels of battery capacity (mAh). For instance, our carbon cylindrical batteries, which can be used in battery-operated toys, remote controls and clocks, come in five sizes, each with different level of battery capacity (mAh). For further details regarding the composition of our product portfolio, please refer to the paragraph headed “Our products” in this section. As at 31 December 2014, we offered more than 270 battery models in different sizes and with battery capacity ranging from 6 mAh to 13,800 mAh, which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators. In addition, according to the Ipsos Report, we offered one of the broadest ranges of products among battery manufacturers with production bases in the PRC as at the end of 2013.

Our diversified product portfolio enables us to serve as a one-stop shop for various types of batteries, which we believe has helped us to attract new customers, better meet the continuously evolving needs of our existing customers and reduce our customers’ need to work with multiple battery manufacturers. We believe that our diversified product portfolio also allows us to optimise our production capacity and gives us the flexibility to cope with market changes, thereby reduces our reliance on any single product type and broadens our customer base and source of revenue.

Established and long-standing relationships with customers

Our Group has successfully maintained business relationships with a number of customers for more than five years, including our Group’s major customers. Our Directors believe that our Group’s understanding of the customers’ needs and its ability to deliver quality and a broad range of products have been of value to the customers. Many of our major customers visit our production facilities and perform audits covering areas such as quality assurance procedures, production process, occupational safety and compliance with laws and regulations, which usually take place once every one to three years.

Our Directors believe that the quality of our Group’s products is the key to maintaining customers’ loyalty. Our Directors further believe that our Group’s established long-term relationships with its major customers are attributable to its consistent track record of quality products, production know-how, industry experience and dedicated management team.

We have a stringent quality control system and vertically integrated production model to provide safe and reliable products

We believe that the quality and reliability of our products are crucial in upholding the reputation of our Group. To this end, we have adopted a stringent quality control system covering our entire production process, from selection of suppliers, procurement of raw materials, production, quality control, quality and reliability assurance to maintenance of production equipment and machinery. For further details, please refer to the paragraph headed “Quality control and recognition” in this section. We have obtained certification of ISO 9001: 2008 in recognition of our quality management system. Please refer to the paragraph headed “Major awards and recognitions” in this section for further details. We have also passed the sample product characteristics tests conducted by National Battery Inspection & Testing Center, showing that our batteries are in accordance with international standards such as IEC 60086 of International Electrotechnical Commission and GB 24427 of Guo Biao (National Standard (People’s Republic of China)).

We believe our success is also built on our vertically integrated production model which extends from design, raw material procurement, production, quality control to sales and delivery. We also produce key parts and components used in our batteries. We believe such model provides our Group with operational flexibility as well as enabling us to control product quality, production cost and delivery time.

Our Group maintains a close dialogue among our sales and marketing team, research and development committee and quality control team, which our Directors believe allows us to promptly and effectively resolve customers’ queries and respond to changes in consumer demands and preferences. Our Directors also believe that the close inter-departmental cooperation among our operational teams allows our Group to serve our customers promptly and directly, and create interest in products developed by our Group which are new to the market. Benefiting from our stringent quality control system and vertical integration, we are able to coordinate rapid responses to changes in market demand and provide our customers with safe and reliable products.

We have strong research and development capability for product and production innovation and enhancement

We put great emphasis on product research and development. As at the Latest Practicable Date, our research and development committee comprised a total of 13 staff members focusing on developing new products and production technologies as well as improving existing products and production technologies, and nearly all of them have received tertiary education or above. Mr. Tang, our executive Director, is responsible for overseeing the overall manufacturing operations of the Dongguan Production Facility and the Jiangmen Production Facility in respect of engineering, research and development, production, quality control, logistics and human resources. For further details of his biography, please refer to the paragraph headed “Directors, Senior Management and Staff — Directors — Executive Directors” in this prospectus. Mr. Liang, the general manager and quality control and production superintendent of Goldtium (Jiangmen) Energy, graduated from 廣州市輕工業局職工大學 (Guangzhou Employee’s University of Light

Industry*) with a bachelor degree of electrochemistry in July 1991. Mr. Liang has around 20 years of experience in the battery industry. For further details of his biography, please refer to the paragraph headed “Directors, Senior Management and Staff — Senior management” in this prospectus. Mr. Hui Pak Shuen (許伯旋), the engineering and machinery superintendent of the Jiangmen Production Facility, graduated from 九江船舶工業學校 (Jiu Jiang Shipbuilding Industrial School*) (now known as 九江職業技術學院船舶工程學院 (Jiu Jiang Vocational and Technical College of Shipbuilding Engineering Institute*)) majoring in machinery manufacturing in July 1992 and has more than 17 years of experience in the battery industry. Mr. Hui, together with Mr. Liang, were the inventors of nearly half of the number of our PRC utility model patents. Mr. Liang was also the sole inventor of a majority of our PRC utility model patents whereas our PRC invention patent in relation to the production of mercury-free alkaline and silver oxide micro-button cells was invented by Mr. Tang and Mr. Liang. Mr. Zhu Guangtao (朱廣濤), the quality control and technology superintendent of the Dongguan Production Facility, graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) majoring in electrochemistry in July 2002 and has over 12 years of experience in the battery industry.

During FY2013 and FY2014, we developed 12 and 10 new products, respectively. In particular, we have developed 18 new models of micro-button cells including mercury-free micro-button cells. In addition, we hold one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of mercury-free alkaline and silver oxide micro-button cells.

We believe that we are well-positioned to further increase our market share by providing our customers with innovative technology and high value-added products through our continuous efforts in research and development. Our efforts have led to our holding of 22 patents in the PRC and one patent in Hong Kong as at the Latest Practicable Date.

We have an experienced and stable management team

We have an experienced and dedicated management team with extensive operational expertise and in-depth knowledge of the battery market. Our key management personnel have over 25 years of experience in the battery industry, which has enabled us to understand the needs of our customers and deliver quality battery products. In particular, Mr. Chu, our chairman and executive Director, has over 40 years of experience in the battery industry. In addition, our executive Directors, Ms. Chu and Mr. Tang and the general manager of Goldtium (Jiangmen) Energy, Mr. Liang, have about 28, 20 and 20 years of experience in the battery industry, respectively. Furthermore, a majority of the members of our senior management team have been with us for more than 10 years. The combination of their in-depth knowledge and experience in the battery industry has enabled our executive Directors and senior management to develop sustainable business strategies, assess and manage risks and capture profitable market opportunities. We believe that the vision, stability and experience of our management team, together with their strong focus on customer needs, have contributed to the success of our business.

BUSINESS STRATEGIES

Our goals are to strengthen our overall competitiveness and business growth in the battery manufacturing industry in the PRC and expand and increase our market share both in the PRC and internationally. We aim to achieve these goals by implementing the following strategies:

Expand our production capacity by acquiring a production line with higher designed production capacity and which is able to produce mercury-free, cadmium-free and lead-free batteries to increase our market share

Our aggregate annual designed production capacity for FY2013 and FY2014 were approximately 1,349.19 million and 1,418.38 million units, respectively. In order to maximize our production effectiveness and efficiency, increase our market share and as the global battery market is evolving towards hazardous substance-free batteries with the introduction of new policies and regulations in the European Union and the PRC as supported by the Ipsos Report, our Directors intend to expand our production capacity through acquiring a self-owned production line with higher designed production capacity and which is able to produce mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries. For details of our expansion plan, please refer to the paragraph headed “Production facilities — Expansion plan” in this section.

We also intend to increase the level of automation in our production lines by improving and enhancing our existing equipment and machinery, which will in turn help us optimise the efficiency of our production processes and lower our costs.

Continue to expand and diversify our product portfolio to capture market opportunities and meet consumer needs

We believe that our ability to enhance existing products and to develop new ones in anticipation of consumer needs and market demand is essential to our long term success. In this connection, we will continue to leverage on our research and development capabilities and enhance and develop commercially successful products in our target markets by using internal resources and/or bank borrowings. In particular, we will:

- continue to apply our expertise and experience to enhance our batteries for wider applications, such as to enhance the “Digi P+US” series of our alkaline cylindrical batteries for application in digital devices, such as digital cameras, to develop new batteries that we currently do not manufacture, such as zinc air micro-button cells which can be applied to hearing aids, and for application in our target markets, such as health-care and beauty products and medical devices;
- continue to enhance and develop hazardous substance-free batteries, in particular, micro-button cells to capture market opportunities in the micro-button cell product segment. Having considered (i) the introduction of new policies and regulations in relation to hazardous substance-free batteries in the European Union and the PRC as supported by the Ipsos Report; (ii) our expertise and experience in developing new models of micro-button cells as well as our success

in obtaining one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of mercury-free alkaline and silver oxide micro-button cells; (iii) enquiries from customers which show an increase in demand for hazardous substance-free micro-button cells; (iv) the ability of all of our Group's plant and machinery and moulds (save for the leased production line for AA carbon cylindrical batteries which will be replaced by the new production line that is able to produce mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries) to produce mercury-free, cadmium-free and lead-free batteries after the implementation of the abovementioned new standards; and (v) a relatively higher average selling price which our Directors expect to charge after the hazardous substance-free alkaline and silver oxide micro-button cells under the "ecototal" series are fully launched, our Directors believe that the hazardous substance-free micro-button cells of our Group can capture the potential market demand and will provide our Group with a larger coverage of the micro-button cell market in the PRC as well as higher revenue for the Group as they generally have a higher average selling price than other batteries with the same battery capacities; and

- continue to maintain a close dialogue amongst our research and development committee and our sales and marketing teams so that the latter's direct observations on consumer behaviour and preference can be promptly integrated in new product development efforts.


Explore new sales platforms

Our Group intends to leverage on our brand and reputation to explore business opportunities for our Group. Eyeing the potentials and opportunities of online sales platforms as a means to enhancing our market presence, our Group has recently entered into business relationship with one of the world's largest online retailers of electrical and computer products. Pursuant to such arrangement, our Group will manufacture and sell batteries to the online retailer on a private label basis. We will continue to explore new sales platforms and opportunities to expand our market share by using internal resources and/or bank borrowings.

OUR PRODUCTS

Our products are mainly categorised into two segments, namely, (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. Our disposable batteries are categorised into two sub-segments, namely: (i) cylindrical batteries which can be divided into alkaline and carbon cylindrical batteries, and (ii) micro-button cells which can be divided into alkaline, silver oxide, lithium manganese and zinc air micro-button cells. We manufacture and sell more than 270 battery models in different sizes and with battery capacity ranging from 6 mAh to 13,800 mAh, which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators. As stated in the Ipsos Report, with the introduction of new policies and regulations in the European Union and the PRC, the global battery market is evolving towards hazardous substance-free batteries. We have therefore developed hazardous substance-free batteries under our "ecototal" series which are mercury-free, cadmium-free and lead-free.

The below table sets out the major models of our disposable and rechargeable batteries and their respective applications:

Category	Size	Model	Voltage (V)	Battery capacity (mAh)	Main applications	Sample pictures	Self-manufactured products	products/trading products	
Disposable batteries <i>Cylindrical batteries</i>	AA, AAA, C, D	Power P+US	1.5V	1,000~13,100	MP3 players, CD players, torches, pagers, toys, and radios		Self-manufactured products		
		Super P+US		1,130~13,800	MP3 players, CD players, torches, pagers, toys, and radios				
		Digi P+US		1,200~2,970	MP3 players, CD players, torches, pagers, toys, and radios				
	9V	Power P+US	9V	450	MP3 players, CD players, torches, pagers, toys, and radios		Trading products		
		Super P+US		470	MP3 players, CD players, torches, pagers, toys, and radios				
		Long Life	1.5V	280~2,300	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical		AA and AAA cylindrical carbon batteries are mainly self-manufactured products and C and D cylindrical carbon batteries are trading products		
	Carbon	AA, AAA, C, D	Extra Heavy Duty		380~3,000	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical			
			Heavy Duty		370~3,700	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical			
		9V	Super Heavy Duty		400~4,000	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical			
			Long Life	9V	330	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical		Self-manufactured products	
Carbon	9V	Heavy Duty		350	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical				
		Super Heavy Duty		370	Clocks, flashlights, transistor radios, wireless mouse, toys, telecommunications, marine, aviation and medical				

Category	Size	Model	Voltage (V)	Battery capacity (mAh)	Main applications	Sample pictures	Self-manufactured products	products/trading products	
Micro-button cell	Alkaline	Standard	1.5V	6~167	Sound modules, digital watches, toys, laser pointers, musical greeting cards, mini calculators, stop watches, car alarms, remote garage door openers, digital thermometers, blood glucose meters and digital scales		Self-manufactured products	Self-manufactured products	
		Heavy Duty		25~115					
	Silver oxide	Standard	1.55V	8~135	Analog watches, digital thermometers and blood glucose meters		Self-manufactured products	Self-manufactured products	
		Super		10~165					
	Lithium manganese		N/A	3V	25~500	Watches, pedometers, digital thermometers and remote controls		Trading products	Trading products
			N/A	1.4V	80~520	Hearing aid products		Trading products	Trading products
Rechargeable batteries <i>Rechargeable Ni-MH batteries</i>	D, C, SC, A, AA, AAA	Standard	1.2V	200~9,000	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems		Trading products	Trading products	
		ecoReady		200~8,000	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems				
	High Temperature			600~7,000	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems				

Category	Size	Model	Voltage (V)	Battery capacity (mAh)	Main applications	Sample pictures	Self-manufactured products	products/trading
Ni-Cd	D, C, SC, A, AA, AAA	High Drain	1.2V	3,000	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems		Trading products	
					60 ~ 5,000			Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems
		High Temperature		500 ~ 4,500	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems			
		High Drain		1,300 ~ 4,500	Cordless vacuums, electric shavers, power toothbrushes, cordless power tools, electric bikes and in-plant industrial, mining, personal mobility, recreational vehicles, backup power supplies such as UPS systems, telecommunications power systems, and grid storage systems			

Notes:

- (1) We also trade other battery-related products including battery chargers, battery power packs and electric fans.
- (2) The models mentioned in the table above refer to batteries with different battery capacities whereas the “ecototal” series batteries refer to batteries that are hazardous substance-free, i.e. which are mercury-free, cadmium-free and lead-free. Not all of the battery models of our Group are under the “ecototal” series. As such, the “ecototal” series is not included in the table above. The “ecototal” series was launched in 2010. During FY2013 and FY2014, we developed 12 and 10 new products, respectively, of which 10 and 10 products were under the “ecototal” series. For FY2013 and FY2014, approximately 43.92% and 55.61% of our Group’s batteries were under the “ecototal” series, respectively.

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According to Ipsos and our Company, theoretically, for new and unused batteries, notwithstanding that they are of different types (such as disposable batteries and rechargeable batteries), provided that they have the same size, battery capacity (mAh) and voltage, they will generate the same service output. However, it should be noted that by nature, disposable batteries and rechargeable batteries have different voltage. Hence, a direct comparison of their service output cannot be made. In addition, according to Ipsos and our Company, it is not feasible to conduct any comparison of the performance of our Group's products with their competing products, for example, in terms of battery life from an objective and authoritative source since any test results could be engineered to suit the purpose depending on the test conditions selected but as far as Ipsos and our Company are aware, there are no authoritative independent industry bodies in the global market which have conducted and published results of testing of disposable or rechargeable batteries against our Group's disposable batteries.

The table below sets forth the shelf life of our "Golden Power" branded batteries by product segment:

Product	Shelf life (years)^(Note 1)
Disposable batteries	
<i>Cylindrical batteries</i>	
Alkaline	3
Carbon	1–2
<i>Micro-button cells</i>	
Alkaline	1
Other micro-button cells ^(Note 2)	1–3
Rechargeable batteries	N/A ^(Note 3)

Notes:

1. The shelf life of our batteries equals to our product warranty, which is the suggested best use period of our batteries. We assume that our batteries have the shelf life as stated above on the basis that our batteries are under proper storage conditions, such as with the optimal temperature and relative humidity.
2. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
3. According to Ipsos and our Company, rechargeable batteries generally do not have a specified shelf life since their lifespan depends on the number of cycles they have been charged. Nonetheless, in general, rechargeable batteries, if left unused and uncharged, shall be best used within about two years from the manufacture date. Additionally, rechargeable batteries also lose capacity as the number of charge cycles increases, until the rechargeable batteries are eventually considered to have reached the end of their useful life.

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The following table sets out our revenue by our product segments and the percentage contribution of each product segment to our total revenue during the Track Record Period:

Product	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
Disposable batteries				
<i>Cylindrical batteries</i>				
Alkaline	161,173	43.98%	192,996	50.16%
Carbon	102,330	27.92%	95,917	24.93%
<i>Micro-button cells</i>				
Alkaline	64,931	17.72%	52,951	13.76%
Other micro-button cells (<i>Note 1</i>)	18,294	4.99%	24,333	6.32%
Rechargeable batteries and other battery-related products				
Rechargeable batteries	18,684	5.10%	15,835	4.12%
Other battery-related products (<i>Note 2</i>)	<u>1,087</u>	<u>0.29%</u>	<u>2,720</u>	<u>0.71%</u>
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

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The table below sets forth the breakdown of our Group's revenue by hazardous substance-free batteries and non-hazardous substance-free batteries during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate</i> %	<i>HK\$'000</i>	<i>Approximate</i> %
Hazardous substance-free batteries (<i>Note</i>)	203,538	55.54%	240,204	62.43%
Non-hazardous substance-free batteries	<u>162,961</u>	<u>44.46%</u>	<u>144,548</u>	<u>37.57%</u>
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

Note: Since different jurisdictions have different requirements as to the level of the batteries' hazardous substance contents, which mainly focus on the content of mercury, cadmium and lead, there is no universal definition of whether a battery is hazardous substance-free or not. On the other hand, in contemplation of, and preparation for, the introduction of the new policies and regulations in the European Union and the PRC, save for the leased production line for AA carbon cylindrical batteries, all of our Group's production lines are currently capable of producing hazardous substance-free batteries that meet the requirements under the relevant new policies and regulations both in the European Union and the PRC. In light of the above, our Group's revenue that is attributable to hazardous substance-free batteries in the above table refers to our Group's hazardous substance-free batteries that meet the requirements under the relevant new policies and regulations both in the European Union and the PRC.

Our Group will continue to enhance and develop hazardous substance-free batteries, in particular, micro-button cells to capture market opportunities in the micro-button cell product segment. For details, please refer to the paragraph headed "Business — Business strategies" in this prospectus.

Alkaline Cylindrical Batteries

Alkaline battery is a type of disposable batteries that depends on the reaction between zinc and manganese dioxide. Compared with carbon batteries, alkaline batteries have a higher energy density and longer shelf life. Our alkaline batteries (excluding alkaline micro-button cells) are of a cylindrical shape as well as rectangular shape which can be applied to electronic devices such as toys, remote controls, flashlights and digital cameras.

Carbon Cylindrical Batteries

Carbon battery is a battery packaged in a zinc can that serves as both a container and negative terminal. Carbon batteries are the least expensive disposable batteries and thus a popular choice of manufacturers when devices are sold with batteries included. They are commonly applied to low-drain devices such as remote controls and flashlights. Our carbon batteries are of a cylindrical shape as well as rectangular shape. The carbon cylindrical batteries we manufacture and sell only consist of paper batteries.

Micro-Button Cells

Micro-button cell is a battery with size and dimension like a small button. Our micro-button cells are alkaline, silver oxide, lithium manganese and zinc air micro-button cells. Micro-button cells have a large capacity and good low temperature performance. Alkaline micro-button cells provide a similar voltage to that of silver oxide micro-button cells but at a lower price and have a shorter shelf life than silver oxide micro-button cells. The voltage of alkaline micro-button cells drops while using whereas the voltage of silver oxide micro-button cells is stable. Silver oxide micro-button cells maintain just about the same voltage till the end of their useful life. The applications of alkaline micro-button cells include toys, low-end watches and clocks, musical cards, low-end calculators, portable game machines and pedometers whereas the applications of silver oxide micro-button cells include middle to high-end watches and clocks, high-end calculators and electric clinical thermometers. Lithium manganese micro-button cells are a type of micro-button cell using lithium as the negative electrode and manganese dioxide as the positive electrode. They offer twice the voltage of other types of micro-button cells. Their small size, light weight and high energy density make them perfect for applications that require high drain or pulse discharge over a broad temperature range. Lithium manganese micro-button cells are commonly used in digital wrist watches with liquid crystal displays, electronic games gadgets, calculators, car lock systems, garage door openers and greeting cards. They are also widely used to power the headlamps, fully automatic cameras, LED lights, personal computers, home electric appliances and office equipment, as well as various types of memory backups. Zinc air micro-button cells can produce a larger amount of electric power than other types of micro-button cells. Zinc air micro-button cells have a longer life than other batteries of the same size and can be applied in hearing aids.

Rechargeable Batteries

A rechargeable battery is known as a secondary battery because its electrochemical reactions are electrically reversible. Rechargeable batteries come in many different shapes and sizes, ranging from micro-button cells to megawatt systems connected to stabilise an electrical distribution network. There are several different combinations of chemicals that are commonly used for rechargeable batteries, including lead-acid, nickel cadmium (Ni-Cd), nickel metal hydride (Ni-MH), lithium ion (Li-ion), and lithium ion polymer (Li-ion polymer). Rechargeable batteries are commonly used in light vehicles, cell phone starters, and some portable electrical devices such as notebook computers and smart phones. During the Track Record Period, our Group sold only nickel cadmium (Ni-Cd) and nickel metal hydride (Ni-MH) rechargeable batteries.

Other battery-related products

Other battery-related products include battery chargers, battery power packs and electric fans.

As disclosed in the table setting out the major models of our disposable and rechargeable batteries and their respective applications under the paragraph headed “Our products” in this section above, apart from battery products manufactured by ourselves, we also procured battery products that we do not manufacture, such as rechargeable batteries, from others to provide flexibility to our customers should they require us to provide a one-stop solution to their procurement needs. The sales of our trading products mainly depend on our customers’ demand and we do not actively make marketing effort to promote our trading products.

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The following table sets out the quantity and the range of selling price of the disposable and rechargeable batteries during the Track Record Period:

Product	FY2013		FY2014	
	Quantity ('000)	Range of selling price per unit (HK\$)	Quantity ('000)	Range of selling price per unit (HK\$)
Disposable batteries				
<i>Cylindrical batteries</i>				
Alkaline	203,215	0.60 to 7.00	247,415	0.59 to 7.31
Carbon	221,219	0.25 to 2.03	208,376	0.20 to 2.18
<i>Micro-button cells</i>				
Alkaline	364,291	0.05 to 4.21	406,949	0.05 to 3.45
Other micro-button cells (<i>Note 1</i>)	20,792	0.39 to 9.84	25,218	0.36 to 8.80
Rechargeable batteries and other battery-related products				
Rechargeable batteries	2,703	3.28 to 65.52	2,473	3.06 to 32.76
Other battery-related products (<i>Note 2</i>)	508	2.09 to 21.06	3,844	2.07 to 45.86
Total	812,728	N/A	894,275	N/A

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

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PRODUCTION FACILITIES

Production facilities

As at the Latest Practicable Date, we had two production facilities in the PRC, namely, the Dongguan Production Facility and Jiangmen Production Facility, and we operated a total of 30 production lines. The following table sets out information relating to our production facilities.

Facilities	Location	GFA (sq.m.)	Status of properties	Number of production line	Principal usage
Dongguan Production Facility	Qishi Town, Dongguan	34,673	Leased, expiring in March 2020	20	Alkaline micro-button cells and carbon cylindrical batteries
Jiangmen Production Facility	Pengjiang District, Jiangmen City	28,918.21	Self-owned	10	Alkaline cylindrical batteries, carbon cylindrical batteries and silver oxide micro-button cells

Note: The Dongguan Production Facility and Jiangmen Production Facility are also equipped with machinery for parts making and packaging.

Dongguan Production Facility

As at the Latest Practicable Date, our Dongguan Production Facility had 17 production lines for alkaline micro-button cells and three production lines for 9V carbon cylindrical batteries. We owned all of the production lines at the Dongguan Production Facility. As at 31 December 2014, the Dongguan Production Facility had over 100 and 70 workers stationed at the production lines to carry out manufacture work for alkaline micro-button cells and 9V carbon cylindrical batteries, respectively, representing approximately 51.24% and 71.30% of the total number of employees for the respective production lines in the Dongguan Production Facility.

Jiangmen Production Facility

As at the Latest Practicable Date, our Jiangmen Production Facility had five production lines for alkaline cylindrical batteries (of which two were for AA alkaline cylindrical batteries, one was for AAA alkaline cylindrical batteries, one was for C alkaline cylindrical batteries and one was for D alkaline cylindrical batteries), two production lines for carbon cylindrical batteries (of which one was for AA carbon cylindrical batteries and one was for AAA carbon cylindrical batteries) and three production lines for silver oxide micro-button cells. Save for the production line for AA carbon cylindrical batteries which was leased, we owned all of the production lines at the Jiangmen Production Facility. As at

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31 December 2014, the Jiangmen Production Facility had 190 workers stationed at all of its production lines, representing approximately 52.78% of the total number of employees at the Jiangmen Production Facility.

The following table sets forth the annual designed production capacity, the actual annual production volume and the utilisation rate of our production facilities for FY2013 and FY2014.

Product	FY2013			FY2014		
	<i>Annual designed production capacity (Note 1) (million units)</i>	<i>Actual annual production volume (million units)</i>	<i>Utilisation rate (Note 2)</i>	<i>Annual designed production capacity (Note 1) (million units)</i>	<i>Actual annual production volume (million units)</i>	<i>Utilisation rate (Note 2)</i>
Disposable batteries						
<i>Cylindrical batteries</i>						
Alkaline (Note 3)	263.30	197.12	74.87%	297.90	210.23	70.57%
Carbon (Note 4)	255.62	189.08	73.97%	290.21	195.83	67.48%
Sub-total of cylindrical batteries	518.92	386.20	74.42%	588.11	406.06	69.04%
<i>Micro-button cells</i>						
Alkaline (Note 5)	791.83	501.02	63.27%	791.83	462.71	58.44%
Silver oxide (Note 6)	38.44	3.33	8.66%	38.44	3.24	8.43%
Sub-total of micro- button cells	<u>830.27</u>	<u>504.35</u>	<u>60.75%</u>	<u>830.27</u>	<u>465.95</u>	<u>56.12%</u>
Total	<u>1,349.19</u>	<u>890.55</u>	<u>66.01%</u>	<u>1,418.38</u>	<u>872.01</u>	<u>61.48%</u>

Notes:

- For FY2013 and FY2014, the annual designed production capacity of each production line is calculated by multiplying its daily production capacity by the number of days in a calendar year that such production line is expected to operate. Save for our production lines for AA alkaline cylindrical batteries, AAA alkaline cylindrical batteries and AA carbon cylindrical batteries which we assume to operate 21 hours (i.e. 3 shifts of 7 hours each) a day for a total of 286 days during the relevant periods, we assume that our production lines operated 14 hours (i.e. 2 shifts of 7 hours each) a day for a total of 286 days during the relevant periods, taking into account downtime for regular maintenance, public holidays and meal arrangement of our staff. We also assume that all of our production lines have a machine efficiency of 80%, which our Directors believe is the industry norm, taking into account factors such as set-up time, materials loading time, machine downtime and rest time of the staff.
- Utilisation rates are calculated by dividing the actual annual production volume over the annual designed production capacity.
- The increase in the annual designed production capacity of our alkaline cylindrical batteries in FY2014 was due to the enhancement of some of our production lines for alkaline cylindrical batteries in 2014, due to a series of engineering improvement. As a result, the utilisation rate of our alkaline cylindrical batteries decreased in FY2014.

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4. The increase in the annual designed production capacity of our carbon cylindrical batteries in FY2014 was due to the enhancement of one of our production lines for carbon cylindrical batteries in 2014, due to a series of engineering improvement as well as the acquisition of a new production line for our carbon cylindrical batteries which commenced trial production in February 2014. As a result, the utilisation rate of our carbon cylindrical batteries decreased in FY2014.
5. The decrease in actual annual production volume of our alkaline micro-button cells in FY2014 was mainly because of the decrease in demand for alkaline micro-button cells which are not under our “ecototal” series. In light of the enquiries made by our customers in relation to mercury-free alkaline micro-button cells and the introduction of new policies and regulations in the European Union and the PRC regarding hazardous substance-free batteries, our Directors believe such decrease in demand was mainly due to our customers’ anticipation to purchase mercury-free alkaline micro-button cells instead of alkaline micro-button cells with mercury. As a result, the utilisation rate of our alkaline micro-button cells decreased in FY2014.
6. The utilisation rate of our silver oxide micro-button cells had been low during the Track Record Period as the market demand for our silver oxide micro-button cells was generally low.
7. We also trade some batteries and related products that we do not manufacture, such as rechargeable batteries, 9V alkaline cylindrical batteries, lithium manganese and zinc air micro-button cells, battery chargers, battery power packs and electric fans.

Equipment

All our 30 production lines are equipped with semi-automated machines and equipment. Our major production equipment and machinery include power press, transfer press, zinc gel filling machines, electrolyte filling machines, separator winding machines, cathode ring moulding machines, crimping machines and conductive film spraying machines.

From the experience of our Directors, the estimated useful life of the above machinery is about 30 years. The age of our production lines ranges from 1 to 17 years and the estimated remaining useful life in general ranges from 13 to 29 years. Depreciation of plant and machinery is calculated at 10% on a reducing balance method with 10% residual value, which approximates the useful life of our production lines. We have adopted the depreciation method for the plant and machinery which reflects most closely the pattern in which the future economic benefits associated with the assets are expected to be consumed by our Group. In making this determination, we have considered the expected use of the plant and machinery and technical and commercial obsolescence based on our historical experience with similar assets in the industry.

For the plant and machinery, we have adopted the reducing balance method which is allowed in HKAS 16 “Property, Plant and Equipment”. Under the reducing balance method, depreciation expenses decline over the asset’s useful life, which is consistent with our estimation of the future economic benefits expected to be generated by our plant and machinery over their useful lives. Based on our historical experience, we expected that batteries produced from our plant and machinery contribute the highest economic benefits (i.e. highest profit margin) in the earlier years, which diminish afterwards over their estimated useful lives owing to changes in market demand and customer’s preferences arising from technical and commercial obsolescence.

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Save for the leased production line used for producing AA carbon cylindrical batteries, all of our Group's production lines are currently capable of producing hazardous substance-free batteries that meet the requirements under the relevant new policies and regulations in the European Union and the PRC, as either the necessary upgrades have already been made to the relevant production lines or the existing production lines are already equipped to produce hazardous substance-free batteries. As a result, our Directors consider that save for the leased production line used for producing AA carbon cylindrical batteries, no further upgrade or replacement is required to be made to the other existing plant and machinery and moulds for producing battery products free from hazardous substances. Our Group will purchase a production line in order to enhance our production capacity and efficiency. For further details, please refer to the paragraph headed "Expansion plan" below and the section headed "Statement of Business Objectives and Use of Proceeds" of this prospectus.

Our engineering department carries out regular inspections and maintenance for our major equipment and machinery in accordance with their respective maintenance requirements and conditions so as to ensure that they can function properly. We will check the condition of the production lines, machinery and equipment on a daily basis, such as their cleanliness, the functionalities and operating push buttons thereon so as to ensure that they can be used safely. In each month, we will perform further maintenance and check, such as adding lubricant to lubrication points and checking the weariness of machinery. In addition, during our annual maintenance, we will shut down our production lines for one to two weeks to perform comprehensive and extensive maintenance and repair, such as cleaning and replacing transmission drafts, cleaning and checking the appearance of moulding machines and moulds, cleaning the chain and replacing gear of filling machines and replacing the conveyors of our production lines.

During the Track Record Period, we did not experience any significant interruptions in our business and operations nor any prolonged suspension of manufacturing operations arising from failure or breakdowns of machinery or equipment, which may significantly affect our Group's financial position.

Expansion Plan

We plan to expand our production capacity by acquiring a production line for producing mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries with an annual designed production capacity of 276.76 million units, which is calculated based on the assumptions as further elaborated in the paragraph headed "Production facilities" in this section, which has an annual designed production capacity of 103.78 million units more than the existing leased production line for AA carbon cylindrical batteries. As the term of the existing leased AA carbon cylindrical battery production line, which mainly produces low-mercury, low-cadmium and low-lead AA carbon cylindrical batteries, will expire in April 2016 and our Directors confirmed that our Group will not continue to lease such production line upon its expiry, the new production line will be used to replace the existing leased production line. As at the Latest Practicable Date, we have entered into a sale and purchase agreement in relation to the sale and purchase of the new production line with the vendor. We expect the new production line to commence commercial production in around

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February 2016. Our total capital expenditure for the new production line, including other expenses such as fees relating to the installation of the new production line, is estimated to be approximately HK\$3.60 million, which will be financed by our internal funds.

We aim to maintain as one of the battery manufacturers with production bases in the PRC which offers one of the broadest ranges of products. Our production expansion plan has been determined on the basis of, among others, (i) the availability and cost of sufficient capital resources, (ii) the relatively old age of the existing production line for our AA carbon cylindrical batteries as compared to the new production line, (iii) the flexibility for our Group to enhance a self-owned production line as opposed to the existing leased production line which is subject to certain restrictions on the modification or enhancement of the production line, (iv) the higher degree of automation of the new production line, (v) the benefits that the new production line which our Directors believe will bring, such as lower labour cost, utility cost and maintenance cost, (vi) reduction of rental expenses, (vii) the introduction of new policies and regulations in the European Union and the PRC in relation to hazardous substance-free batteries as stated in the Ipsos Report and that some of our Group's existing and potential customers have expressed their interest in ordering hazardous substance-free AA carbon cylindrical batteries from our Group, and (viii) the higher annual designed production capacity.

In relation to the potential operational and financial impact of the proposed replacement of the production line for AA carbon cylindrical batteries on our Group, assuming (i) the actual number of AA carbon cylindrical batteries produced; (ii) the revenue attributable to these AA carbon cylindrical batteries; and (iii) the raw material costs and other overheads, remain constant, it is estimated that our Group would enjoy an overall reduction in costs of sales, including direct labour cost, utilities expenses and maintenance cost. It is estimated that the overhead costs per unit will be reduced by 2.75% and the depreciation cost of the new production line, which is estimated to be approximately HK\$425,000 per year, is slightly lower than the annual rental cost of the existing leased production line of approximately HK\$645,000 (equivalent to RMB516,000). After taking into consideration that some of our Group's existing customers have expressed their interest in ordering more AA carbon cylindrical batteries from our Group, and some of our Group's existing and potential customers have expressed their interest in ordering hazardous substance-free AA carbon cylindrical batteries from our Group, our Directors reasonably believe that the spare production capacity provides flexibility to the potential growth of our Group. Further, our Directors are of the view that even though our Group does not have concrete orders on hand to fill up the spare production capacity in 2016 yet, the spare production capacity can provide flexibility to our Group for receiving additional and increasing orders from customers.

There is no guarantee that our expansion plan will proceed as planned. Our Directors may determine in the future that postponing the expansion plan is in the best interest of our Group after taking into account of the prevailing market conditions, our financial resources and other relevant factors.

PRODUCTION PROCESS

Alkaline cylindrical batteries

As at the Latest Practicable Date, the designed production capacity of our production lines for alkaline cylindrical batteries is 300 units per minute. The following flowchart shows the principal steps involved in the manufacture and assembling of alkaline cylindrical batteries:



Preparing cathode mix

Firstly, raw materials including manganese dioxide, graphite, additives and electrolyte are mixed by compacting, granulating and sieving. The mixture is then turned into a powder form to form a cathode mix.

Moulding of cathode ring

The cathode mix is pressed to form a cathode ring by a high speed rotatory cathode ring moulding machine, and the cathode rings will subsequently be inserted into the cathode cans. The cathode can, which is produced in advance separately, is formed by a high speed transfer press. The cathode can should be degreased and a thin conductive film is to be sprayed on the inside surface of the cathode can for electrical conductivity.

Inserting the separator tube and electrolyte filling

A formed separator tube will then be inserted into the centre of the cathode rings, where electrolyte will be filled inside the separator tube by a electrolyte filling machine. The electrolyte will then be allowed to be absorbed by the separator tube.

Zinc gel filling

Following the above, zinc gel will be filled inside the separator tube which has been soaked with electrolyte. The zinc gel is produced in advance separately by mixing zinc powder with electrolyte and additives by a zinc gel mixing machine.

Assembling the current collector

A current collector, which has been produced in advance separately, is formed together with an anode disc, electroplated copper rod, sealing gasket and sealing cap. The anode disc and electroplated copper rod are in turn produced in advance separately by a power press machine and copper rod shaping machine, respectively.

The current collector will be inserted into the open end of the cathode can which contains cathode rings, separator and zinc gel.

Curling and Crimping

A curling and crimping machine will be used to crimp the edge of the cathode can to close and press down the current collector in place firmly to prevent leakage and drying. An alkaline battery is then formed.

Aging

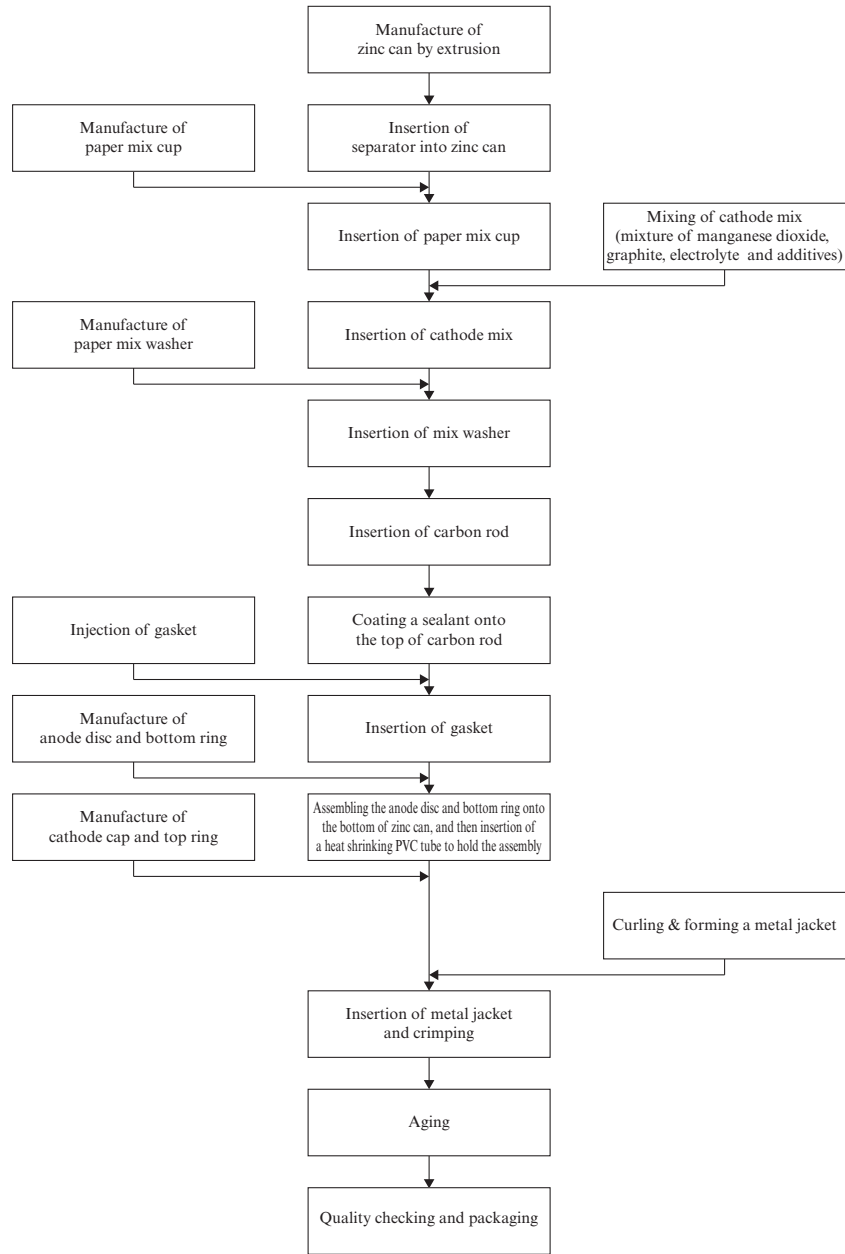
A formed alkaline battery will then be stored in room temperature with correct humidity for at least seven days for aging. During the process of aging, the chemicals inside the alkaline battery will react to get into a ready-to-use state.

Quality checking, labeling and packaging

Finally, the alkaline battery will be weighed and tested according to our internal quality control procedures. For details of our quality management system, please refer to the paragraph headed “Quality control and recognition” in this section. The final product will be labelled and packaged according to the customers’ requests and is ready for delivery.

Carbon cylindrical batteries

As at the Latest Practicable Date, the designed production capacity of our production lines for carbon cylindrical batteries ranges from 400 to 600 units per minute. The following flowchart shows the principal steps involved in the manufacture and assembling of carbon cylindrical batteries:



Manufacturing zinc can

The zinc can is manufactured in advance separately by a zinc can extrusion machine. A separator and mix cup of appropriate size are then inserted into the zinc can.

Preparing cathode mix

Raw materials including manganese dioxide, graphite, additives and electrolyte are mixed. The mixture is then turned into a powder form for injection into a zinc can with separator tube and mix cup inserted followed by a mix washer to be put on top of the cathode mix.

Inserting carbon rod and sealing

A carbon rod will then be inserted to the centre of the zinc can. A layer of sealant will be coated on the top of the carbon rod, followed by insertion of gasket. The edge of the zinc can will then be crimped and sealed to prevent leakage and drying.

Assembling anode disc, bottom ring and PVC tube

The anode disc and bottom ring, which have been prepared in advance, will be assembled to the bottom of the zinc can. The zinc can will then be inserted into a PVC tube for assembling and holding the anode disc and bottom ring.

Assembling the top ring, cathode cap and zinc can

The top ring and cathode cap, which have been prepared in advance, will be placed on top of the zinc can and the zinc can will in turn be inserted in a metal jacket. A crimping machine will be used to crimp the edge of the metal jacket for sealing and a carbon battery is then formed.

Aging

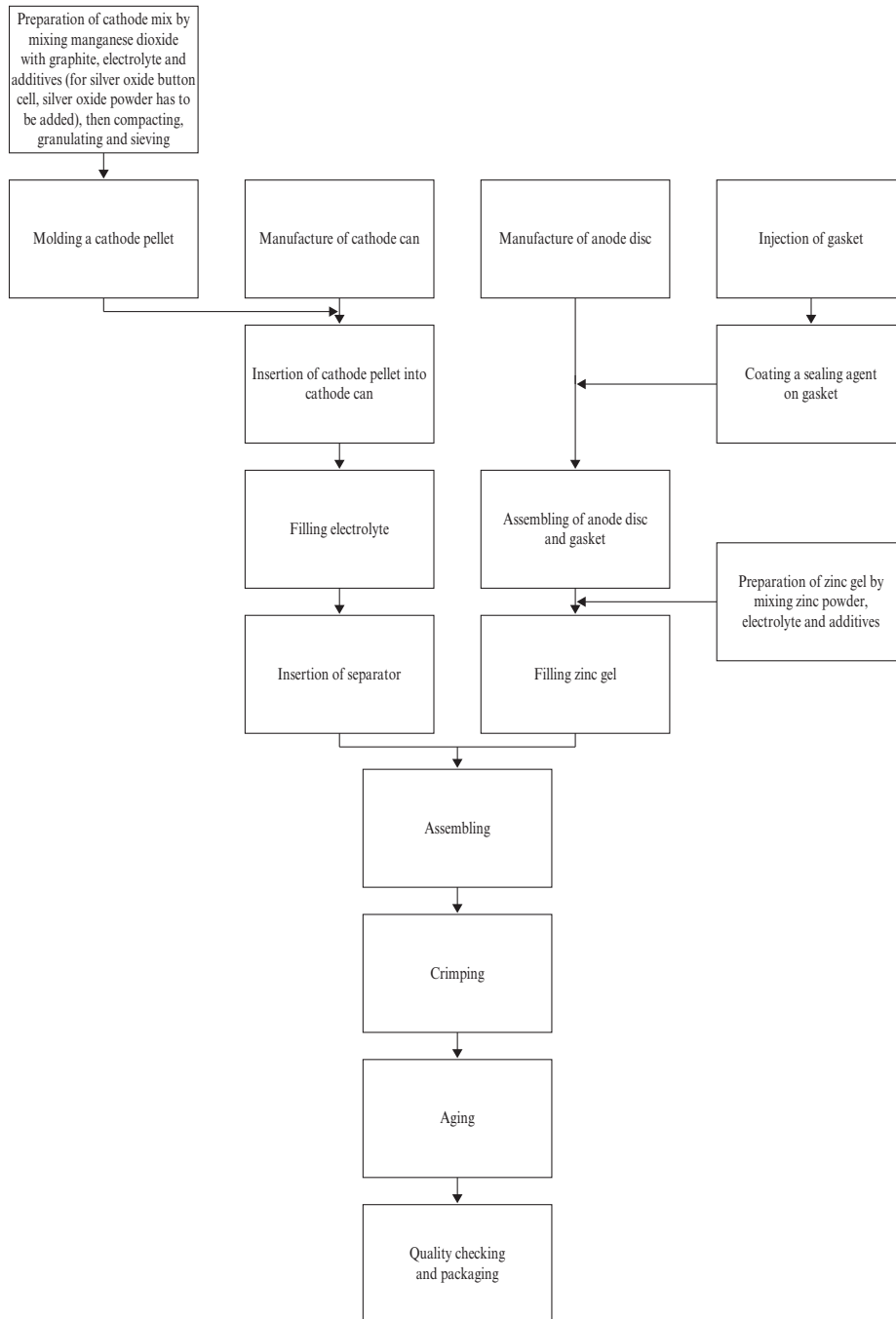
A formed carbon battery will then be stored in room temperature with correct humidity for at least five days for aging. During the process of aging, the chemicals inside the carbon battery will react to get into a ready-to-use state.

Quality checking and packaging

Finally, the carbon battery will be weighed and tested according to our internal quality control procedures. For details of our quality management system, please refer to the paragraph headed “Quality control and recognition” in this section. The final product will be packaged according to the customers’ requests and is ready for delivery.

Alkaline and silver oxide micro-button cells

The designed production capacity of our production lines for alkaline and silver oxide micro-button cells ranges from 45 to 550 units per minute. The following flowchart shows the principal steps involved in the manufacture and assembling of alkaline and silver oxide micro-button cells:



Preparing cathode mix

Firstly, raw materials including manganese dioxide, graphite, additives and electrolyte are mixed by compacting, granulating and sieving. For silver oxide micro-button cells, silver oxide powder materials need to be added as well. The mixture is then turned into a powder form to form cathode mix.

Moulding of cathode pellet

The cathode mix is then pressed to form a cathode pellet by a pelleting machine.

Manufacturing of cathode can

The cathode can is manufactured by a power press.

Assembling of cathode pellet and cathode can

The cathode pellet is then inserted into the cathode can. Electrolyte will then be filled into the cathode can, and is allowed to be absorbed by the cathode pellet. A separator will then be inserted on the top of the cathode pellet. A cathode assembly is produced.

Preparing zinc gel

Raw materials including zinc powder, electrolyte and additives are mixed by a zinc gel mixing equipment to form zinc gel.

Manufacture of anode disc

An anode disc is formed and assembled with a gasket followed by coating of a sealing agent. The gasket is manufactured in advance separately.

Inserting zinc gel into the anode disc

The zinc gel, which is manufactured in advance by mixing zinc powder, electrolyte and additives is then injected into the anode disc which is assembled with the gasket. An anode assembly is produced.

Assembling the cathode assembly and anode assembly

The cathode assembly and anode assembly will then be assembled together to form an alkaline or silver oxide micro-button cell, followed by subsequent crimping.

Aging

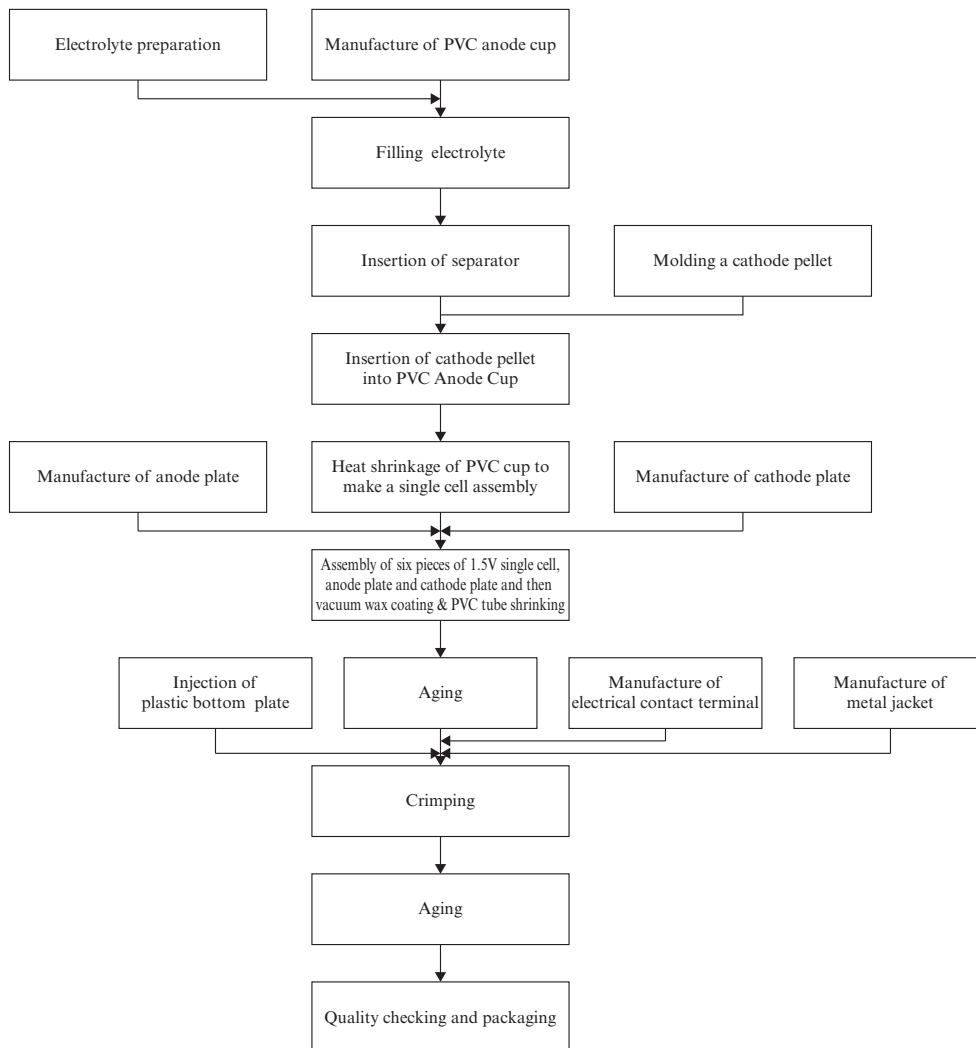
A formed alkaline and silver oxide micro-button cell will then be stored in room temperature with correct humidity for at least 15 days for aging. During the process of aging, the chemicals inside the alkaline and silver oxide micro-button cell will react to get into a ready-to-use state.

Quality checking and packaging

Finally, the alkaline and silver oxide micro-button cell will be weighed and tested according to our internal quality control procedures. For details of our quality management system, please refer to the paragraph headed “Quality control and recognition” in this section. The final product will be packaged according to our customers’ requests and are ready for delivery.

9V carbon cylindrical batteries

As at the Latest Practicable Date, the designed production capacity of our production lines for 9V carbon cylindrical batteries ranges from 65 to 80 units per minute. The following flowchart shows the principal steps involved in the manufacture and assembling of 9V carbon cylindrical batteries:



Manufacture of PVC anode cup

A PVC anode cup is manufactured by a PVC anode cup making machine.

Filling of electrolyte, separator and cathode pellet

The electrolyte prepared in advance separately will be injected into the PVC anode cup for absorption. A separator will then be inserted into the PVC anode cup by a separator inserting machine.

A cathode pellet is moulded by a cathode pellet moulding machine separately which will be inserted into the PVC anode cup by a cathode pellet inserting machine.

Preparation of 1.5V single cell for assembly

The whole PVC anode cup with separator and cathode pellet is then wrapped up by PVC shrinking. A 1.5V single cell assembly is then formed.

Assembly of six pieces of 1.5V single cell

Six pieces of 1.5V single cell will be stacked up with an anode plate and a cathode plate which are prepared separately in advance. The whole assembly is enclosed by a vacuum wax coating and inserted in a PVC tube to form an air-tight semi-finished 9V carbon cylindrical battery.

Aging

At this stage, the semi-finished 9V carbon cylindrical battery will then be stored in room temperature with correct humidity for at least 21 days for aging. During the process of aging, the chemicals inside the 9V carbon cylindrical battery will react to get into a ready-to-use state.

Assembling metal jacket, electrical contact terminal and semi-finished 9V carbon cylindrical battery

The semi-finished 9V carbon cylindrical battery will be assembled with an electrical contact terminal and finally the whole assembly will be inserted into a metal jacket. An electrical contact terminal is prepared by a contact terminal making machine in advance separately whereas a metal jacket is formed by a metal jacket making machine in advance separately.

Crimping

A crimping machine will be used to crimp the edge of the metal jacket to close and press down the Acrylonitrile Butadiene Styenecolymer (ABS) plastic bottom plate in place firmly, and then a 9V carbon cylindrical battery is produced. The Acrylonitrile Butadiene Styenecolymer (ABS) plastic bottom plate is manufactured by an injection machine in advance separately.

A finished 9V carbon cylindrical battery will go through a second stage of aging with the correct temperature for at least three days.

Quality checking and packaging

Finally, the 9V carbon cylindrical battery will be weighed and tested according to our internal quality control procedures. For details of our quality management system, please refer to the paragraph headed “Quality control and recognition” in this section. The final product will be packaged according to customers’ requests and are ready for delivery.

QUALITY CONTROL AND RECOGNITION

We understand that any material quality problems in relation to our products may lead to the loss of customers and market share of our products and damage our business reputation. Therefore, we have been putting great emphasis on quality control and adopting stringent quality standards for our products.

As at the Latest Practicable Date, our quality control team consists of 49 employees who are responsible for implementing our quality control procedures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products. Our quality control team of the Dongguan Production Facility is supervised by Mr. Tang, our executive Director, whereas our quality control team of the Jiangmen Production Facility is supervised by Mr. Liang, the general manager of Goldtium (Jiangmen) Energy. For details of the professional qualifications of Mr. Tang and Mr. Liang, please refer to the paragraphs headed “Directors, Senior Management and Staff — Directors — Executive Directors” and “Directors, Senior Management and Staff — Senior management” of this prospectus, respectively.

A majority of the senior staff members of our quality control team possess more than five years of work experience in the quality control field. Our quality control staff attend external training courses of ISO standards on quality management system. We also provide internal trainings to employees on battery appearance sample check techniques, battery testing techniques as well as on-the-job trainings.

BUSINESS

To ensure reliable product quality, our quality control team closely monitors throughout the material stages of our operation from the selection of suppliers, and the inspection of major raw materials to sample checking for semi-finished products as well as finished products. The quality control measures taken by us at different key stages of our operation are as follows:

Stages of operation	Quality control measures
Selection of suppliers and subcontractors	We select our suppliers and subcontractors according to our internal quality evaluation system and we maintain a list of approved suppliers and subcontractors from time to time. We only purchase raw materials and our trading products from approved suppliers and outsource our packaging, electroplating and printing processes to our approved subcontractors.
Procurement of raw materials and trading products	Prior to the procurement of raw materials, our quality control staff may visit the suppliers to conduct quality management system audits. We will also obtain raw material samples and conduct trial production using the raw material samples. Upon completion of the trial production, if the result is regarded as in accordance with our standards and is satisfactory, we may proceed to procure the relevant raw materials. For trading products, we will perform quality control measures such as sample-checking (a) the packaging and (b) whether the products meet the production requirements.
Production	<p>Our production process control consists of a multi-point check system from the beginning to the end of our production process. In addition, each assembly line is inspected by a dedicated inspector to ensure that the semi-finished products meet the quality specification.</p> <p>Our quality control inspectors sample-test our work-in-progress and finished products in the major steps of our production process including:</p> <ol style="list-style-type: none">(1) sample-test on the quality of parts and components (such as zinc gel, electrolyte, separator, metal can and sealing cap);(2) sample-test after injecting the zinc gel to ensure that the batteries comply with the weight requirements; and(3) sample-test on the finished batteries to make sure that there are no flaws or leakage.

BUSINESS

Stages of operation	Quality control measures
Quality control	<p>We carry out inspections and testings (including the checking of electrical characteristics, appearance, size and packaging) on a sampling basis on our finished products to ensure that quality standards and requirements are met.</p> <p>In addition, we also sample-check the electric parameter of our batteries by conducting impedance (internal resistance) tests, open circuit voltage tests, short circuit current tests and/or close circuit voltage tests.</p> <p>Products that do not meet our requirements may be re-processed. We also ensure that finished products are properly stored in our warehouses prior to the delivery to customers.</p>
Quality and reliability assurance	<p>We also sample-test some finished batteries and perform quality and reliability assurance. For instance, we will test the shelf-life and leakage proof characteristics of the batteries by storing them under extreme conditions such as very high temperature and humidity as well as checking the discharge capacity of the newly produced batteries or batteries which have been stored for a certain period of time.</p>
Maintenance of production equipment and machinery	<p>Our engineers conduct regular maintenance and repairs on our production equipment and machinery to ensure that our production equipment and machinery can function properly. We conduct different levels of maintenance on our major production machinery and equipment on a daily, monthly and annual basis.</p>

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any cancellation of customer orders due to quality problems and we had not been subject to any material product liability claim. Our Directors further confirmed that during the Track Record Period, we did not have any material sales return or product recall.

Our rigorous quality control measures have received certifications and recognitions under PRC and international standards. For instance, we have obtained certification of ISO9001: 2008 for our quality management system from Hong Kong Quality Assurance Agency. Apart from the ISO certification, we have also been awarded 質量信用AA級企業 (AA Graded Corporation Certification*) by 江門市企業質量誠信網 (Jiangmen Enterprise Credit Information Network*) and Jiangmen Enterprise's Quality Development and Promotion Network (江門市企業質量發展促進會). For details of our major awards and recognitions, please refer to the paragraph headed "Major awards and recognitions" in this section.

BUSINESS

We have also passed the sample product characteristics tests conducted by National Battery Inspection & Testing Center, showing that our batteries are in accordance with international standards such as IEC 60086 of International Electrotechnical Commission and GB 24427 of Guo Biao (National Standard (People's Republic of China)).

PRODUCTION SAFETY

To ensure that our production operations at our Dongguan Production Facility and Jiangmen Production Facility comply with the applicable safety standards and requirements, there are established operational safety guidelines and manuals, such as fire and natural hazards safety manual and material safety data sheet, which set out the requisite requirements and procedures to be adhered to for the prevention of accidents, for implementation at our Group's production operations. All the PRC production workers of our Group are required to have occupational safety training.

Pursuant to our operational safety guidelines, accidents that take place at work sites shall be reported to our administration and human resources department and our work injury department which will assess the seriousness of the accidents. Our administration and human resources department will also be responsible for compiling a work injury report and reporting the accident to the social security department within 24 hours of the accident whereas our work injury department will report the accident to our general manager, commence an investigation on the accident and evaluate our corrective and preventive measures.

We also maintain an internal record of workplace accidents. For FY2013, FY2014 and from 1 January 2015 to the Latest Practicable Date, we recorded 15, 24 and 8 accidents, respectively, of which 15, 20 and nil accidents have been settled. For FY2013, FY2014 and from 1 January 2015 to the Latest Practicable Date, the amount of compensation paid to the injured employees amounted to approximately RMB22,000, RMB45,000 and RMB36,000, respectively. Common nature of these accidents include injuries to the finger, hand or eyes.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material claims or accidents in relation to safety issues or been involved in any accident causing death or serious injury in the course of our Group's business.

During the Track Record Period and up to the Latest Practicable Date, save for the production stoppages during public holidays and annual maintenance, our Dongguan Production Facility and Jiangmen Production Facility had not experienced any material or prolonged stoppages of production. In addition, during the Track Record period and up to the Latest Practicable Date, we had not experienced any major accidents. As advised by our PRC Legal Advisers, based on the written confirmations obtained from the competent local production safety authorities, each of Dongguan Victory Battery, Dongguan Golden Power and Goldtium (Jiangmen) Energy had not been imposed any penalty by the competent production safety authorities due to non-compliance with the relevant production safety laws and regulations during the Track Record Period and up to the Latest Practicable Date.

INVENTORY MANAGEMENT

Our inventories mainly comprise raw materials, work-in-progress and finished products. We have inventory management procedures that monitor the planning and allocation of warehouse space and stock of raw materials, work-in-progress and finished products to coordinate with the delivery requirements and schedules. We manage our inventory on a “first-in, first-out” basis whereby raw materials that are first received will be first used for production. Our inventory level is determined principally by our customers’ orders, sales forecasts and production requirements.

We closely supervise our production and maintain suitable inventory levels of raw materials and finished goods in all of our production facilities. Our inventory of raw materials primarily comprises chemicals, plastic materials, metals and paper, and our policy is to have in stock for at least 30 to 60 days’ supply of raw materials. It is also our policy to look for suppliers which are located near our production facilities or have warehouse for storing raw materials. Our Directors believe that by placing orders with suppliers which are located near our production facilities or have warehouse for storing raw materials, we may ask them to deliver raw materials to us only when needed so that we can keep our raw materials inventory on a just-in-time basis and that this practice can help increase our inventory flexibility, reduce waste by ordering raw materials only when they are needed and thereby lowering our inventory costs.

Our practice is to keep our inventory of battery products at a level representing around 30 to 60 days’ sales amount. Through our established and long-standing relationships with our customers, our Directors believe that we understand our customers’ needs, including their buying pattern, which is one of the factors we take into account when preparing sales forecasts. As such, with reference to our sales forecasts, we also manufacture on a made-to-stock basis, i.e. we manufacture before our customers place order with us, particularly in respect of batteries to be sold to our customers under our branded business and our private label customers which adopt our original design and specifications. Our Directors believe that this practice will help increase customers’ loyalty since our products can be delivered to our customers within a shorter period of time as well as maximising our production capacity. For our OEM customers, as they require us to manufacture batteries in accordance with their design and specifications, we normally manufacture on a made-to-order basis.

We carry out physical stock counts to monitor the level of our inventories. Spot checking is carried out on a monthly basis, and an overall stock count is carried out to identify damaged or obsolete inventory on an annual basis. Generally, provisions will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories.

BUSINESS

As at 31 December 2013 and 31 December 2014, our inventory amounted to approximately HK\$68.65 million and HK\$59.35 million, respectively. For FY2013 and FY2014, our average inventory turnover days were approximately 97 days and 79 days, respectively. For FY2013 and FY2014, our Group made reverse over-provision of approximately HK\$2.31 million and HK\$0.17 million, respectively.

OUR SUPPLIERS

We generally do not enter into long-term procurement contracts with our suppliers in order to maintain flexibility in being able to source quality raw materials at competitive prices, which our Directors believe is consistent with the market practice.

Raw Materials and Procurement

The principal raw materials used by us in the production process are predominantly sourced in the PRC including steel, zinc, electrolytic manganese dioxide, copper, separator and plastics.

During the Track Record Period, we had over 210 suppliers and established on average over 5 years of business relationships with a majority of our major suppliers. During the Track Record Period, we have not experienced any material shortage or delay in the supply of raw materials. It is our policy to maintain more than one supplier for each category of our principal raw materials so as to avoid over reliance on any single source of supply. In addition, this policy allows us to obtain competitive prices.

For the sensitivity analysis in relation to material costs, please see the paragraph headed “Financial Information — Key factors affecting the results of operations of our Group — Sensitivity analysis” in this prospectus.

Major Suppliers

Our major suppliers include suppliers of raw materials and packaging materials. We have established on average more than five years of business relationships with a majority of our major suppliers and we are generally given credit periods of 60 days after monthly statement (“AMS”) to 150 days AMS for our purchase and make payments to such suppliers by wire transfer. For FY2013 and FY2014, total purchases of raw materials from our five largest suppliers represented approximately 27.04% and 31.58%, respectively, of our total purchases, and purchases from our single largest supplier accounted for approximately 6.06% and 7.70%, respectively, of our total purchases in the respective years.

One of our major suppliers during the Track Record Period was also our customer because this supplier, which is a battery manufacturer, also relied on us for the supply of alkaline cylindrical batteries on an OEM basis. For FY2013 and FY2014, our purchases from this supplier amounted to approximately HK\$1.49 million and HK\$7.55 million, respectively, representing approximately 0.51% and 2.55% of our cost of sales for the respective periods. For FY2013 and FY2014, our sales to this supplier amounted to nil and approximately HK\$2.33 million, respectively, representing nil and approximately 0.61% of

our revenue for the respective periods. The gross profit of this supplier which is also our customer amounted to nil and approximately HK\$0.33 million for FY2013 and FY2014, respectively.

We procure raw materials with reference to our monthly production plans. We closely monitor the prices of our major raw materials and check market prices from internet sources on a daily basis. We believe by doing so, we are able to keep abreast of the latest trend of the price of our raw materials to better enable us to make purchasing decisions.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period.

Subcontracting

During the Track Record Period, we subcontracted some of our packaging, electroplating and printing processes to independent subcontractors because the packaging process is relatively more labour-intensive than our other production processes and we do not have the necessary machinery for electroplating and printing processes. For the reasons stated above, our Directors consider that subcontracting some of our packaging, electroplating and printing processes allows a higher degree of production flexibility. As at the Latest Practicable Date, we had 11 subcontractors and established on average two years of business relationship with our subcontractors. We have a list of qualified subcontractors and we will review their quality management system, quality control and environmental management system, etc.

We generally do not enter into long-term procurement contracts with our subcontractors for electroplating and printing processes. We entered into master subcontracting agreements with our subcontractors for packaging with a term ranging from two months to 14 months and the salient terms include the following:

- the subcontracting agreement sets forth the estimated quantities of the batteries which require packaging;
- the subcontracting fee shall be set out in each purchase order;
- we provide the relevant materials such as batteries and packaging materials to our subcontractors and specify the technical and quality requirements to them; and
- the batteries packaged by the subcontractors shall meet our quality requirements and we will perform sample-checking of the packaged batteries.

During the Track Record Period, the fees paid to our subcontractors accounted for approximately 2.23% and 3.35%, respectively, of our total cost of sales. We had not received any material claims or complaints by our customers in respect of the quality of the batteries packaged by our subcontractors during the Track Record Period.

Electricity

Our production mainly requires electricity. Our Dongguan Production Facility and our Jiangmen Production Facility are equipped with back-up power generators. During the Track Record Period, we did not experience any shortage of supply of electricity that caused material interruption of our production operations.

RESEARCH AND DEVELOPMENT

We put great emphasis on product research and development. As at the Latest Practicable Date, our research and development committee comprised a total of 13 staff members focusing on developing new products and production technologies as well as improving existing products and production technologies, and nearly all of them have received tertiary education or above. Mr. Tang, our executive Director, is responsible for overseeing the overall manufacturing operations of the Dongguan Production Facility and the Jiangmen Production Facility in respect of engineering, research and development, production, quality control, logistics and human resources. For further details of his biography, please refer to the paragraph headed “Directors, Senior Management and Staff — Directors — Executive Directors” in this prospectus. Mr. Liang, the general manager and quality control and production superintendent of Goldtium (Jiangmen) Energy, graduated from 廣州市輕工業局職工大學 (Guangzhou Employee’s University of Light Industry*) with a bachelor degree of electrochemistry in July 1991. Mr. Liang has nearly 20 years of experience in the battery industry. For further details of his biography, please refer to the paragraph headed “Directors, Senior Management and Staff — Senior management” in this prospectus. Mr. Hui Pak Shuen (許伯旋), the engineering and machinery superintendent of the Jiangmen Production Facility, graduated from 九江船舶工業學校 (Jiu Jiang Shipbuilding Industrial School*) (now known as 九江職業技術學院船舶工程學院 (Jiu Jiang Vocational and Technical College of Shipbuilding Engineering Institute*)) majoring in machinery manufacturing in July 1992 and has more than 17 years of experience in the battery industry. Mr. Hui, together with Mr. Liang, were the inventors of nearly half of the number of our PRC utility model patents. Mr. Liang was also the sole inventor of a majority of our PRC utility model patents whereas our PRC invention patent in relation to the production of mercury-free alkaline and silver oxide micro-button cells was invented by Mr. Tang and Mr. Liang. Mr. Zhu Guangtao (朱廣濤), the quality control and technology superintendent of the Dongguan Production Facility, graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) majoring in electrochemistry in July 2002 and has over 12 years of experience in the battery industry.

Our research and development efforts have helped us to develop new products and implement new technologies into production. For instance, during FY2013 and FY2014, we developed 12 and 10 new products, respectively. In particular, we have developed 18 new models of micro-button cells including alkaline and silver oxide micro-button cells. During the Track Record Period, we have also obtained the patents of 15 technologies such as high drain performance enhancement for alkaline cylindrical battery, safety design for alkaline cylindrical battery gasket and high leaking proof in silver oxide micro-button cell. We also manufacture prototypes of customised products based on our customers’ requirements.

BUSINESS

With an aim to maintaining our research and development capability, we entered into a technology research commission agreement with Wuyi University (五邑大學) on 1 January 2013 relating to the research and development of environmentally friendly technology for the production of zinc chloride batteries (the “**Research and Development Project**”), which contains the following principal terms:

- the term of the Research and Development Project is from 1 January 2013 to 30 November 2015;
- we will provide RMB100,000 for the Research and Development Project to Wuyi University by instalment;
- the ownership over the research results and the proprietary right of the relevant intellectual property rights developed thereunder shall belong to both our Group and Wuyi University; and
- upon completion of the Research and Development Project, Wuyi University will provide us with technical support as well as training in relation to the use of the research subject.

Our research and development efforts have led to our holding of 22 patents in the PRC and one patent in Hong Kong as at the Latest Practicable Date. In addition, we obtained one of the seven PRC invention patents and five of the 13 PRC utility model patents in relation to the production of mercury-free alkaline and silver oxide micro-button cells. The main criteria for the production of mercury-free alkaline and silver oxide micro-button cells include the use of (i) production lines which have been upgraded or are equipped to produce mercury-free batteries; (ii) mercury-free raw materials; and (iii) production workers who have received relevant trainings. We did not separately record research and development expenses in our accounts and therefore did not have research and development expenses. During the Track Record Period, the amounts of certain costs relating to our research and development are set out below:



	FY2013	FY2014
	<i>HK\$'million</i>	<i>HK\$'million</i>
Costs incurred for the development of production lines which were capitalised as construction in progress under our fixed assets	13.14	17.12
Aggregate annual salaries of our research and development committee members who have not allocated time cost towards our research and development expenses	3.97	3.55
Total	17.11	20.67

BUSINESS MODEL

Our initial phase of business development principally focused on the manufacture and sale of batteries under our own “Golden Power” brand to industrial customers. With the accumulation of industry know-how and experience, and eyeing the opportunity for growth in the private label and OEM markets as supported by the Ipsos Report, our business model has been diversified and we have expanded our customer base by manufacturing and selling batteries and battery-related products under our own “Golden Power” brand and the brands of our private label and OEM customers as well.

Branded business

We manufacture and sell batteries under our “Golden Power” brand. Our products sold under our “Golden Power” brand are either manufactured by us or procured from others.

Our customers of our branded business include industrial customers and distributors. As our Group does not have control over our distributors save for the control measures in respect of Nan Hua Jin Li and Suengh as disclosed in this prospectus, to the best knowledge of our Directors and based on the packaging requirements of our distributor customers, our Directors believe that our “Golden Power” branded products sold to our distributors are mainly on-sold to industrial customers. We had registered trademarks for our “Golden Power” brand worldwide, including in Japan, the United States, Russia as well as in the PRC and Hong Kong. As at the Latest Practicable Date, we had registered in the PRC, among others, the following trademarks: **GoldenPower**,  and . Please refer to the paragraph headed “Statutory and General Information in — B. Further information about the business of our Group — 2. Intellectual property rights — (a) Trademarks” in Appendix V to this prospectus for additional information relating to our trademarks.

Private Label business

We also manufacture and sell batteries under our original design and specifications to our private label customers, which are eventually sold under the brand names of our private label customers. Our products sold to our private label customers are either manufactured by us or procured from others.

OEM business

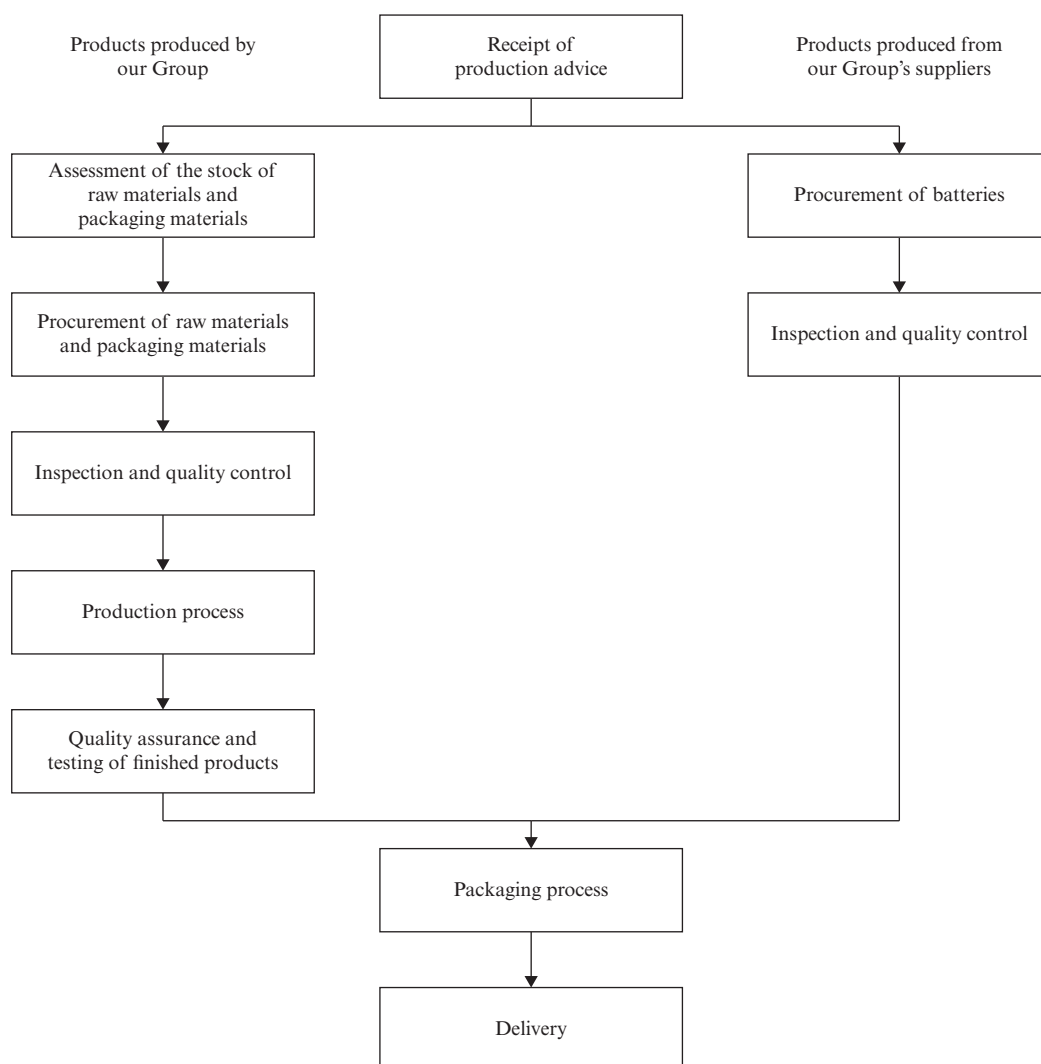
We also manufacture and sell batteries to other battery manufacturers on an OEM basis. Our OEM customers require us to manufacture batteries in accordance with their design and specifications and these customers will sell such products under their own brand names. Our products sold on an OEM basis are solely manufactured by us. Our Directors consider that the growth of our Group’s OEM business is mainly attributable to our ability to provide quality batteries, as well as our experienced and dedicated management team.

BUSINESS

The table below sets forth the revenue generated by the sale of batteries and battery-related products under our branded business, private label business and OEM business during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
Branded business	134,382	36.67%	132,872	34.53%
Private label business	202,407	55.23%	216,212	56.20%
OEM business	<u>29,710</u>	<u>8.10%</u>	<u>35,668</u>	<u>9.27%</u>
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

The following chart summarises the operation flow of our Group:



BUSINESS

Generally, upon receiving a production advice, we will determine whether the products are self manufactured products or trading products. For trading products, our procurement department is responsible for such procurement. Before the packaging process, the batteries procured from our suppliers have to go through quality control inspection performed by our quality control department. For self-manufactured products, we will review the stock of raw materials and packaging materials before the production process begins. Further, our procurement department and quality control department are responsible for the procurement and inspection of raw materials and packaging materials, respectively. During our production process, our quality control department performs a series of quality control measures, quality assurance and testing procedure for batteries produced by our Group. Upon completion of the packaging process, we will arrange delivery of our finished products.

SALES, MARKETING AND DISTRIBUTION

Sales under our branded business

Sales under our branded business can be broadly divided into two categories, namely direct sales and indirect sales.

Direct sales

A majority of our sales under our branded business are conducted through direct sales. Our direct sales under our branded business comprise sales to industrial customers. During the Track Record Period, our batteries sold under our branded business through direct sales were sold within the PRC and Hong Kong and exported overseas such as to the United States, Brazil, Australia and Japan.

Indirect sales

Our indirect sales under our branded business are primarily made to distributors. During the Track Record Period, our batteries sold under our branded business under indirect sales were sold within the PRC and Hong Kong and exported overseas such as to the United States, Canada, Brazil, Australia and Germany.

For FY2013 and FY2014, our revenue attributable to distributors amounted to approximately 56.96% and 45.49% of our branded business, respectively, of which the revenue attributable to Nan Hua Jin Li, one of our top five customers, amounted to approximately 36.44% and 40.51%, respectively, whereas the revenue attributable to the remaining distributors amounted to approximately 63.56% and 59.49%, respectively.

Our distributors are not engaged to provide marketing and promotion of our products. As our Group did not have control over our distributors save for the control measures in respect of Nan Hua Jin Li and Suengh as disclosed in this prospectus, to the best knowledge of our Directors and based on the packaging requirements of our distributor customers, our Directors believe that our “Golden Power” branded products sold to top distributors are mainly on-sold to industrial customers. Apart from the Master Sales

BUSINESS

Agreement entered into between our Group, Nan Hua Jin Li and Suenglh, we generally do not enter into long term distribution agreements with our distributors. Our distributors place orders with our Group on a transaction basis. Our Directors believe that sales of products under our own “Golden Power” brand through distributors may be a common market practice as we are aware that some of our distributors also sell products of similar nature of other brands. During the Track Record Period, we had over 120 distributors covering sales within the PRC and Hong Kong and export to overseas markets such as to the United States, Canada, Brazil, Australia and Germany. Our Directors believe that conducting sales of products under our own “Golden Power” brand through these distributors has allowed our Group to widen our market coverage and expand our customer reach effectively.

To strengthen our management of Nan Hua Jin Li, one of our top five customers, and Suenglh, both of which are our distributors as well as connected persons, we entered into the Master Sales Agreement in September 2014. The principal terms of the Master Sales Agreement are as follows:

Duration	:	Three years
Geographic restrictions	:	Within China (excluding Macau and Taiwan)
Settlement currency	:	Nan Hua Jin Li and Suenglh place orders with our Group on a transaction basis. Pursuant to the relevant purchase orders, the settlement currency for Nan Hua Jin Li is RMB whereas the settlement currency for Suenglh is HKD
Rights and obligations of our Group	:	We shall provide qualified products and packaging, deliver products on time; we shall ensure that the annual sales by our Group to Nan Hua Jin Li and Suenglh shall not exceed HK\$37.80 million in 2014, HK\$40.60 million in 2015 and HK\$42.60 million in 2016

BUSINESS

- Rights and obligations of Nan Hua Jin Li and Suenglh : Nan Hua Jin Li and Suenglh could only accept purchase orders from customers with our Group's approval (other than their existing customers at the time when the Master Sales Agreement was entered into) of which the aggregate sales amount exceeds RMB50 million or such other amount as determined among the parties to the Master Sales Agreement after friendly negotiation; each of Nan Hua Jin Li and Suenglh shall supply to our Group on 30 June and 31 December each year, respectively, a list of their respective top 20 customers purchasing our Group's products for each of the preceding six-month period; Nan Hua Jin Li and Suenglh shall ensure that the annual sales to them shall not exceed HK\$37.80 million in 2014, HK\$40.60 million in 2015 and HK\$42.60 million in 2016; Nan Hua Jin Li and Suenglh shall not directly or indirectly contact our Group's customers; apart from the business relationships with the existing customers of Nan Hua Jin Li and Suenglh and other business relationships with customers which our Company may approve from time to time, Nan Hua Jin Li and Suenglh shall not directly or indirectly compete with our Company's battery business; Nan Hua Jin Li and Suenglh shall not enter into any battery business relationships with the customers of our Company; and Nan Hua Jin Li and Suenglh shall not commit passing off as our Company, directly or indirectly represent or acquiesce in belonging to our Group and/or being our Company's exclusive distributor in the PRC; unless with prior consent of our Company, Nan Hua Jin Li and Suenglh shall not use any of the trademarks or logos owned by our Company
- Pricing policy : The prices of batteries shall be determined with reference to the price list of batteries adopted by our Group at the material time with reference to the following factors: (i) the prevailing prices of the corresponding types of batteries in the market; (ii) our Company's production costs at the material time; (iii) the volume of purchase orders at the material time; (iv) the requested packaging requirements; and (v) any other factors affecting the batteries prices.
- Obsolete stock arrangements : N/A

BUSINESS

Goods return arrangements	:	Generally, there is no return policy. If it is discovered that the products are defective or that the models delivered do not conform with the purchase order, our Group will arrange replenishment
Sales and expansion targets	:	N/A
Sales and inventory reports and estimates	:	N/A
Minimum/maximum purchase amounts	:	Maximum sales of HK\$37.80 million in 2014, HK\$40.60 million in 2015 and HK\$42.60 million in 2016
Payment and credit terms	:	60 days AMS
Conditions for terminating and renewing the agreement	:	The Master Sales Agreement may be terminated by two months' notice. For renewal, the relevant parties may enter into a new sales agreement within 30 days before the expiry of the term of the Master Sales Agreement

For further details of the Master Sales Agreement, please refer to the paragraph headed "Connected Transactions — Non-exempt continuing connected transactions" in this prospectus.

To strengthen our management of our distributors, starting from September 2014, we have implemented a set of internal control procedures including the following measures:

- (i) regarding existing distributors, when renewing the existing distribution agreement, our Directors and financial controller shall review the renewed distribution agreement which shall be approved by our general manager; and
- (ii) when entering into a distribution agreement with a new distributor, our Directors and financial controller shall review the distribution agreement (such as requiring our distributors to comply with our Group's pricing policy and covering provisions regarding inventory management, avoidance of competition and product return policy) which shall be approved by our general manager.

In addition, for distributors that we had not entered into long term distribution agreements or which place order with our Group on a transaction basis, our internal control procedures include the following:

- (i) to avoid cannibalisation among distributors, we shall maintain regular quarterly communications with our distributors and review the amount of orders placed in order to monitor their sales and inventory levels;

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- (ii) the distribution agreements (if any) or purchase orders shall specify that our distributors are not the agents of our Company and that our distributors are not authorized to enter into any agreement with any other parties in the name of our Company, nor is our Company liable for any dispute arising from such agreement between our distributors and such other parties;
- (iii) our Group is primarily responsible for any quality defects of our products and require our distributors to cooperate with us in resolving any product liability claims;
- (iv) we shall elect to continue our cooperation with out-performers, and terminate or choose not to renew the agreements of those distributors who fail to meet our requirements; and
- (v) our distributors are required to inspect the products on delivery, and must notify us and obtain our written consent before damaged products can be returned or exchanged. Any products that have been accepted on delivery are not eligible for returns.

Our relationship with all distributors are seller/buyer relationship. We retain no ownership control over the products sold to our distributors. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to our Group's distributors.

As it is our policy that we generally do not allow our distributors to return products on grounds other than product quality problems, our Directors confirmed that the sales of our own-brand battery products during the Track Record Period did not comprise any accumulation of inventories at the level of our distributors which are connected persons of our Group, namely, Nan Hua Jin Li and Suenglh, and to the best knowledge of our Directors, there was no such accumulation of inventories at the level of our other distributors during the Track Record Period. During the Track Record Period, we had not experienced any material return of products from our distributors. To strengthen our management of our distributors, we have implemented internal control procedures to, among others, avoid cannibalisation among our distributors as stated above.

The following table sets out the movements in the total number of distributors under our branded business during the Track Record Period:

	FY2013	FY2014
Opening balance	78	73
Additions	16	17
Termination/expiration	21	20
Total number of distributors as at the end of the relevant year/period	73	70

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During the Track Record Period, the additions of new distributors primarily reflected our Company's expansion of sales to overseas markets. The termination of relationships with our existing distributors primarily reflected irregular demand from our distributors.

We have not experienced any material issue with the collection of account receivables from our distributors during the Track Record Period. Please see the paragraph headed "Financial Information — Analysis of certain items on the consolidated statements of financial position — Trade and bills receivables" in this prospectus for details regarding the recoverability of our accounts receivables.

The table below shows a breakdown of our revenue under our branded business by different sales channels during the Track Record Period.

Revenue	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
Direct sales				
Industrial customers	57,832	43.04%	72,434	54.51%
Indirect sales				
Distributors	<u>76,550</u>	<u>56.96%</u>	<u>60,438</u>	<u>45.49%</u>
Total	<u>134,382</u>	<u>100.00%</u>	<u>132,872</u>	<u>100.00%</u>

Sales under our private label business

Our sales under our private label business comprise sales to industrial customers and other customers.

During the Track Record Period, our batteries sold under our private label business were sold within the PRC and Hong Kong and exported overseas such as to the United States, Canada, Brazil, Australia and Germany.

Sales under our OEM business

During the Track Record Period, all of our sales under our OEM business were to battery manufacturers. During the Track Record Period, our batteries sold under our OEM business were sold within the PRC and Hong Kong and exported overseas such as to the United States, Brazil and Germany.

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Geographic coverage

During the Track Record Period, we had more than 560 customers and our products are sold within the PRC and Hong Kong and exported to over 40 countries around the world such as the United States, the Netherlands, Canada, Brazil, Australia, Germany and Japan. The table below sets forth our revenue based on the ports of destination as designated by our customers and their percentage of total revenue during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
Africa	4,618	1.26%	2,580	0.67%
Asia (except China and Hong Kong)	18,539	5.06%	25,233	6.56%
Australia	10,833	2.96%	30,238	7.86%
China	131,651	35.92%	131,420	34.16%
East Europe	15,307	4.18%	14,408	3.74%
Europe	60,936	16.63%	73,240	19.04%
Hong Kong	58,129	15.86%	58,169	15.12%
Middle East	400	0.10%	398	0.10%
North America	36,419	9.94%	32,258	8.38%
South America	29,667	8.09%	16,808	4.37%
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

During the Track Record Period, we engaged two independent agents to handle the export of our products outside the PRC such as custom clearance for an agency fee. In 2013, our Company tried to handle the export and custom matters on its own but as our Directors consider engaging agents to handle export and custom matters facilitates our administration and helps reduce our time and costs for handling export and custom matters, we will continue to engage such agents going forward. For FY2013 and FY2014, the handling fee we paid to these agents amounted to approximately HK\$0.01 million and HK\$0.33 million, respectively.

Pricing

We set the prices of our products based on a variety of factors, including market conditions, manufacturing and packaging costs, fluctuations in raw material prices and labour costs and the volume of our customers' purchases. We apply the same pricing policy to all our customers including our own-brand customers, private label and OEM customers.

Transfer pricing

All of our manufacturing activities in the PRC are undertaken by Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power, while the sales, marketing and other administrative activities are principally undertaken by Golden Power Corporation. Depending on the types of finished goods ordered, Golden Power Corporation places production orders with related group companies that produce the

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required finished goods and places purchase orders with third party suppliers for finished goods that we do not manufacture for onward sales to our customers. While some customers may deal with our PRC manufacturing subsidiaries directly, generally, Golden Power Corporation is our Group's principal entity dealing with overseas customers and controls the pricing decisions for such sales. For details of our internal control measures implemented in relation to the above intra-group transactions, please see the paragraph headed "Business — Internal control and risk management policies" in this prospectus. With respect to our transfer pricing arrangements relating to the above intra-group transactions, please see the paragraph headed "Financial Information — Principal components of results of operations — Income tax expenses" in this prospectus.

Marketing and Promotion

Our sales and marketing department comprised 25 staff members as at the Latest Practicable Date. They are responsible for the sales and marketing of our products in both the PRC, Hong Kong and the overseas markets.

We actively participate in PRC and international exhibitions and trade fairs, such as the Hong Kong Electronics Fair, China Sourcing Fair Electronics, and International Consumer Electronics Show, Las Vegas, etc., to introduce and promote our products to our existing and potential customers. We follow up with contacts established at these exhibitions and trade fairs by subsequently liaising with the potential customers to explore business opportunities.

PRODUCT RETURNS AND WARRANTY

We generally provide product warranty for a period equalling the shelf life of our batteries ranging from one to three years. In the event that we receive complaints from customers on product quality, we will obtain the relevant information from our customers, such as the date of delivery, the quantity of products involved and customer's assessment reports (if any) to determine if the complaint is preliminarily justifiable. If it is preliminarily determined that the customer's complaint is justifiable, we may request our customer to return samples of defected products or all delivered products for further examination and analysis. Our quality control team will be responsible for examining and analysing the defected products and completing an analysis report stating the reason of the complaint, the defects, reasons for the defects and proposed corrective and precautionary measures to be taken by our Group. Should the complaint be finally determined to be justifiable, we will arrange a one-to-one replacement of the products.

During the Track Record Period, we had not experienced any material disputes arising from or in connection with the quality of our products. Our Directors consider that the amount of returned goods was insignificant and no provision on goods return had to be made during the Track Record Period.

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CUSTOMERS

For FY2013 and FY2014, our sales to our top five customers amounted to approximately HK\$114.93 million and HK\$133.13 million, respectively, representing approximately 31.36% and 34.60% of our total revenue for the respective periods. Our sales to our single largest customer accounted for approximately 10.70% and 12.58% of our total revenue during the Track Record Period.

During the Track Record Period, Nan Hua Jin Li, being one of our top five customers as well as a distributor, is legally and beneficially owned as to 71% by Mr. Zhu, who is a nephew of Mr. Chu, our executive Director and Controlling Shareholder, and as to 29% by Independent Third Parties. Therefore, Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules. As Nan Hua Jin Li is a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Zhu, it is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Our Directors have confirmed that our transactions with Nan Hua Jin Li were conducted in the ordinary course of business of our Group and on normal commercial terms. Following the Listing, our sales of products to Nan Hua Jin Li will be continued in the ordinary course of our business, which will constitute continuing connected transactions under the GEM Listing Rules. For further information in this respect, please refer to the paragraph headed “Connected Transactions — Non-exempt continuing connected transactions” in this prospectus.

The following table sets forth certain information about our top five customers during the Track Record Period:

Customer	Background	Credit period	Year commencing relationship	Period in which the customer was one of our Group's five largest customers and the approximate percentage of sales
Customer A	A manufacturer and retailer of electrical appliances such as audio and visual products, personal care products, household products and healthcare products	90 days AMS	2011	FY2013: 10.70% FY2014: 12.58%
Nan Hua Jin Li	A battery wholesaler	60 days AMS	1999	FY2013: 9.86% FY2014: 6.90%
Customer B	A manufacturer and trader of electrical appliances such as remote controls and watches	30 days AMS	2011 (<i>Note</i>)	FY2013: 4.34% FY2014: 5.55%
Customer C	A distributor of electrical equipment and conductors	10% deposit, 40% before shipment and 50% after shipment	2010	FY2013: 3.45%
Customer D	A retailer of electronics and wireless products	Telegraphic transfer 30 days after vessel departure	2009	FY2013: 3.01%
Customer E	A supplier of batteries, battery chargers and lighting	Letter of credit 30 days deferred payment	2012	FY2014: 4.83%
Customer F	A retail store operator	Telegraphic transfer 90 days	2013	FY2014: 4.74%

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Note: We commenced business relationship with Customer B in 2011 whereas the holding company of Customer B commenced business relationship with our Group in 2001.

Payments by our top five customers are mainly made by wire transfer.

Apart from the Master Sales Agreement entered into between our Group, Nan Hua Jin Li and Suenglh, we generally do not enter into long term sales and purchase agreements with our customers. Our customers place orders with our Group on a transaction basis.

In 2014, we placed order with one of our major customers during the Track Record Period, which is a battery manufacturer, in relation to some carbon cylindrical batteries which we did not manufacture, for battery performance testing. As at the Latest Practicable Date, this customer is one of our approved suppliers. For FY2013 and FY2014, our sales to this customer amounted to approximately HK\$4.99 million and HK\$8.86 million, respectively, representing approximately 1.36% and 2.30% of our revenue for the respective periods. The gross profit of this customer amounted to approximately HK\$0.35 million and HK\$0.48 million for FY2013 and FY2014, respectively. For FY2013 and FY2014, our purchases from this customer amounted to approximately nil and HK\$1.97 million, respectively, representing nil and approximately 0.66% of our cost of sales for the respective periods.

Save as disclosed above, our Directors confirm that none of our Directors, their associates or Shareholders who, to the best knowledge and information of our Directors, owned more than 5% of our issued share capital, had any interest in any of our Group's top five customers during the Track Record Period.

MARKET AND COMPETITION

According to the Ipsos Report, the PRC's disposable battery industry is fragmented, with about 320 disposable battery manufacturers with revenue of more than RMB20 million as of 2013. The majority of them are engaged in the manufacture of disposable alkaline and carbon cylindrical batteries while a limited number of them are engaged in the manufacture of micro-button cells. Nonetheless, most of them focus on OEM/ODM for overseas markets. Amongst these manufacturers of micro-button cells, 40 of them were offering mercury-free button cells.

In 2013, the total production value of the PRC's disposable battery market was about HK\$26,140 million. The total revenue of the top five players in the industry accounted for about HK\$14,520 million, or 55.7% of the total industry revenue. Our Group accounted for about 1.4% of the revenue of the PRC's disposable battery, and about 1.2%, 0.9% and 5.2% of the revenue of the alkaline cylindrical battery manufacturers, carbon cylindrical battery manufacturers and micro-button cell manufacturers in the PRC in 2013, respectively. For the ranking of top five micro-button cell manufacturers in the PRC in 2013, please refer to the paragraph headed "Industry Overview — Competitive analysis — Market share of the top 5 players of the disposable battery industry and major battery products in China" in this prospectus.

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According to the Ipsos Report, demand for mercury-free batteries, growth in demand for alkaline cylindrical batteries and facilitation of the research and development of key components for manufacture of alkaline cylindrical batteries to reduce the production cost of alkaline cylindrical batteries are the trends and developments of PRC disposable battery industry.

We believe the key barriers to entry into the disposable battery industry in the PRC include (i) technology barrier; (ii) brand building barrier; and (iii) established distribution channels. Our Directors believe that our Group can compete effectively with our competitors principally due to the following competitive advantages: (i) advantages in vertical and horizontal integration; (ii) price competitiveness; (iii) high quality; (iv) strong experience in the disposable battery industry; and (v) continuous research and development. In addition, a few manufacturers in China distinguished themselves by their advanced sealing technology to produce high-end carbon cylindrical batteries, alkaline cylindrical batteries and silver oxide micro-button cells. The competition in the middle to high-end segment is less intense as there are only a few players in China having such advanced sealing technology. As stated in the Ipsos Report, we are one of the key players in the middle to high-end micro-button cell market segment. For additional information on the competitive landscape in the PRC, please see the paragraph headed “Industry Overview — Competitive analysis — Competitive landscape” in this prospectus.

LICENCES AND CERTIFICATIONS

As advised by our PRC Legal Advisers, we have obtained all material requisite licences, permits and approvals for operating our business in the PRC during the Track Record Period and up to the Latest Practicable Date. To ensure that we possess all the required licences and permits in respect of our Dongguan Production Facility and Jiangmen Production Facility from time to time, our Group regularly reviews the validity and renewal status of all the relevant licences and permits. Our Group will also seek advice from our PRC Legal Advisers to ensure due compliance with the applicable laws and regulations in respect of our Dongguan Production Facility and Jiangmen Production Facility from time to time.

INTERNAL CONTROL AND RISK MANAGEMENT POLICIES

In order to manage our external and internal risks and to ensure the smooth operation of our business, we have adopted and implemented stringent internal control measures and policies and risk management system. Our Directors and the audit committee are responsible for the formulation of and for overseeing the implementation of our internal control measures and policies and the effectiveness of our risk management system.

In September 2012, we engaged an independent internal control consultant, PKF Business Advisory Limited (the “**Internal Control Consultant**”), to carry out a review of our internal control system, including controls and procedures over regulatory compliance, risk management, information system, financial management, human resources and payroll, revenue and receivables, purchases and payables, inventory management, fixed asset

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management and tax. The objective is to assess and identify significant weaknesses in relation to our Group's internal control system and provide recommendations for improvement.

Set out below are the major deficiencies in our internal control procedures identified by our Internal Control Consultant, their recommendations and our rectification actions implemented as at the Latest Practicable Date.

Deficiency	Recommendations	Rectification actions
Revenue was recognised by our PRC subsidiaries on the date of issuance of invoice. This is in contravention of the applicable accounting standards which stipulate that revenue should be recognised at the time when the significant risks and rewards of ownership of the goods has been transferred under the terms of the relevant contract and our Group retains neither continuing managerial involvement nor effective control over the goods	Our Group was recommended to establish a proper revenue recognition policy and recognise revenue at the time when the significant risks and rewards of ownership of the goods has been transferred under the terms of the relevant contract	We reviewed our revenue recognition policy in December 2012 and amendments were made to our Group's consolidated financial statements by the finance department of our PRC subsidiaries in compliance with the applicable accounting standards. The revised revenue figures were checked and confirmed by the manager of our finance department in Hong Kong. During the financial audit process for 2012 and 2013, our PRC subsidiaries were found to be in compliance with applicable accounting standards with regard to revenue recognition.
Our Group did not formulate any internal control measures to monitor whether the related party transactions within our Group was conducted in line with market	Our Group was recommended to adopt internal and external measures to ensure that our Group's price setting for intra-group transactions is in line with market. Such measures include but are not limited to: (i) engaging a tax adviser on transfer pricing to perform an assessment and make recommendations at least once a year on whether the related transactions within our Group are conducted in line with market; and (ii) designating a member of staff with relevant knowledge to monitor the status of compliance with the recommendations of our tax adviser on transfer pricing and to report to the Board at least once every six months.	We have (i) formulated internal control policies in relation to transfer pricing; (ii) engaged a tax adviser on transfer pricing in September 2014 to perform an assessment and make recommendations on whether the related transactions within our Group are conducted in line with market; and (iii) designated our financial controller, Mr. Tse Kar Keung, to monitor and report to the Board the status of compliance with the recommendations of our tax adviser on transfer pricing with reference to our Group's financial information as at June and December each year.

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Deficiency	Recommendations	Rectification actions
Our Group did not formulate any internal control measures to monitor the observance of covenants in our bank facility letters	Our Group was recommended to (i) adopt internal control policies to monitor the observance of covenants in our bank facility letters; (ii) arrange quarterly review by our financial controller as to whether our Group has abided by all the bank covenants; (iii) submit the relevant checklist and quarterly financial statements to our chief executive officer for further review and confirmation; (iv) arrange for our financial controller to review our Group's financial information and forecast before executing bank facility letters, and to report to our Board whether any breach of the covenants therein is anticipated; and (v) arrange for regular training to our Directors and senior management on the observance of covenants in our bank facility letters.	<p>We have (i) adopted internal control policies to monitor the observance of covenants in our bank facility letters; (ii) designated our accounting manager to keep a checklist of all bank covenants and consequences of breach; (iii) designated our financial controller, Mr. Tse Kar Keung, to conduct quarterly review as to whether our Group has abided by all the bank covenants based on the checklist; (iv) arranged for the checklist and quarterly financial statements to be submitted to our chief executive officer, Ms. Chu, for further review and confirmation; (v) designated our financial controller, Mr. Tse Kar Keung, to review our Group's financial information and forecast before executing bank facility letters, and to report to Ms. Chu whether any breach of the covenants therein is anticipated.</p> <p>On 22 January 2015, our legal advisers as to Hong Kong law provided a training session to our Directors and senior management in relation to the observance of covenants in our bank facility letters.</p>

For internal control measures adopted in relation to our non-compliance during the Track Record Period, please refer to the disclosure under the paragraph headed "Non-compliance of our Group" below in this section.

Corporate governance

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our Company's fundamental policies and upper-level management issues, and supervising the execution of our business. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have formulated risk management guidelines and established a risk assessment and management committee, comprising the heads of each department and operating subsidiary of our Company, whose duties are to identify and analyse potential risks (including risks

relating to interest rates, foreign exchange rates, costs, cash flow, credit, corruption, supply chain, compliance with laws and local government policies, etc.) to our Company and formulate corresponding solutions at risk assessment meetings held once every two months, deliberate risk management related policies and procedures, and review the effectiveness of risk management activities of our Company.

Further, we have established the audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our Company's financial controls, internal control and risk management systems.

Credit risk management

Our Group's credit risk is primarily attributable to trade and other receivables. Our Group generally grants credit periods ranging from 30 days to 120 days to our customers, depending on our relationship with the customer, its credit history, the volume of the customer's orders and other factors deemed relevant, while some of our customers (particularly new or smaller customers) are required by our Group to settle payment before delivery.

Our Group's maximum exposure to credit risk as at 31 December 2013 and 31 December 2014 is represented by the carrying amount of financial assets in our consolidated statements of financial position.

Our Group seeks to maintain strict control over our outstanding receivables and closely monitor them to minimise our credit risk. Our Group has engaged a company to perform monitoring service on whether our customers are involved in any litigation or winding-up proceedings. If any such proceedings are revealed, we will alert the sales personnel responsible for the relevant customer to monitor the balance of accounts receivable due from the customer more closely and review the customer's credit terms if necessary. Our accounting and finance department prepares weekly accounts receivable reports, which reflect the aging records for each customer and identify outstanding payments which have exceeded the stipulated credit period, for review by and discussion with our chairman. Appropriate actions would be taken to recover overdue amounts. Further, our Group's cash and bank balances are held by major financial institutions located in Hong Kong, which our Directors believe are of high credit quality. In view of the above and our Group's credit policies, our Directors consider that the overall credit risk faced by our Group is limited.

Liquidity risk management

To manage liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Each of our operating subsidiaries prepares weekly cash flow plans and daily cash flow records for regular review and approval by our financial controller and chairman.

Our Group relies on bank borrowings as a source of liquidity. As at 31 March 2015, our Group had unutilised banking facilities of approximately HK\$65.62 million.

Further details in respect of our Group's exposure to liquidity risk are set out in the section headed "Financial Information — Quantitative and qualitative information about market risks" in this prospectus.

ENVIRONMENTAL COMPLIANCE

Our Group's business is subject to relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法). 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 our Group is set out in the section headed "Regulatory Overview" of this prospectus.

To ensure compliance with the applicable environmental regulations and laws, our Group has entered into several service contracts with professional waste disposal service companies for the disposal of hazardous waste produced in our Group's production process. These professional waste disposal service companies have obtained Operation Permits of Hazardous Waste (危險廢物經營許可證) for the disposal of hazardous waste listed in the national catalogue of hazardous waste (the "Catalogue"). They have also obtained Operation Permits of Road Transport (道路運輸經營許可證) for the transportation of hazardous waste or have entrusted qualified transportation service companies to carry out the transportation of hazardous waste according to law.

According to Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), a unit engaged in the collection, storage, utilisation and treatment of hazardous wastes shall apply to the Administrative Department for Environmental Protection of the People's Government at or above county level for the relevant business licence. In addition, supplying or entrusting hazardous wastes to a unit that does not have a business licence for the collection, storage, utilisation and treatment of hazardous wastes is prohibited. Where an entity supplies or entrusts hazardous wastes to a unit that does not have a business licence for business activities in this respect, the Administrative Department for Environmental Protection of the People's Government at or above county level shall instruct it to discontinue and rectify the violation within a time limit and may impose on it a fine. Hence, we require the professional waste disposal service companies engaged by our Company to hold the relevant waste disposal permits, including Operation Permits of Hazardous Waste and Operation Permits of Road Transport, which are necessary for the collection, storage, utilisation, treatment and/or transportation of hazardous wastes according to the relevant PRC laws and regulations. Prior to entering into waste disposal service agreements with the waste disposal service companies, we generally require them to provide us with copies of the aforementioned permits, which would be checked against the originals and attached as appendices to the relevant agreements. We also conduct regular review of the validity and renewal status of such permits held by the waste disposal service companies engaged by our Company.

As advised by our PRC Legal Advisers, there is no statutory discharge limit for the hazardous wastes produced by our Group. However, pursuant to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, we are required to make an application to the Administrative Department for Environmental Protection of the People's Government at or above city level for approval to transfer hazardous wastes to the waste disposal service companies ("**Transfer Approval**").

We had submitted applications for Transfer Approval in relation to the hazardous wastes produced by our Group during 2014 but no such Transfer Approval had been obtained due to the backlog of applications to be processed by the relevant government authority. As a result, the hazardous wastes produced by our Group during 2014 had not been transferred to the waste disposal service companies engaged by us, but were temporarily stored in a designated warehouse at our production facilities pending the relevant Transfer Approvals during such period.

As advised by our PRC Legal Advisers, the PRC subsidiaries of our Group are generating entities of hazardous wastes instead of operating entities. According to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, an entity which generates hazardous wastes should dispose of the hazardous wastes in accordance with the relevant national regulations. Approval from the Administrative Department for Environmental Protection of the People's Government is compulsory for any transfer of hazardous wastes. Otherwise, such transfer is prohibited. In observance of the above law, the PRC subsidiaries of our Group had not transferred the hazardous wastes in 2014 pending the grant of Transfer Approvals. Further, according to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and the relevant regulations in the Guangdong Province, hazardous wastes which are protected with the measures according to relevant state specified environmental standard could be stored by the PRC subsidiaries of our Group for up to one year. Those units that fail to treat hazardous wastes within one year shall be ordered by the local Administrative Department for Environmental Protection of the People's Government at or above county level to rectify within a time limit; if they fail to do so before the expiration of the time limit or in conformity with relevant State regulations, the Administrative Department for Environmental Protection of the People's Government shall designate other units to treat the waste in accordance with the relevant State regulations, and the expenses incurred shall be borne by the units by which the hazardous waste was generated. Where, in violation of this law, an entity fails to treat the hazardous waste generated and to bear the expenses incurred for treatment which it should bear according to law, the Administrative Department for Environmental Protection of the People's Government at or above county level shall order it to rectify within a time limit and impose on it a fine equivalent to one to three times the amount of the expenses incurred for treatment of the waste.

As advised by the PRC Legal Advisers, on the basis that:

- (i) our Group's non-transfer of hazardous wastes in 2014 pending the grant of the relevant transfer approvals was due to the backlog of applications to be processed by the relevant government authority but not due to the default on the part of our Group;
- (ii) according to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and the relevant regulations in the Guangdong Province, if hazardous wastes cannot be treated within one year from storage, the Administrative Department for Environmental Protection of the People's Government shall designate other units to treat the waste in accordance with the relevant State regulations, and the expenses incurred shall be borne by the units by which the hazardous waste was generated. Although the hazardous wastes had been stored at our Group's production facilities for over one year, before obtaining the relevant transfer approvals, no units have been designated by the relevant government authority to treat the waste;
- (iii) according to the confirmations dated 17 September 2014 issued by the Environmental Protection Bureau of Dongguan and the public search conducted on the website thereof by the PRC Legal Advisers on the Latest Practicable Date, Dongguan Golden Power and Dongguan Victory Battery had been in compliance with PRC environmental laws and regulations since their respective dates of establishment. According to the confirmations issued by the Environmental Protection Bureau of Jiangmen dated 18 January 2013, 28 August 2014 and 19 January 2015, respectively, Goldtium (Jiangmen) Energy had been in compliance with PRC environmental laws and regulations since 2010;
- (iv) as at the Latest Practicable Date, no penalty had been imposed by any relevant authorities on Dongguan Golden Power, Dongguan Victory Battery or Goldtium (Jiangmen) Energy,

the PRC Legal Advisers are of the view that the temporary storage of the hazardous wastes in our Group's production facilities comply with the relevant PRC environmental rules and regulations.

As at the Latest Practicable Date, the hazardous wastes produced by our Group during 2014 have been approved to be transferred and have been transferred accordingly.

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The quantity of hazardous wastes approved to be transferred by our Group and the actual quantity of hazardous wastes discharged by our Group during the Track Record Period are set out below:

		2013	Quantity approved (tonnes)	Quantity discharged (tonnes)
	Hazardous waste	Reference number in the Catalogue		
Dongguan Golden Power	Sludge	HW17 (Wastes from surface treatment)	1	0.34
Dongguan Victory Battery	Waste engine oil	HW08 (Waste mineral oils)	0.05	0.02
	Wastewater from washing	HW12 (Waste dyes and paints)	0.04	0.01
	Scrap light tubes	HW29 (Mercury wastes)	0.02	0.01
	Scrap ink cartridges	HW49 (Other wastes)	0.02	0.01
	Scrap empty tins		0.05	0.03
	Scrap wiping cloths		0.02	0.02
Goldtium (Jiangmen) Energy	Waste zinc gel	HW23 (Zinc wastes)	0.3	0.15
	Sludge from wastewater treatment		0.3	0.15
	Scrap batteries	HW49 (Other wastes)	4	2
	Scrap wiping cloths		0.6	0.015
	Scrap iron cans (17 L)		0.1	—
	Waste engine oil	HW08 (Waste mineral oils)	0.4	0.05

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		2014	Quantity approved (tonnes)	Quantity discharged (tonnes)
	Hazardous waste	Reference number in the Catalogue		
Dongguan Golden Power	Waste engine oil	HW08 (Waste mineral oils)	0.2	0.2
	Scrap light tubes	HW29 (Mercury Wastes)	0.02	0.02
	Scrap batteries	HW49 (Other wastes)	0.01	0.01
Dongguan Victory Battery	Waste engine oil	HW08 (Waste mineral oils)	0.09	0.09
	Scrap light tubes	HW29 (Mercury Wastes)	0.03	0.03
	Scrap batteries	HW49 (Other wastes)	0.4	0.4
Goldtium (Jiangmen) Energy	Waste zinc gel	HW23 (Zinc wastes)	0.3	0.3
	Sludge from wastewater treatment		0.2	0.2
	Scrap batteries	HW49 (Other wastes)	4	4
	Scrap wiping cloths		0.6	0.5
	Waste engine oil	HW08 (Waste mineral oils)	0.4	0.107

The total amount of expenses incurred by the Group for the disposal of hazardous wastes in FY2013 and FY2014 were approximately RMB66,000 and RMB64,500, respectively.

On 11 October 2013, the Ministry of Environmental Protection, the National Development and Reform Commission, the Ministry of Industry and Information Technology and the Ministry of Finance of the PRC jointly issued the Notice on Strengthening the Prevention and Control of Mercury Pollution of Major Mercury-added Products and Related Mercury-added Raw Material Production Industry (關於加強主要添汞產品及相關添汞原料生產行業汞污染防治工作的通知) (Huan Fa [2013]119). According to the Notice, with effect from the 60th day after the issuance of the Notice, any newly constructed, reconstructed or extended production projects in relation to the production of alkaline micro-button cells and pasted carbon cylindrical batteries shall use mercury-free raw materials; with effect from 31 December 2015, battery production companies shall use mercury-free raw materials to produce alkaline micro-button cells and pasted carbon cylindrical batteries. These new regulations are not expected to have any material impact on our Group's operations, considering the fact that (i) we have launched our "ecototal" series of mercury-free, cadmium-free and lead-free batteries in 2010, which represented approximately 28.95% and 53.49% of our Group's alkaline micro-button cells for FY2013 and FY2014, respectively; (ii) we have successfully obtained an invention patent for the production of mercury-free alkaline and silver oxide micro-button cells in April 2014; (iii) our Group is not engaged in the production of pasted carbon cylindrical batteries; and (iv) save for the leased production line for AA carbon cylindrical batteries which will be replaced by the new production line which is able to produce mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries, all of our Group's plant and machinery and moulds may continue to be used after the implementation of the abovementioned new

standards and that save as disclosed above, it is currently not necessary to have any requisite upgrade or replacement of our Group's plant and machinery and moulds that may affect our Group's financial condition. To ensure ongoing compliance of the new regulations and as part of our existing quality control measures, we will continue to send our products to external laboratories for testing and chemical composition analysis and to perform tests on our raw materials, e.g. mercury-free zinc powder, to make sure that they do not contain mercury. In addition, we have engaged our PRC Legal Advisers to keep us abreast of the latest developments in the laws and regulations relating to our business and operations.

Our Group has also appointed Mr. Liang, the general manager of Goldtium (Jiangmen) Energy and one of our senior management members, to supervise and monitor compliance with statutory regulations and our internal standards in respect of environmental matters. Our Directors are of the view that the annual cost of compliance with applicable environmental laws, regulations and policies was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

According to confirmations dated 17 September 2014 issued by the Environmental Protection Bureau of Dongguan and the public search conducted on the website thereof by our PRC Legal Advisers on the Latest Practicable Date, Dongguan Golden Power and Dongguan Victory Battery had been in compliance with PRC environmental laws and regulations since their respective dates of establishment. According to the confirmations issued by the Environmental Protection Bureau of Jiangmen dated 18 January 2013, 28 August 2014 and 19 January 2015 respectively, Goldtium (Jiangmen) Energy had been in compliance with PRC environmental laws and regulations since 2010. In recognition of our environmental management system, we have been awarded the ISO 14001:2004 certification.

As advised by our PRC Legal Advisers, our Group has not been subject to any fines, penalties or other legal actions by government authorities in the PRC resulting from any material non-compliance with any environmental protection laws in the PRC.

BUSINESS

NON-COMPLIANCE OF OUR GROUP

I. Issues in relation to compliance with the Predecessor Companies Ordinance

Our Group has inadvertently breached certain sections of Predecessor Companies Ordinance. The table below summaries the systemic non-compliances with the Predecessor Companies Ordinance by our Group during the Track Record Period.

Non-compliant subsidiar(ies)	Identities of the relevant directors and company secretary	Particulars of non-compliance	Reason(s) of non-compliance	Remedial measures taken	Maximum potential penalties
Big Power, Champ Profit, Giant Moral, Golden Power Corporation, Golden Power Industries, Golden Power Properties and Pointway	Directors of the relevant subsidiaries other than Champ Profit at the material time: Mr. Chu and Ms. Chu Director(s) of Champ Profit at the material time: prior to 13 March 2012: Mr. Chu; after 13 March 2012: Mr. Chu and Ms. Chu Company secretary of the relevant subsidiaries at the material time: Ms. Kan Miu Shan	The office address of the directors of the relevant subsidiaries at the material time were incorrectly stated as their residential addresses in the prescribed forms filed with the Companies Registry in 2012, 2013 and 2014, which might constitute breaches of section 349 of the Predecessor Companies Ordinance.	The relevant directors and the company secretary at the material time were not aware that their residential addresses were strictly required under the Predecessor Companies Ordinance and the office address was stated on the prescribed forms because it would be more convenient for the company secretary to handle correspondence for the director at the relevant office address.	The relevant subsidiaries had filed amended prescribed forms with the Companies Registry to rectify the residential addresses of the relevant directors of the subsidiaries.	The maximum penalty under the Predecessor Companies Ordinance is a fine of HK\$100,000 and six months' imprisonment. However, our Legal Counsel is of the opinion that the risk of prosecution for such misstatement is low.
Big Power, Champ Profit, Giant Moral, Golden Power Corporation, Golden Power Industries, Golden Power Properties and Pointway	Directors of the relevant subsidiaries at the material time: Mr. Chu and Ms. Chu Company Secretary of the relevant subsidiaries at the material time: Ms. Kan Miu Shan	The relevant subsidiaries failed to notify the Companies Registry of the change of residential address of a director within 14 days of such change in 2012, which was in breach of section 158(4) of the Predecessor Companies Ordinance.	As the office address of the director of the relevant subsidiaries was stated as the residential addresses in the prescribed forms filed with the Companies Registry, the relevant directors and the company secretary were not aware that the relevant subsidiaries had to notify the Companies Registry of the change.	The Amended Forms D2B had been filed with the Companies Registry.	The maximum penalty under the Predecessor Companies Ordinance is a fine of HK\$10,000 and a maximum daily default fine of HK\$300. However, our Legal Counsel is of the opinion that the risk of prosecution is relatively low and in case of prosecution, the penalty would be in the range of roughly HK\$10,000 to HK\$15,000 (including daily fines) for each of the relevant subsidiaries. Our Company has not made any provision for such fine as we consider that the potential fine is not a material amount compared to the overall financial status of our Group.
Golden Power Properties	Directors of the relevant subsidiaries at the material time: Mr. Chu and Ms. Chu Company Secretary of the relevant subsidiaries at the material time: Ms. Kan Miu Shan	In 2012, Golden Power Properties failed to file its Annual Return for year 2011 within 42 days after its date of anniversary of incorporation, which was in breach of section 109(1A) of the Predecessor Companies Ordinance.	The directors at the material time relied on the company secretary to handle the company secretarial matters and were not familiar with the requirements under section 109(1A) of the Predecessor Companies Ordinance.	The Annual Return for year 2011 had been filed with the Companies Registry.	The maximum penalty under the Predecessor Companies Ordinance is a fine of HK\$50,000 and a maximum daily default fine of HK\$700. However, our Legal Counsel is of the opinion the risk of prosecution is relatively low and in case of prosecution, the penalty would be in a range of roughly HK\$30,000 to HK\$50,000 (including daily fines). Our Company has not made any provision for such fine as we consider that the potential fine is not a material amount compared to the overall financial status of our Group.

BUSINESS

Non-compliant subsidiar(ies)	Identities of the relevant directors and company secretary	Particulars of non-compliance	Reason(s) of non-compliance	Remedial measures taken	Maximum potential penalties
Champ Profit	Directors of the relevant subsidiary at the material time: Mr. Chu and Ms. Chu Company secretary of the relevant subsidiary at the material time: Ms. Kan Miu Shan	Champ Profit failed to lay audited financial statements at the annual general meetings for 2012 and 2013 in breach of section 122(1) of the Predecessor Companies Ordinance.	The directors at the material time relied on the company secretary to handle company secretarial matters and were not familiar with the requirements under section 122(1) of the Predecessor Companies Ordinance.	The accounts for years ended 31 December 2011 and 31 December 2012 had subsequently been laid at the shareholder's meeting held on 5 December 2013.	The maximum penalty under the Predecessor Companies Ordinance is a fine of HK\$300,000 and twelve months' imprisonment. However, our Legal Counsel is of the opinion that the risk of prosecution of the relevant directors is relatively low and any monetary fine would be in the tune of several thousand to ten thousand Hong Kong dollars. Our Company has not made any provision for such fine as we consider that the potential fine is not a material amount compared to the overall financial status of our Group.
Pointway	Directors of the relevant subsidiary at the material time: Mr. Chu and Ms. Chu Company secretary of the relevant subsidiary at the material time: Ms. Kan Miu Shan	Audited financial statements laid at the annual general meetings for 2011 and 2012 for Pointway were not made up to a date falling not more than nine months before the date of the relevant annual general meeting, which was in breach of section 122(1A) of the Predecessor Companies Ordinance.	The directors at the material time relied on the company secretary to handle company secretarial matters and were not familiar with the requirements under section 122(1A) of the Predecessor Companies Ordinance.	No remedial action is required.	The maximum penalty under the Predecessor Companies Ordinance is a fine of HK\$300,000 and twelve months' imprisonment. However, our Legal Counsel is of the opinion that the risk of prosecution of the relevant directors is relatively low and any monetary fine would be in the tune of several thousand to ten thousand Hong Kong dollars. Our Company has not made any provision for such fine as we consider that the potential fine is not a material amount compared to the overall financial status of our Group.

We have adopted the following internal control measures to ensure on-going compliance with the Companies Ordinance and other applicable laws and regulations after the Listing:

- Mr. Tse Kar Keung, the financial controller and company secretary of our Group, has been designated to oversee the compliance matters of our Group;
- on 4 September 2014, our legal advisers as to Hong Kong law provided a training session to our Directors and members of senior management, which covers matters on regulatory compliance;
- our Company will retain Hong Kong legal advisers to advise our Group on compliance matters; and
- regular training in relation to laws and regulations applicable to our Group's business are provided to our Directors, senior management and employees from time to time.

II. Issues in relation to compliance with the laws and regulations in the PRC

Non-compliant subsidiary(ies)	Identity and position of the Director(s)/senior management involved	Particulars of non-compliance	Reasons for non-compliance	Maximum potential penalties	Rectification actions taken and status	Internal control measures to ensure ongoing compliance
Goldtium (Jiangmen) Battery, Goldtium (Jiangmen) Energy, Dongguan Golden Power and Dongguan Victory Battery	Mr. Tang, who was the general manager of our Dongguan Production Facility since April 2007 and the general manager of both our Dongguan Production Facility and Jiangmen Production Facility since April 2012, was responsible for overseeing the social insurance matters during the relevant period	Failed to make full social insurance contributions for employees based on their actual income in accordance with the PRC Social Insurance Law (《中華人民共和國社會保險法》) prior to the disposal of Goldtium (Jiangmen) Battery in July 2013, prior to in respect of Goldtium (Jiangmen) Energy and prior to January 2014 in respect of Dongguan Golden Power and Dongguan Victory Battery	We had inadvertently failed to seek advice from legal advisers in respect of PRC labour and social protection related laws and regulations, and made contributions based on the local minimum wage instead of actual wages as required by law	As advised by our PRC Legal Advisers, we may be ordered to pay all the outstanding social insurance contributions for the relevant employees, a daily default fine of 0.05% and a fine equivalent to one to three times of the outstanding amount, if such payment is not made within the prescribed time limit prescribed by the relevant social insurance contribution collection institution. The relevant employees may also claim economic compensation.	Goldtium (Jiangmen) Energy started making social insurance contributions in full compliance with the law in December 2013. Dongguan Golden Power and Dongguan Victory Battery started making social insurance contributions in full compliance with the law in January 2014.	On 8 August 2014, our PRC Legal Advisers provided a training session to the members of senior management of our subsidiaries in Dongguan and Jiangmen, which covered compliance with the PRC Social Insurance Law.
			Since Goldtium (Jiangmen) Battery was disposed of from our Group in July 2013, our Group no longer has any potential liability in relation to its non-compliance.		During the Track Record Period and up to the Latest Practicable Date, our Group has not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid social insurance contributions or any penalties.	The Group has revised its internal control policy regarding social insurance contributions to be made by our PRC subsidiaries.
			The aggregate shortfall in the social insurance contributions made by Goldtium (Jiangmen) Energy, Dongguan Golden Power and Dongguan Victory Battery during the Track Record Period amounted to approximately RMB2.15 million. Accordingly, we may be ordered to pay a maximum of (i) the aggregate shortfall in the amount of RMB2.15 million; (ii) daily default fine of approximately RMB542,000 in total; and (iii) a fine of up to RMB6.45 million, being three times of the aggregate shortfall in the social insurance contributions made by the Group.		We obtained written confirmations dated 26 August 2013, 14 March 2014, 9 September 2014 and 16 January 2015 respectively from the Jiangmen Pengjiang Labour and Social Security Bureau, which is the competent authority as advised by our PRC Legal Advisers, that it had not received any complaints from the employees of Goldtium (Jiangmen) Energy and had not penalised Goldtium (Jiangmen) Energy for violating laws and regulations from 1 June 2008 to 16 January 2015.	We have designated Mr. Lan Zhaoyun, the human resources manager for our subsidiaries in Dongguan and Ms. Canis Ma, the human resources manager for our subsidiaries in Jiangmen, both of whom have received training from our PRC Legal Advisers on relevant PRC laws and regulations, to monitor the compliance with the PRC Social Insurance Law.
			Provision has not been made for the unpaid amount of contributions and fines since our PRC Legal Advisers are of the view that the likelihood of us being demanded to pay the unpaid amount of contributions or penalised by the competent authority on its own initiative is low.			

Non-compliant subsidiary(ies)	Identity and position of the Director(s)/senior management involved	Particulars of non-compliance	Reasons for non-compliance	Maximum potential penalties	Rectification actions taken and status	Internal control measures to ensure ongoing compliance
Goldtium (Jiangmen) Battery, Goldtium (Jiangmen) Energy, Dongguan Golden Power and Dongguan Victory Battery	Mr. Tang, who was the general manager of our Dongguan Production Facility since April 2007 and the general manager of both our Dongguan Production Facility and Jiangmen Facility since April 2012, was responsible for housing provision fund matters during the relevant period	Failed to register and open housing provident fund accounts for employees prior to the disposal of Goldtium (Jiangmen) Battery in July 2013, prior to July 2013 in respect of Goldtium (Jiangmen) Energy and prior to September 2013 in respect of Dongguan Golden Power and Dongguan Victory Battery; and failed to make housing provident fund contributions for our employees at all or made contributions for only some of them based on the local minimum wage instead of actual wages as required by law	We had inadvertently failed to seek advice from legal advisers in respect of PRC labour and social protection related laws and regulations, and omitted to make any housing provident fund contributions for our employees at all or made contributions for only some of them based on the local minimum wage instead of actual wages as required by law	As advised by our PRC Legal Advisers, failure in registering and opening accounts for employees' housing provident fund contributions may give rise to maximum fine of RMB50,000, and we may be ordered to pay the outstanding amount of contributions. The relevant employees are entitled to request the Group to make outstanding contributions. Since Goldtium (Jiangmen) Battery was disposed of from our Group in July 2013, our Group no longer has any potential liability in relation to its non-compliance. The aggregate shortfall in the housing provident fund contributions made by Goldtium (Jiangmen) Energy, Dongguan Golden Power and Dongguan Victory Battery during the Track Record Period amounted to approximately RMB1.14 million. Accordingly, we may be ordered to pay a maximum of RMB1.19 million, which comprises the aggregate shortfall in contributions and a maximum fine of RMB50,000.	Goldtium (Jiangmen) Energy registered and opened accounts with the relevant authorities in July 2013 and started making housing provident fund contributions in full compliance with the law in January 2014, having also made up the shortfall from July to September 2014. Dongguan Golden Power and Dongguan Victory Battery registered and opened accounts with the relevant authorities in September 2013 and started making housing provident fund contributions in full compliance with the law in January 2014. During the Track Record Period and up to the Latest Practicable Date, our Group has not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid housing provident fund contributions or any penalties.	On 8 August 2014, our PRC Legal Advisers provided a training session to the members of senior management of our subsidiaries in Dongguan and Jiangmen, which covered compliance with the Housing Provident Fund Management Law.
The Group				The Jiangmen Housing Provident Management Centre, which is the competent authority as advised by our PRC Legal Advisers, had (i) confirmed to us in writing on 2 September 2014 that it had not penalised Goldtium (Jiangmen) Energy for violating the laws and regulations in relation to housing provident fund since July 2013 up to the date of the confirmation; (ii) acknowledged verbally on 11 September 2014 the failure by Goldtium (Jiangmen) Energy to make full contributions; (iii) confirmed verbally on 11 September 2014 that it will not normally impose any penalty on Goldtium (Jiangmen) Energy for such non-compliance unless complaints are received from the relevant employees, and that no such complaints had been received up to that date; and (iv) confirmed to us in writing on 22 January 2015 that it had not penalised Goldtium (Jiangmen) Energy for violating the laws and regulations in relation to housing provident fund up to the date of the confirmation.	The Group has revised its internal control policy regarding housing provident fund contributions to be made by our PRC subsidiaries. We have designated Mr. Lan Zhaoyun, the human resources manager for our subsidiaries in Dongguan and Ms. Camis Ma, the human Resources manager for our subsidiaries in Jiangmen, both of whom have received training from our PRC Legal Advisers on relevant PRC laws and regulations, to monitor the compliance with the Housing Provident Fund Management Law.	
The Group			Provision has not been made for the unpaid amount of contributions and fines since our PRC Legal Advisers are of the view that the likelihood of us being demanded to pay the unpaid amount of contributions or penalised by the competent authority on its own initiative is low.	The Dongguan Housing Provident Management Centre, which is the competent authority as advised by our PRC Legal Advisers, had (i) confirmed to us in writing on 19 September 2014 and 15 January 2015 that Dongguan Golden Power and Dongguan Victory Battery had registered and opened housing provident fund accounts for their employees in September 2013 and had been making housing provident fund contributions for their employees since then, and (ii) confirmed verbally on 12 September 2014 that it will not normally impose any penalty on Dongguan Golden Power and Dongguan Victory Battery for failing to make housing provident fund contributions for employees in full based on their actual income, unless complaints are received from the relevant employees.		

BUSINESS

Our Directors are of the view that we have taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels and therefore our Company's enhanced internal control measures are adequate and effective and the non-compliances do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, or our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

Further, our Controlling Shareholder, Mr. Chu, has entered into the Deed of Indemnity in favour of our Company, whereby he undertook with our Company to indemnify our Group from and against all losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to the non-compliances in the relevant jurisdictions pursuant to the Deed of Indemnity. Further details of the Deed of Indemnity are set out in Appendix V to this prospectus.

The Sole Sponsor has considered (i) the reason for the non-compliance incidents as disclosed in this section; (ii) the remote risk of the maximum penalty being imposed on our Group based on our PRC Legal Advisers' advice; (iii) the fact that the non-compliance incidents are not uncommon for private companies whose officers have insufficient legal knowledge or have not received any training in compliance matters; and (iv) the rectification actions taken by our Group, and is of the view that our Company's enhanced internal control measures are adequate and effective. In light of the above and based on the fact that the non-compliance matters do not involve any dishonesty on the part of our Directors, the Sole Sponsor is of the view that our Directors have the character, experience and integrity to act as directors of a listed issuer, and these past non-compliance incidents do not cast any doubt on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability for the listing of our Company under Rule 11.06 of the GEM Listing Rules.

BUSINESS


MAJOR AWARDS AND RECOGNITIONS

The following table sets forth the major awards and recognitions that our Group has obtained since 2012:

Award/recognition	Date of issue/ validity period	Issuing organization	Awardee
質量信用AA級企業 (AA Graded Corporation Certification*)	1 July 2014 to 30 June 2015	江門市企業質量誠信網 (Jiangmen Enterprise Credit Information Network*) and Jiangmen Enterprise's Quality Development and Promotion Network (江門市 企業質量發展促進會)	Goldtium (Jiangmen) Energy
SA8000: 2008	29 August 2013 to 28 August 2016	Hong Kong Quality Assurance Agency	Goldtium (Jiangmen) Energy
SA8000: 2008	27 February 2013 to 26 February 2016	Hong Kong Quality Assurance Agency	Dongguan Victory Battery
ISO9001: 2008	16 February 2015 to 15 February 2018	Hong Kong Quality Assurance Agency	Goldtium (Jiangmen) Energy
ISO9001: 2008	30 December 2014 to 29 December 2017	Hong Kong Quality Assurance Agency	Dongguan Victory Battery
ISO14001: 2004	10 October 2013 to 27 December 2015	Hong Kong Quality Assurance Agency	Goldtium (Jiangmen) Energy

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we are the registered owner of 22 patents in the PRC, including 19 utility model patents in respect of our production equipment and an invention patent in respect of mercury-free alkaline micro-button cells. This invention patent is also registered in Hong Kong.

We have registered the trademark **GoldenPower** in the PRC, Hong Kong, USA, Japan, Russia and South Korea, and the trademark  in the PRC and Hong Kong, in respect of batteries. We have also registered the domain name of www.goldenpower.com which is used as the website of our Group.

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademarks, patents or other intellectual property. Our Directors are not aware of any use by any third party of our logo or brand and believe that there has been no infringement that would result in a significant potential impact to our business.

BUSINESS

Please refer to the paragraph headed “Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights” in Appendix V to this prospectus for details of the intellectual property rights of our Group which are material to our business.

PROPERTIES

As at the Latest Practicable Date, we owned two properties with a total site area of 22,799 sq.m. and a total GFA of 28,918.21 sq.m. in Jiangmen, the PRC, which are used as our Jiangmen Production Facility and office. As at the Latest Practicable Date, we leased two properties with a total GFA of 34,673 sq.m. in Dongguan, the PRC, which are used as our Dongguan Production Facility and dormitory and leased one property with a total GFA of 759.61 sq.m. in Jiangmen, the PRC, which is used as dormitory. We also own one property with saleable floor area of 97.463 sq.m. in Macau, which is used as our staff quarters to facilitate commute between Hong Kong and our production facilities in the PRC. We also owned one property with a GFA of 41,570 sq.ft. in Hong Kong which is used as our ancillary office, showroom, storage and carparking spaces, and leased one property in Hong Kong with a GFA of 665 sq.ft. which is used as our staff quarters.

A list of material properties occupied by our Group is set out in Appendix III to this prospectus.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule thereto, which requires a valuation report with respect to all of our interests in land or buildings, for the reason that, as of 31 December 2014, none of our properties has a carrying amount of 15% or more of our combined total assets.

Properties in the PRC

As at the Latest Practicable Date, we owned two properties with a total site area of 22,799 sq.m. and a total GFA of 28,918.21 sq.m. in Jiangmen, the PRC, which are used as our Jiangmen Production Facility and office. We also leased two properties with a total GFA of 34,673 sq.m. in Dongguan, the PRC, which are used as our Dongguan Production Facility and dormitory and leased one property with a total GFA of 759.61 sq.m. in Jiangmen, the PRC, which is used as dormitory. The lease in respect of our Dongguan Production Facility will expire on 31 March 2020. For details of these properties, please refer to the paragraph headed “Business — Production facilities” in this prospectus.

As of the Latest Practicable Date, with respect to four blocks of buildings in our Dongguan Production Facility, the relevant landlord had not been able to provide its building ownership certificates evidencing its rights to lease the properties to us. These properties are used as our machinery workshop, battery parts production department, warehouse, office, chemical testing laboratory and staff quarters, with an aggregate GFA of approximately 15,036 sq.m.. We do not enjoy any material discount in rental for these properties as a result of the lack of building ownership certificates.

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As advised by our PRC Legal Advisers, the leasing of premises without building ownership certificates is not permissible and the relevant lease agreements may be deemed invalid, and we may be forced to move out from the relevant leased properties. Our Directors believe that the properties with title defects in our Dongguan Production Facility are not individually or collectively crucial to, and do not have a material impact on, our business or financial position because (1) these properties comprise a minor portion of the properties occupied by us; (2) these properties are not used for our core manufacturing or assembling operations, and the machines and equipment currently placed therein could be easily relocated to alternative premises. In the event that we are required to move out of these properties, we have formulated a contingency plan to relocate our operations therein to the other blocks with building ownership certificates in our Dongguan Production Facility and our Jiangmen Production Facility respectively. Our Directors estimate that the aggregate relocation costs (including the costs of water and electrical installations and renovation costs) will be approximately RMB4.5 million, and that it will take approximately 60 working days to relocate our operation in the properties with defective title. Our Directors do not expect that any loss of earnings will result from the relocation since (i) our core manufacturing and assembling operations are not located in the relevant properties; and (ii) our Group generally keeps 30 to 60 days' supply of raw materials and keeps our inventory of battery products at a level representing around 30 to 60 days' sales amount, and will further adjust our production schedule before the relocation to minimise the effect of the temporary suspension of operations located at the affected properties.

As advised by our PRC Legal Advisers, the risk that we may be forced to move out from the leased properties without building ownership certificates is low, since the relevant lease agreements have been registered with the relevant authority in the PRC and as such, the fact that the relevant properties was leased to us had been reported to the relevant authority. Our Directors confirm that the relevant leases and the use of the relevant properties by our Group have not been challenged since we first occupied the properties in 1995 up to the Latest Practicable Date. We are also advised by our PRC Legal Advisers that our Group will not be subject to any criminal, civil or administrative penalty or fine as a result of our landlord's failure to obtain the building ownership certificates. Please refer to the paragraph headed "Risk Factors — Risks relating to the business of our Group — Certain defects related to certain properties leased by us in PRC may materially and adversely affect our ability to use such properties" in this prospectus.

Properties in Hong Kong

As at the Latest Practicable Date, our Group, owned one property in Hong Kong which has a GFA of 41,570 sq.ft. and is used as our ancillary office, showroom, storage and carparking spaces, and leased one property in Hong Kong which has a GFA of 665 sq.ft. and is used as our staff quarters.

The lease agreement in respect of our leased property in Hong Kong is expected to continue after Listing until its expiry date, which is 31 March 2018. As the landlord, namely China Scene, is a connected person of our Company, the transaction contemplated under the lease agreement in respect of our leased property in Hong Kong constitutes continuing

connected transaction of our Company under Chapter 20 of the GEM Listing Rules. For details, please refer to the sections headed “Connected Transactions — Exempt continuing connected transactions — Leasing of staff quarter with China Scene” in this prospectus.

Property in Macau

As at the Latest Practicable Date, our Group owned one property with saleable floor area of 97.463 sq.m. in Macau, which is used as our staff quarters to facilitate commute between Hong Kong and our production facilities in the PRC.

INSURANCE

During the Track Record Period, the insurance policies maintained by our Group primarily include (i) social insurance for our employees as required by the PRC rules and regulations, (ii) product liability insurance, (iii) property all-risks insurance, (iv) insurance for our goods in transit, and (v) business interruption insurance. The insurance premium paid by our Group for each of FY2013 and FY2014 amounted to approximately HK\$0.47 million and HK\$0.54 million, respectively. Our Directors consider that our Group’s insurance coverage is adequate and in line with the general practice in the industry. Our Group had not made any material claims under our insurance policies during the Track Record Period.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our results of operations or financial position.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business strategies” under the section headed “Business” of this prospectus for our business objectives and strategies.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the listing of our Shares on GEM will enhance our corporate profile and the net proceeds from the Placing will strengthen our financial position and will enable us to implement our business plans set out in the paragraph headed “Implementation plans” below.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which assists us in our future business development, enhances our corporate profile and strengthens our competitiveness.

The net proceeds from the Placing, after deducting the related expenses, are estimated to be approximately HK\$37.48 million (calculated based on the Placing Price of HK\$1.30, being the mid-point of Placing Price) (taking no account of any Shares which may be granted under the Share Option Scheme). Our Directors presently intend to apply such net proceeds from the Placing as follows:

- approximately 90% of the net proceeds, or approximately HK\$33.73 million, for repaying three bank loan facilities. These facilities were used for our Group’s trade payables financing. The reason for using bank borrowings to finance our Group’s trade payables, notwithstanding that interest will be payable, is mainly to provide flexibility on the cash flow of our Group as well as in accordance with the terms of the relevant bank loan facilities to commit a minimum amount of trade payables financing. The interest rates charged to these facilities are 1% per annum below the relevant standard bills rate quoted by the relevant bank, 3.75% per annum and the statutory loan interest rate published by the People’s Bank of China plus 20%, respectively. The credit period in respect of two of these facilities is 120 days whereas the remaining facility is repayable on demand. As at the Latest Practicable Date, the remaining loan balance in respect of these facilities was HK\$69.18 million; and
- approximately 10% of the net proceeds, or approximately HK\$3.75 million, for general working capital.

If the Placing Price is set at the highest or lowest point of the proposed Placing Price range, the net proceeds of the Placing will increase to approximately HK\$40.16 million or decrease to approximately HK\$34.81 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is our Directors’ present intention that such net proceeds be placed in short-term interest bearing deposit accounts held with authorized financial institutions.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

IMPLEMENTATION PLANS

Set out below is the expected timeline from the Latest Practicable Date to 31 December 2017 for our Group to deploy the abovementioned net proceeds to be raised from the Placing, in accordance with the implementation of our future plans. It should be noted that our implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are subject to uncertainties and unpredictable factors, in particular, the risk factors set forth in the section headed “Risk Factors” of this prospectus.

	For the six months ended					
	From the Latest Practicable Date to 31 December 2015 (HK\$'million)	30 June 2016 (HK\$'million)	31 December 2016 (HK\$'million)	30 June 2017 (HK\$'million)	31 December 2017 (HK\$'million)	Total (HK\$'million)
Repayment of bank loan	33.73	—	—	—	—	33.73
General working capital	<u>3.75</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3.75</u>
Total	<u>37.48</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>37.48</u>

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plans from the Latest Practicable Date up to 31 December 2017.

- there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong, the PRC or in any other places in which any member of our Group carries on or will carry on business and provides or will provide human resources related services;
- there will be no material change in the bases or rates of taxation in Hong Kong, the PRC or in any other places in which any member of our Group operates or will operate or is incorporated;
- the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” to this prospectus;
- our Group is able to retain our customers and suppliers;
- our Group will be able to retain key staff in the management and the main operational departments;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (f) our Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” of this prospectus; and
- (g) our Group will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and will be able to carry out our implementation plans without any disruptions which would adversely affect our operations or business objectives in any way.

CONNECTED TRANSACTIONS

Prior to the Listing, we have entered into the following transactions with the following entities which will be regarded as connected persons of our Company. Upon the Listing, the following transactions will constitute continuing connected transactions with our Company under the GEM Listing Rules.

CONNECTED PERSONS

The relevant connected persons, with whom we entered into the continuing connected transactions, are as follows:

1. China Scene

China Scene is owned as to 50% of its issued share capital by Golden Power Investments which is a wholly-owned subsidiary of Golden Villa, and as to 50% of its issued share capital by Golden Villa. As Mr. Chu, our executive Director and Controlling Shareholder, is the sole legal and beneficial owner of the entire issued share capital of Golden Villa and thus Golden Power Investments, China Scene is a 30%-controlled company (as defined under the GEM Listing Rules) of Mr. Chu and therefore a connected person under Rule 20.07(4) of the GEM Listing Rules.

2. Nan Hua Jin Li

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu, who is a nephew of Mr. Chu, our executive Director and Controlling Shareholder, and as to 29% by Independent Third Parties. Therefore, Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules. As Nan Hua Jin Li is a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Zhu, it is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules.

3. Suenglh

Suenglh is legally and beneficially owned as to 100% by Mr. Zhu, who is a nephew of Mr. Chu, our executive Director and Controlling Shareholder, and therefore a connected person under Rule 20.19(1)(a) of the GEM Listing Rules. As Suenglh is a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Zhu, it is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions below are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 20.74(1) of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Leasing of Staff Quarter with China Scene

Background and principal terms

On 1 March 2012, Golden Power Corporation entered into a tenancy agreement with China Scene (the “**Staff Quarter Tenancy Agreement**”), pursuant to which China Scene agreed to lease to our Group Flat E on 19/F of Tower 16, Tai Po Centre (Phase 5), No.6 On Pong Road, Tai Po, New Territories (the “**Staff Quarter**”), for a term of three years commencing from 1 April 2012 and ending on 31 March 2015 at a monthly rent of HK\$12,000. The Staff Quarter Tenancy Agreement was subsequently renewed on 1 March 2015 for a term of three years commencing from 1 April 2015 and ending on 31 March 2018 at a monthly rent of HK\$14,600 (the “**Renewed Staff Quarter Tenancy Agreement**”).

Historical transaction amounts, proposed annual caps and basis of determination

The amounts paid by our Group to China Scene for leasing the Staff Quarter during the Track Record Period and the expected maximum aggregate annual amount payable by our Group pursuant to the transactions under the Staff Quarter Tenancy Agreement and the Renewed Staff Quarter Tenancy Agreement are set out below:

Historical transaction amount (HK\$'000)		Proposed annual cap (HK\$'000)	
FY2013	FY2014	Year ending 31 December 2015	2016
<u>144</u>	<u>144</u>	<u>167.4</u>	<u>175</u>

The proposed annual caps with respect to the Staff Quarter Tenancy Agreement and the Renewed Staff Quarter Tenancy Agreement were determined based on, among others, the prevailing market rent for similar premises in the vicinity at the time and the historical transaction amounts with China Scene. Vigers Appraisal and Consulting Limited, our property valuer, has reviewed the Staff Quarter Tenancy Agreement and the Renewed Staff Quarter Tenancy Agreement and confirmed that the terms therein reflect the prevailing market condition in Hong Kong and that the rent payable by Golden Power Corporation is fair and reasonable and reflects the prevailing market rates of comparable properties in similar location.

Our Directors consider that the proposed annual caps of the Staff Quarter Tenancy Agreement and the Renewed Staff Quarter Tenancy Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Implications under the GEM Listing Rules

As each of the applicable percentage ratios (other than profits ratio) in respect of the transaction pursuant to the Staff Quarter Tenancy Agreement and the Renewed Staff Quarter Tenancy Agreement is, on an annual basis, expected to be less than 0.1% and thus fall within the de minimis threshold under Rule 20.74(1)(a) of the GEM Listing Rules, the transaction pursuant to the Staff Quarter Tenancy Agreement and the Renewed Staff

CONNECTED TRANSACTIONS

Quarter Tenancy Agreement is exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transaction subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules

Provision of goods by our Group to Nan Hua Jin Li and Suenglh (collectively "Mr. Zhu's Associated Companies")

Background

On 31 December 2013, our Company entered into the Master Sales Agreement with Mr. Zhu's Associated Companies, which was amended by a supplemental agreement entered into between our Company and Mr. Zhu's Associated Companies on 15 September 2014 (the "**Supplemental Agreement**"), for the sale and supply of our Group's batteries in the PRC (excluding Macau and Taiwan), for a term of three years commencing from 1 January 2014 and ending on 31 December 2016.

Our Directors consider Mr. Zhu's Associated Companies as stable and important customers and thus it is in our Group's interest to continue the transactions after the Listing. Prior to 2008, our Group only conducted limited domestic sale in the PRC. Mr. Zhu's Associated Companies were engaged and their sales network assisted our Group to develop the PRC market over the years. In particular, Nan Hua Jin Li has been a long-term customer of our Group for over 10 years with good credit records and has enabled our Group to explore the PRC disposable battery industry and market.

Principal terms

The annual caps of the transactions under the Master Sales Agreement are stipulated as approximately HK\$37.80 million, HK\$40.60 million and HK\$42.60 million for the years ended/ending 31 December 2014, 2015 and 2016, respectively.

According to the Master Sales Agreement, Mr. Zhu's Associated Companies could only accept purchase orders from customers (other than its existing customers at the time when the Supplemental Agreement was entered into) of which the aggregate sales amount exceeds RMB50 million or such other amount as may be determined between them after friendly negotiation with our approval. Further, Mr. Zhu's Associated Companies unconditionally and irrevocably undertook (i) not to directly or indirectly liaise with nor contact with our Company's customers; (ii) not to directly or indirectly compete with our battery related business save for its business with its existing customers or such other business as approved by us from time to time; and (iii) not to conduct any battery related business with our Company's customers.

CONNECTED TRANSACTIONS

Historical transaction amounts, proposed annual caps and basis of determination

The amounts received by our Group from Mr. Zhu's Associated Companies in respect of the transactions between the parties during the Track Record Period and the expected maximum aggregate annual amount payable to our Group in respect of the transactions under the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement) are set out below:

Historical transaction amount (HK\$'000)			Proposed annual cap (HK\$'000)	
Year ended 31 December			Year ending 31 December	
2012	2013	2014	2015	2016
<u>26,947</u>	<u>36,144</u>	<u>26,566</u>	<u>40,600</u>	<u>42,600</u>

The proposed annual caps with respect to the transactions under the Master Sales Agreement are stipulated as approximately HK\$37.80 million, HK\$40.60 million and HK\$42.60 million for the years ended/ending 31 December 2014, 2015 and 2016, respectively in the Supplemental Agreement. In determining the proposed annual caps, the following factors were taken into account:

- the historical transaction amount of approximately HK\$36.14 million in FY2013, which was the maximum annual transaction amount for the four years ended 31 December 2013;
- the increase in historical transaction amount between our Group and Mr. Zhu's Associated Companies for the year ended 31 December 2012 and FY2013, which were approximately HK\$26.95 million and HK\$36.14 million, respectively, recording a growth of approximately 34.13%;
- the annual increment of the proposed annual caps ranging from approximately 4.58% to 7.41%, which was determined with reference to (i) the potential growth of business, with total revenue of the Group recorded a growth of approximately 7.21% from the year ended 31 December 2012 to FY2013; and (ii) the relevant sales forecasts provided by Mr. Zhu's Associated Companies for FY2014 and the year ending 31 December 2015;
- the expected increase in demand for our "ecototal" series of batteries, which has a relatively higher average selling price than other batteries with the same battery capacities, from Mr. Zhu's Associated Companies in 2016 due to the introduction of new policies and regulations in the European Union and the PRC in relation to hazardous substance-free batteries, in particular, with effect from 31 December 2015 in the PRC, which drives the increment of approximately 4.93% in the proposed annual cap from the year ending 31 December 2015 to the year ending 31 December 2016;
- the historical prices of disposable batteries of our Group for the year ended 2012 and FY2013;

CONNECTED TRANSACTIONS

- the suggested price list of batteries adopted by our Company at the time when the Supplemental Agreement was entered into;
- the prevailing market prices of disposable batteries at the time when the Supplemental Agreement was entered into;
- the potential growth of demand that may be derived from the possible future business growth of Mr. Zhu's Associated Companies in light of the increasing historical transaction volume between our Group and Mr. Zhu's Associated Companies for the year ended 31 December 2012 and FY2013; and
- the historical revenue growth for the year ended 2012 and FY2013 and the expected business growth of our Group.

The transaction amount between our Group and Mr. Zhu's Associated Companies for FY2014 was approximately HK\$26.57 million, which was lower than the annual cap amounting to approximately HK\$37.80 million. The decrease in transaction amount compared with that of FY2013 was due to, among other reasons, our Group's business strategy to secure long-term relationship with a European customer. In the final quarter of FY2014, the production capacity of our Group was more focused and prioritised on the urgent purchase orders from a strategic European customer with a view to secure long-term business relationship with that customer. In view of the long-term and stable business relationship with Mr. Zhu's Associated Companies, the purchase orders from Mr. Zhu's Associated Companies in the final quarter of FY2014 were delayed to the year ending 31 December 2015.

In view of (i) the relevant sales forecasts and the potential growth in demand of Mr. Zhu's Associated Companies; (ii) the exceptional circumstances in relation to the sales to Mr. Zhu's Associated Companies in FY2014 as aforementioned; and (iii) the increase in transaction amount of approximately 75.92% and 132.63% respectively for the one month ended 31 January 2015 as compared to the corresponding period in 2014 and 2013, respectively, according to our management accounts, our Directors consider that the proposed annual caps with respect to the transactions with Mr. Zhu's Associated Companies for the three years ending 31 December 2016 are fair and reasonable.

The prices of batteries to be supplied and sold to Mr. Zhu's Associated Companies pursuant to the Master Sales Agreement shall be determined with reference to the price list of batteries adopted by our Group generally applicable to all customers of our Group at the material time which shall be formulated by Ms. Chu, our chief executive officer and executive Director, with reference to the following factors:

- the prevailing prices of the corresponding types of batteries in the market;
- our Company's production costs at the material time;
- the volume of our Company's purchase orders at the material time;
- the requested packaging requirements; and

CONNECTED TRANSACTIONS

- any other factors affecting the batteries prices.

Further, the prices of the batteries to be supplied and sold to Mr. Zhu's Associated Companies shall be at terms no more favourable than that offered to other third-party purchasers by our Group at the material time.

Implications under the GEM Listing Rules

As certain applicable percentage ratios (other than profits ratio) in respect of the transactions under the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement) are, 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 (as amended and supplemented by the Supplemental Agreement) constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

APPLICATION FOR WAIVER

Given the recurring nature of the transactions pursuant to the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement), which are expected to continue after the Listing, the Directors consider that strict compliance with the requirements under Chapter 20 of the GEM Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs on our Company.

As the transactions described above have been fully disclosed in this prospectus, we have therefore applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the reporting, announcement, circular and the independent shareholders' approval requirements otherwise applicable to continuing connected transactions as mentioned above under the GEM Listing Rules, subject to following conditions:

- the annual caps for each of such continuing connected transactions as stated above will not be exceeded; and
- our Company will comply with other applicable requirements under Chapter 20 of the GEM Listing Rules.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that each of the continuing connected transactions described above has been entered into and will be carried out in our ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and the proposed annual caps set forth above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the opinion that the continuing connected transactions described above have been and will be entered into in our ordinary and usual course of business of our Group, on normal commercial terms and the terms of the relevant agreements are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and the proposed annual caps set forth above are fair and reasonable and in the interests of our Shareholders as a whole. As such, our Directors (including our independent non-executive Directors) confirm that it is in the interests of our Group and our Shareholders as a whole to continue with the aforesaid transactions after the Listing.

In the event that we enter into any new transaction(s) or agreement(s) with any connected person(s) in the future, our Directors undertake that our Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules, including Rules 20.32, 20.49 to 20.58, 20.66(4) and 20.69(6). In addition, if any of the continuing connected transactions shall continue after the expiry of the current waiver and/or if the transaction amount of any of the aforesaid continuing connected transactions shall exceed the expected annual caps, our Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Directors						
Mr. Chu King Tien (朱境澁先生)	60	Executive Director, chairman of our Group, chairman of the nomination committee and member of remuneration committee	7 June 2012	23 July 2003 (<i>Note</i>)	Overall corporate development and strategic planning of our Group	Father of Mr. Chu Ho Wa
Ms. Chu Shuk Ching (朱淑清女士)	52	Executive Director and chief executive officer of our Group	7 June 2012	23 July 2003 (<i>Note</i>)	Overall management, administration and implementation of policy of our Group	Sister of Ms. Chu Suk Man
Mr. Tang Chi Him (鄧志謙先生)	43	Executive Director and general manager of our Group	1 April 2013	1 September 2005 (<i>Note</i>)	Overseeing the overall management of the Dongguan Production Facility and the Jiangmen Production Facility of our Group and administrating the manufacturing operations of our two factories in Dongguan	N/A
Mr. Chu Ho Wa (朱浩華先生)	30	Executive Director, marketing manager and corporate business development manager	1 April 2013	1 July 2009	Developing and implementing the strategic sales and marketing plans, looking for new marketing opportunities and liaising with existing customers	Son of Mr. Chu
Mr. Hui Kwok Wah (許國華先生)	42	Independent non-executive Director, chairman of the audit committee, chairman of the remuneration committee and member of the nomination committee	15 May 2015	15 May 2015	Giving independent advice to the Board	N/A
Mr. Ma Sai Yam (馬世欽先生)	51	Independent non-executive Director, member of the audit committee, member of the remuneration committee and member of the nomination committee	15 May 2015	15 May 2015	Giving independent advice to the Board	N/A
Mr. Chow Chun Hin Leslie (周駿軒先生)	31	Independent non-executive Director and member of the audit committee	15 May 2015	15 May 2015	Giving independent advice to the Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Senior management						
Mr. Liang Tao (梁滔先生)	49	General manager of Goldtium (Jiangmen) Energy	1 June 2011	23 July 2003 (<i>Note</i>)	Overseeing all the production and quality control matters of our Jiangmen Production Facility as well as the management, PRC compliance and research and development of our Group	N/A
Ms. Chu Suk Man (朱淑雯女士)	56	Deputy general manager of Golden Power Corporation	1 April 2005	23 July 2003 (<i>Note</i>)	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 our Group	Sister of Ms. Chu
Ms. Wong In San (黄燕珊女士)	50	Deputy general manager of Golden Power Corporation	1 April 2005	23 July 2003 (<i>Note</i>)	Managing the human resources and administration department and formulating and executing human resources management policies and procedures	N/A
Mr. Wong Kai Hung (黄敬洪先生)	50	Deputy general manager of Golden Power Corporation	1 April 2008	23 July 2003 (<i>Note</i>)	Planning, developing and implementing the strategic sales and marketing plans as well as leading and managing the team of salespersons of our Group	N/A
Mr. Tse Kar Keung (謝家強先生)	47	Financial controller and company secretary of our Group	1 April 2013 and 18 April 2013, respectively	1 March 2010	Reviewing and supervising our Group's overall internal control systems and accountancy function and company secretary related matters	N/A

Note: The Golden Power Group Buyout in 2003 marked a new beginning of our Group's history. Prior to the Golden Power Group Buyout, Mr. Chu joined Golden Power Industries on 11 February 1974, Ms. Chu joined Golden Power Industries on 18 May 1987, Mr. Tang joined Golden Power Industries on 4 January 1995, Mr. Liang joined Goldtium (Jiangmen) Battery on 23 January 1998, Ms. Chu Suk Man joined Golden Power Industries on 11 September 1989, Ms. Wong In San joined Golden Power Industries on 21 March 1988 and Mr. Wong Kai Hung joined Golden Power Industries on 1 June 1992.

DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chu King Tien (朱境澐先生), aged 60

Executive Director and chairman

Mr. Chu was appointed as our Director on 7 June 2012, the date of incorporation of our Company, and has been serving as the executive Director and chairman of our Group since 1 April 2013. He is responsible for the overall corporate development and strategic planning of our Group. Mr. Chu has extensive experience in the disposable battery industry and has been engaging in such business for over 40 years.

Mr. Chu studied in 廣州市第100中學 (Guangzhou 100th Secondary School*) in the PRC. He joined Golden Power Industries in February 1974 as an assistant to the general manager and was promoted to be a sales manager in April 1978. In January 1983, Mr. Chu became a director of Golden Power Industries 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, 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 Mr. Wong Pui Sum, an Independent Third Party, acquired the operating branch of business, i.e. Golden Power Investments and its subsidiaries at the time from China Oil and Gas through Golden Villa, and continued to lead the development of our Group by exploring new markets and establishing sustainable business opportunities for our Group. In April 2005, Mr. Chu was appointed as the chairman and managing director of Golden Power Corporation and has been holding the positions since then.

Mr. Chu and Golden Villa, which is wholly-owned by Mr. Chu, are the Controlling Shareholders of our Company. Mr. Chu also serves as a director of all the subsidiaries of our Group, namely, Best Kind, Golden Power Corporation, Gain Smart, Giant Moral, Goldtium (Jiangmen) Energy, Golden Power Industries, Dongguan Victory Battery, Dongguan Golden Power, Champ Profit, Big Power, Golden Pilot, Pointway, Ample Top and Golden Power Properties. Mr. Chu is also the father of Mr. Chu Ho Wa, the executive Director of our Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Chu Shuk Ching (朱淑清小姐), aged 52

Executive Director and chief executive officer

Ms. Chu was appointed as our Director on 7 June 2012, the date of incorporation of our Company, and has been serving as the executive Director and chief executive officer of our Group since 1 April 2013. She is responsible for the overall management, administration and implementation of policy of our Group. Ms. Chu has been engaging in the disposable battery industry for over 28 years.

Ms. Chu graduated from the York University in Canada with a bachelor degree of Administration Studies in November 1985. In May 1987, Ms. Chu joined Golden Power Industries as an assistant to the managing director and office manageress. In November 1993, she became the deputy general manager of Golden Power Industries and in March 1994, Ms. Chu was promoted to be executive director and general manager of China Oil and Gas and served in the position until April 2000. Subsequently, 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 eleven subsidiaries of our Group, namely Best Kind, Golden Power Corporation, Gain Smart, Giant Moral, Golden Power Industries, Champ Profit, Big Power, Golden Pilot, Pointway, Ample Top and Golden Power Properties. She is also the younger sister of Ms. Chu Suk Man, the deputy general manager of Golden Power Corporation.

Mr. Tang Chi Him (鄧志謙先生), aged 43

Executive Director

Mr. Tang has been serving as our executive Director since 1 April 2013 and is also the general manager of our Group, mainly responsible for overseeing the overall management of the Dongguan Production Facility and the Jiangmen Production Facility and administrating the manufacturing operations of the Dongguan Production Facility. Mr. Tang has acquired over 20 years' experience in manufacturing, engineering, quality control and industrial management in the disposable battery industry.

Mr. Tang graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1994 with a higher diploma in manufacturing engineering. He further acquired a bachelor degree of manufacturing engineering in November 1999 and a master of science in engineering management in November 2005 from the City University of Hong Kong.

In January 1995, Mr. Tang joined Golden Power Industries as an engineer and assistant superintendent, supervising the daily operation of engineering and quality control. From September 2000 to August 2005, Mr. Tang had worked in Izumi Manufacturing Limited as a quality control department manager, mainly responsible for supervising the quality control team and guiding the production quality check. In September 2005, Mr.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Tang re-joined Golden Power Industries as a manager and was transferred and became the general manager of Golden Power Corporation since April 2012, responsible for overseeing the overall manufacturing operations of the Dongguan Production Facility and the Jiangmen Production Facility in respect of engineering, research and development, production, quality control, logistics and human resources.

Mr. Chu Ho Wa (朱浩華先生), aged 30

Executive Director

Mr. Chu Ho Wa has been serving as our executive Director since 1 April 2013 and is also the marketing manager and corporate business development manager of our Group, mainly responsible for developing and implementing the strategic sales and marketing plans, looking for new marketing opportunities and liaising with existing customers.

Mr. Chu Ho Wa 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 August 2006 and August 2009, respectively.

In July 2009, Mr. Chu Ho Wa joined our Group as an assistant to director in Golden Power Corporation, mainly responsible for assisting the director in management of raw materials procurement, coordinating with suppliers and handling purchase orders. From April 2011 to June 2014, Mr. Chu Ho Wa had been the senior marketing executive of Golden Power Corporation. He has been serving as a manager of the Corporate Business Development Department of Golden Power Corporation since January 2013.

Mr. Chu Ho Wa is the son of Mr. Chu, our executive Director and chairman of our Group.

Independent non-executive Directors

Mr. Hui Kwok Wah (許國華先生), aged 42

Independent non-executive Director

Mr. Hui Kwok Wah was appointed as our independent non-executive Director on 15 May 2015, and also serves as chairman of the audit committee and remuneration committee of our Company. He is responsible for giving independent advice to our Group. Mr. Hui has extensive experience in the accountancy field and has been engaging in such profession for over 18 years.

Mr. Hui obtained a bachelor of arts degree in accountancy in June 1996 from the City University of Hong Kong. After graduation, Mr. Hui worked with international accounting firms, including Moores Rowland from February 2000 to November 2000 and KPMG from January 2001 to September 2001. From December 2005 to March 2013, Mr. Hui was employed as an audit manager in Tai Kong CPA Limited. He founded Kenny K. W. Hui & Co., CPA in May 2013 and has been its sole proprietor since then. From September 2004 to

DIRECTORS, SENIOR MANAGEMENT AND STAFF

November 2006, Mr. Hui had been an independent non-executive director of Panorama International Holdings Limited (stock code: 8173) (now known as Pan Asia Mining Limited).

Mr. Hui is a member of the Hong Kong Institute of Certified Public Accountants since March 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 July 2010.

Mr. Ma Sai Yam (馬世欽先生), aged 51

Independent non-executive Director

Mr. Ma Sai Yam was appointed as our independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to our Group. Mr. Ma has extensive experience in the legal field and has been engaging in such profession for over 17 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 August 1991. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 1995 and a master degree in laws from Renmin University of China in the PRC in January 2012.

Mr. Ma was admitted to practise law as a solicitor in Hong Kong in September 1997 and has been a member of The Law Society of Hong Kong since then. From June 2000 to March 2002, Mr. Ma had been a consultant of Messrs. Tang, Lai & Leung. In March 2002, Mr. Ma founded Messrs. Ma Tang & Co. and has been its partner since then.

Mr. Chow Chun Hin Leslie (周駿軒先生), aged 31

Independent non-executive Director

Mr. Chow Chun Hin Leslie was appointed as our independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to our Group. Mr. Chow has extensive experience in financial advising and has been engaging in such profession for over 9 years.

In September 2005, Mr. Chow graduated from the University of California in the United States with a bachelor of arts degree in business economics. From October 2005 to March 2009, Mr. Chow worked in Deloitte & Touche LLP in the United States with last position as audit senior. From May 2009 to April 2011, Mr. Chow worked as a manager in Albeck Financial Services, a financial consulting firm in the United States. In May 2011, Mr. Chow became a managing director in Albeck Financial Services and was promoted to be a partner in March 2014, mainly responsible for technical Generally Accepted Accounting Principles consulting, Sarbanes Oxley compliance and work paper preparation for United States listed companies in the PRC.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Mr. Chu King Tien (朱境淀先生), our executive Director, was a director of the following dissolved companies, which were incorporated in Hong Kong, prior to their respective dissolution:

Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
China Favour Engineering Limited (中輝工程有限公司)	Investment	11 May 2001	Deregistration	Cessation of business
Elegant Art Investment Limited (秀麗雅投資有限公司)	Property holding	8 November 2002	Striking off	Disposal of all properties held under its name
Take Mind Limited (再思有限公司)	Property holding	23 March 2007	Deregistration	Disposal of all properties held under its name
Union Shine (Hong Kong) Limited (合輝(香港)有限公司)	Property holding	2 May 2003	Deregistration	Disposal of all properties held under its name

Mr. Chu confirmed that the above four companies were solvent at the time when they were being dissolved by deregistration or struck off.

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he/she does not have any other relationship with any other Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed “Statutory and General Information — C. Further information about our Directors and substantial shareholders — Disclosure of interests” in Appendix V to this prospectus; (e) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us, which is discloseable under the GEM Listing Rules, save as disclosed in the section headed “Relationship with Controlling Shareholders” of this prospectus; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Liang Tao (梁滔先生), aged 49

General manager

Mr. Liang Tao is currently the general manager of Goldtium (Jiangmen) Energy. He is responsible for overseeing all the production and quality control matters of the Jiangmen Production Facility as well as the management, PRC compliance and research and development of our Group.

Mr. Liang graduated from 廣州市輕工業局職工大學 (Guangzhou Employee's University of Light Industries*) in the PRC with a degree in electrochemistry in July 1991. In March 1998, Mr. Liang attended a training course organised by the Fuji Electric Co., Ltd. in Japan in relation to manufacture and quality control of batteries. He also attended various courses and trainings from 2006 to 2013 organised by the Hong Kong Quality Assurance Agency, the Hong Kong Productivity Council, Qihang Management Consulting Co., Ltd., SGS CSTC Standards Technical Services Co., Ltd and 江門市安信職業安全培訓有限公司 (Jiangmen Anxin Vocational Safety Training Company Limited*) in relation to ISO, internal auditing, safety management and various engineering training.

Mr. Liang has around 20 years' experience in the disposable battery industry. He was employed in August 1995 as an assistant engineer of 東莞企石微型電池廠 (Dongguan Qishi Processing Factory*) and was promoted to be an assistant manager of the quality control department in December 1996. In January 1998, Mr. Liang became an assistant manager of the quality control department in Goldtium (Jiangmen) Battery and was transferred to be an assistant manager of the production department in March 1999. Mr. Liang was transferred to be a manager of technology department in February 2002 and became an assistant quality control superintendent and senior engineer in May 2002 and January 2003, respectively. In April 2005, Mr. Liang was promoted to be the deputy general manager and quality control superintendent and had subsequently served as a senior engineer from May 2008 to May 2011. In June 2011, Mr. Liang became a general manager and quality control and production superintendent of Goldtium (Jiangmen) Energy and has been holding these positions in our Group since then.

Ms. Chu Suk Man (朱淑雯小姐), aged 56

Deputy general manager

Ms. Chu Suk Man is currently the deputy general manager of Golden Power Corporation. 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 our Group.

Ms. Chu Suk Man finished her secondary school education in Buddhist Sin Tak College in Hong Kong in May 1977 and completed a certificate programme on company secretarial practice in January 1994 organised by The Hong Kong Management Association and a business studies course in July 2002 organised by the Northern Sydney Institute in

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Australia. Ms. Chu Suk Man worked as a senior audit clerk in Peter Chan Yuan Kui & Co. from April 1979 to March 1984. From September 1989 to April 2000, Ms. Chu Suk Man was the accounting manager of Golden Power Industries. She also served as an executive director of China Oil and Gas from February 1993 to September 1999. In August 2002, Ms. Chu Suk Man re-joined Golden Power Industries as a deputy general manager and was responsible for the operation division until March 2005. In April 2005, Ms. Chu Suk Man was transferred to Golden Power Corporation and has been a deputy general manager since then.

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

Ms. Wong In San (黃燕珊女士), aged 50

Deputy general manager

Ms. Wong In San is currently the deputy general manager of Golden Power Corporation. She is responsible for managing the human resources and administration department to formulate and execute human resources management policies and procedures of our Group.

After graduating from The Chinese University of Hong Kong with a bachelor degree in social sciences in May 1987, Ms. Wong joined Golden Power Industries as an export executive in March 1988 and had served as an export manager from April 1991 to March 1998. From April 1998 to March 2005, she worked as a deputy manager in the battery division of Golden Power Industries. In April 2005, Ms. Wong was transferred to Golden Power Corporation and has been a deputy general manager since then.

Mr. Wong Kai Hung (黃啓洪先生), aged 50

Deputy general manager

Mr. Wong Kai Hung is currently the deputy general manager of Golden Power Corporation. 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 our Group.

After finishing his secondary school education in Chinese YMCA College in Hong Kong in May 1985, Mr. Wong worked as a salesperson in AIA Group Limited from December 1985 to September 1986. Mr. Wong joined Golden Power Industries as a trading executive in June 1992. He was promoted to be an assistant marketing manager in April 1995, a marketing manager in April 1998 and eventually a sales manager in September 2001. In April 2005, Mr. Wong was transferred to Golden Power Corporation and promoted to be a senior sales and marketing manager of our Group and has subsequently become a deputy general manager of our Group since April 2008.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Tse Kar Keung (謝家強先生), aged 47

Financial controller and company secretary

Mr. Tse Kar Keung joined our Group in March 2010 and is currently the financial controller and company secretary of our Group. He is responsible for the review and supervision of our Group's overall internal control system and accountancy function.

Mr. Tse acquired a master degree in science in applied accounting in the Hong Kong Baptist University in November 2011. He has been a member and a fellow of the Association of Chartered Certified Accountants since August 2008 and September 2013, respectively, and he has also been a member of the Hong Kong Institute of Certified Public Accountants since January 2009. Mr. Tse worked as an assistant accountant for Amersham (Far East) Trading Limited from January 1992 to October 1998. From November 1998 to January 2010, Mr. Tse was an accountant in AEA Technology Limited and Detector Technology Limited before he joined our Group in March 2010 as a senior accounting manager and assistant to chairman in Golden Power Corporation.

Save as disclosed above, each of the senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

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

COMPLIANCE OFFICER

Ms. Chu Shuk Ching (朱淑清小姐) is the compliance officer of our Company. For details of her biography, please refer to the paragraph headed "Directors — Executive Directors" under this section.

BOARD COMMITTEES

Audit committee

We established an audit committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of our Directors passed on 15 May 2015. The primary duties of our audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

At present, our audit committee comprises Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie, all being independent non-executive Directors. Mr. Hui Kwok Wah is the chairman of our audit committee.

Remuneration committee

We established a remuneration committee on 15 May 2015 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The primary duties of our remuneration committee are, among others, to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration packages of our Directors and senior management and ensure none of our Directors determine their own remuneration.

At present, our remuneration committee comprises Mr. Chu, being our executive Director and chairman, and Mr. Hui Kwok Wah and Mr. Ma Sai Yam, being our independent non-executive Directors. Mr. Hui Kwok Wah is the chairman of our remuneration committee.

Nomination committee

We established a nomination committee on 15 May 2015 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The primary duties of our nomination committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises Mr. Chu, being our executive Director and chairman, Mr. Hui Kwok Wah and Mr. Ma Sai Yam, being our independent non-executive Directors. Mr. Chu is the chairman of our nomination committee.

COMPLIANCE ADVISER

We appointed RaffAello Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the term commencing on the Listing Date and ending on the date on which we distribute our annual report in respect of our financial results for the second full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

Pursuant to Rule 6A.23 of the GEM Listing Rules, we shall seek advice from our compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us under Rule 17.11 of the GEM Listing Rules, such as regarding unusual movements in the price or trading volume of the Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to our performance. We also reimburse them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and senior management and our performance.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During each of FY2013 and FY2014, the aggregate emoluments paid and benefits in kind granted by us to our Directors were approximately HK\$4.23 million and HK\$3.75 million, respectively.

For each of FY2013 and FY2014, the aggregate remuneration, including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately HK\$5.54 million and HK\$5.24 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of FY2013 and FY2014.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2015 will be approximately HK\$4.47 million. Upon completion of the Listing, our remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration paid to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report as set out in Appendix I to this prospectus.

HUMAN RESOURCES

As at the Latest Practicable Date, our Group had approximately 643 employees, including a total of 43 full time employees located in Hong Kong and 600 full time employees located in the PRC. The following table sets out a breakdown of the number of employees by principal functions as at the Latest Practicable Date:

Function	Number of employees		
	HK	PRC	Total
Management and internal control	8	35	43
Administration and human resources	5	53	58
Accounting and finance	7	12	19
Sales and marketing	9	16	25
Procurement	1	10	11
Engineering and technical support	3	63	66
Manufacturing and production	1	338	339
Quality control	0	49	49
Others	9	24	33
Total:	<u>43</u>	<u>600</u>	<u>643</u>

In respect of the employees in the PRC, our Group is required to make contributions to the social security insurance and housing provident fund in accordance with the PRC laws and regulations. During the Track Record Period, there were incidents that our Group did not fully contribute towards the social security insurance and did not contribute towards the housing provident fund for all of the PRC employees. Please refer to the section headed "Business — Non-compliance of our Group" in this prospectus for further details in relation to the underpayments of social security insurance and housing provident fund.

Employee relations

Our Directors believe that our Group maintains a good working relationship with our personnel. Our Group has not experienced any strikes or significant labour disputes which have materially affected our business, financial condition or results of operations during the Track Record Period. Due to changes in labour laws and the general upward market trend of wage level in Hong Kong and the PRC, the salary of employees has been increasing in recent years. There has also been a shortage of labour, especially skilled labour, in the PRC. Please refer to the paragraph headed "Risk Factors — Risks relating to the business of our

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Group — Increases in the costs of labour and the shortage of skilled labour may materially and adversely affect our business, financial condition and results of operations” in this prospectus.

Training and remuneration

Our Group places significant emphasis on staff training and development. Our Group invests in continuing education and training programmes for our employees with a view to constantly upgrading their skills and knowledge of operation and production.

Our Group conducts periodic performance review for all of our employees. The remuneration payable to our Group’s employees includes salaries and discretionary bonuses.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Placing <i>(Note 1)</i>	Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Placing
Golden Villa <i>(Note 2)</i>	Beneficial owner	104,000,000(L)	65%
Mr. Chu <i>(Note 2)</i>	Interest in a controlled corporation	104,000,000(L)	65%
Ms. Mo Yuk Ling <i>(Note 3)</i>	Interest of spouse	104,000,000(L)	65%

Note:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be directly owned as to 65% by Golden Villa immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). Golden Villa is wholly and beneficially owned by Mr. Chu. Under the SFO, Mr. Chu is deemed to be interested in the same number of Shares held by Golden Villa.
3. Ms. Mo Yuk Ling is the spouse of Mr. Chu. Under the SFO, Ms. Mo Yuk Ling is deemed to be interested in the same number of Shares in which Mr. Chu is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), have an interest or short position in our Shares or our underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), our Company will be owned as to 65% by Golden Villa, which is wholly owned by Mr. Chu. As Golden Villa and Mr. Chu are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Golden Villa and Mr. Chu shall be regarded as a Controlling Shareholder under the GEM Listing Rules.

Golden Villa is an investment holding company whilst Mr. Chu is the younger brother of Mr. Chu King Shing, one of the founders of Golden Power Industries. Mr. Chu joined Golden Power Industries in February 1974. After the Golden Power Group Buyout in July 2003, Mr. Chu continues to lead the development and strategic planning of our Group.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest apart from our Group's business which competes or may compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Group. For details, please refer to the paragraph headed "Non-competition undertaking" in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Controlling Shareholders or their close associates, taking into consideration the following factors:

Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Our Company will have one common director with Golden Villa, namely Mr. Chu. Despite the common directorship, our Company believes that management independence between our Company and Golden Villa will be maintained as (i) Golden Villa is an investment holding company; and (ii) Mr. Chu is mainly responsible for overall corporate development and strategic planning of our Group and principally does not participate in the daily internal management and decision-making of our Group's operation. Further, each of our Directors is aware of his or her fiduciary duties as a director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Our Board and the senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders and our Company as a whole after the Listing without reference to our Controlling Shareholders.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, we hold all relevant licences necessary to carry on our businesses and have sufficient capital, equipment and employees to operate our businesses independently. We have also established various internal control procedures to facilitate the effective operation of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our accounting and finance department will be responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

As at 31 December 2013 and 31 December 2014, the amount of total borrowings of our Group that were secured by the assets of and/or guaranteed by Mr. Chu, our Controlling Shareholder, and/or companies controlled by Mr. Chu (details of which are set out in note 22 to the Accountants' Report in Appendix I to this prospectus) were approximately HK\$166.88 million and HK\$156.34 million, respectively. All guarantees, indemnities and other securities provided by Mr. Chu and/or companies controlled by Mr. Chu for the benefit of our Group will be released upon the Listing.

Save as disclosed above, our Directors confirm that, as at the Latest Practicable Date, our Controlling Shareholders have not provided any loan to our Group, nor any guarantee in favour of our Group. Notwithstanding the above, our Group has independent financial systems and independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group's internal resources and the estimated net proceeds from the Placing, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associate had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Independence of major customers

Saved as disclosed in the section headed "Connected Transactions" of this prospectus in relation to business with Nan Hua Jin Li and Suenglh, our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associate had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders and executive Directors as covenantors (each a "Covenantor", and collectively the "Covenantors") executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

our subsidiaries) and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Company and any of our subsidiaries, or has any interest in such business.

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on GEM; or (b) the date on which the Covenantors cease to be a Controlling Shareholder:

Non-competition

He/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by any Covenantor (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by our Group in Hong Kong, the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the manufacture and sale of batteries and battery-related products (the “**Restricted Business**”).

The Deed of Non-Competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed on any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that:

- (a) the shareholding of any one holder (and his/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;
- (b) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”):

- (a) he/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including the independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (d) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (e) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

We will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (a) the Articles provide that a Director shall absent himself or herself from attending the Board meetings (nor shall he or she be counted in the quorum) and voting on any resolutions of our Board approving any contracts or arrangements or other proposals in which he or she or any of his or her close associates is materially interested unless a majority of our independent non-executive Directors expressly requested him or her to attend but in no circumstances shall he or she be counted towards the quorum or allowed to vote on such resolutions;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) our independent non-executive Directors will conduct annual review on the compliance of the Deed of Non-Competition by our Controlling Shareholders and the enforcement thereby by our Company;
- (c) our Controlling Shareholders have undertaken and agreed to provide all information necessary for the annual review by our independent non-executive Directors on the compliance with and enforcement of the Deed of Non-Competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-Competition either through our Company's annual report or by way of announcements to the public;
- (e) our Controlling Shareholders have undertaken and agreed to make an annual declaration on the compliance with and enforcement of the Deed of Non-Competition in our Company's annual report;
- (f) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its associates to involve or participate in a Restricted Business and if so, any conditions to be imposed thereon; and
- (g) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertakings or connected transaction(s) at the cost of our Company.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division of the Stock Exchange granting the listing of, and the permission to deal in, the Shares, as described in this prospectus; and (b) the Listing and dealings in our Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company and none of them have interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

SHARE CAPITAL

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after completion of the Capitalisation Issue and the Placing.

Authorised share capital:	HK\$
<u>2,000,000,000</u> Shares of HK\$0.01 each	<u>20,000,000</u>

Without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Placing will be as follows:

Shares	HK\$	Approximate percentage of issued share capital (%)
100 Shares in issue as at the Latest Practicable Date	1.00	0.01%
103,999,900 Shares to be issued pursuant to the Capitalisation Issue	1,039,999	64.99%
56,000,000 Shares to be issued pursuant to the Placing	560,000	35%
<u>160,000,000</u> Total	<u>1,600,000</u>	<u>100%</u>

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and Shares are issued pursuant to the Placing. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of our total issued share capital in the hands of the public.

RANKING

The Placing Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, and in particular, will be entitled to all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

We did not have any outstanding share option(s), warrant(s), convertible instrument(s) or similar right(s) convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount not exceeding the sum of:

- (a) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme); and
- (b) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors under the mandate to repurchase Shares referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, scrip dividend schemes or similar arrangements providing for the allotment of Shares in lieu of the whole or in any part of any cash dividend in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue and the Placing and any Option(s) which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law(s) to be held; or
- (c) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors.

Further details of this general mandate are set out in the paragraph headed “Statutory and General Information — A. Further information about our Group — 6. Written resolutions of the sole Shareholder passed on 15 May 2015” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with the applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange). A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further information about our Group — 7. Repurchase of our Shares” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law(s) to be held; or
- (c) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors.

Further details of this repurchase mandate are set out in the paragraph headed “Statutory and General Information — A. Further information about our Group — 7. Repurchase of our Shares” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in “Appendix I — Accountants’ Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed elsewhere in this prospectus, particularly in sections headed “Risk Factors” and “Forward-looking Statements”.

OVERVIEW

Our Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to the PRC and international markets both under our own “Golden Power” brand and the brands of our private label and OEM customers. To broaden our product offering, we constantly develop new products and during the Track Record Period, we developed 22 new battery models. We successfully developed and obtained one of the 11 invention patents and six of the 23 utility model patents granted in the PRC in relation to the production of mercury-free alkaline and silver oxide micro-button cells.

We pride ourselves on our diversified portfolio of batteries and related products to cater for the different requirements and preferences of our customers. We offered more than 270 battery models in different sizes and with battery capacity ranging from 6 mAh to 13,800 mAh, which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators. As at the end of 2013, we are one of the battery manufacturers with production bases in the PRC which offered one of the broadest ranges of products according to the Ipsos Report. We developed hazardous substance-free batteries under our “ecototal” series which are mercury-free, cadmium-free and lead-free and made use of our PRC invention patent and utility model patents to produce mercury-free alkaline and silver oxide micro-button cells. Apart from the manufacturing and sale of disposable batteries, we trade batteries and related products that we do not manufacture, such as rechargeable batteries, 9V alkaline cylindrical batteries, lithium manganese and zinc air micro-button cells, battery chargers, battery power packs and electric fans, to enhance our product types to cater for the different needs of our customers.

During the Track Record Period, our revenue was primarily derived from the sale of disposable batteries, which contributed approximately 94.61% and 95.17% of our total revenue for the FY2013 and FY2014, respectively.

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Our revenue increased from approximately HK\$366.50 million for the FY2013 to approximately HK\$384.75 million for the FY2014. The profit increased from approximately HK\$6.59 million for the FY2013 to approximately HK\$11.69 million for the FY2014.

Our revenue is generally affected by the customers' orders and different sales mix of our products. Since we do not have a particular strategy in expanding our business through different business models such as branded business, private label or OEM and geographical location, we do not take into account the aforementioned information when analysing our financial information.

BASIS OF PRESENTATION

Our financial statements have been prepared by using the merger basis of accounting as if our Group had always been in existence as the companies now comprising our Group were controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder. The net assets of the companies comprising our Group are combined using the book values from the Controlling Shareholder's perspective.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of the companies now comprising our Group (or where the companies were incorporated/established at a date after 1 January 2013, for the period from the date of incorporation/establishment to 31 December 2014) as if the current group structure had been in existence throughout the entire Track Record Period. The consolidated statements of financial position of our Group as at FY2013 and FY2014 have been prepared to present the state of affairs of the companies comprising our Group as at the respective dates as if the current group structure had been in existence at the respective dates. For further details, please refer to Note 1 of the Accountants' Report in Appendix I to this prospectus.

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SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Revenue	366,499	384,752
Cost of sales	<u>(290,750)</u>	<u>(296,446)</u>
Gross profit	75,749	88,306
Gain on disposal of interests in subsidiaries	245	—
Other revenue	5,649	4,663
Other losses — net	(3,131)	(738)
Selling expenses	(13,901)	(14,131)
General and administrative expenses	<u>(47,470)</u>	<u>(54,143)</u>
Profit from operations	<u>17,141</u>	<u>23,957</u>
Finance costs	<u>(7,386)</u>	<u>(7,137)</u>
Profit before income tax	9,755	16,820
Income tax expense	<u>(3,167)</u>	<u>(5,127)</u>
Profit for the year	<u><u>6,588</u></u>	<u><u>11,693</u></u>
Attributable to:		
Equity shareholders of our Company	7,301	11,693
Non-controlling interests	<u>(713)</u>	<u>—</u>
Profit for the year	<u><u>6,588</u></u>	<u><u>11,693</u></u>

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KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS OF OUR GROUP

The financial condition and results of operations of our Group have been, and will continue to be, affected by several factors, including those set out below and in the section “Risk Factors” of this prospectus.

Competition

Our Group operates in a highly competitive market. The Directors consider that we face potential competition from various batteries manufacturers with production based in the PRC and overseas. Also, our products may be identical to our competitor’s which are difficult to be differentiated. Should our Group fail to compete with other batteries manufacturers, maintain our competitive advantages or keep pace with technological changes, our Group’s operations could be adversely affected. Any increase in competition can adversely affect our Group’s market share, which may lead to price reduction and an increase in our Group’s spending on business promotion activities. Any of these aforementioned events could have a material adverse effect on our Group’s financial condition, results of operations and prospects.

Product mix

We provide a diversified portfolio of batteries and related products with more than 270 models during the Track Record Period. Due to the different application and demand of our customers, we offer more than 270 battery models in different capacity, sizes and packaging. Hence, different products with different sizes, capacity and packaging may have different selling prices, costs, and different gross profit margins. Consequently, our gross profit margins are impacted by our sales mix. During the Track Record Period, the average gross profit margin of cylindrical batteries, micro button cell batteries and rechargeable batteries and other battery-related products ranged from approximately 15.57% to 20.10%, 34.56% to 30.94% and 30.17% to 34.10%, respectively. Changes in sales of our products type may result in changes in our gross profit margins for the respective periods.

During the Track Record Period, our different products reported different gross profit margins, resulting in our average gross profit margin of products by type ranged from approximately 15.57% to approximately 34.56%, whilst our overall gross profit margin fluctuated between approximately 20.67% and approximately 22.95%. The fluctuation of our overall gross profit margin was principally attributable to the change in demand of product mix and hence the revenue derived from each product. Such demand may be driven by a number of factors including, but not limited to, market conditions, manufacturing and packaging costs.

Seasonality

Our Group’s business is subject to seasonality. During the Track Record Period, our Group recorded relatively lower revenue in the first quarter of each year due to the Chinese New Year holiday. Our revenue generated in the first quarter of FY2013 and FY2014 accounted for only 20.15% and 18.84% of the total revenue during the respective years. Our revenue generated during the month of Chinese New Year was significantly lower at 4.53%

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and 3.81% of the total revenue for the FY2013 and FY2014, respectively, as our factories were shut down for operation for around 10 days during Chinese New Year Holiday and around 14 days during our annual maintenance which was conducted in January 2013 and February 2014. As such, any comparison of sales and results of operations between different periods within a single financial year for our Group may not be meaningful and should not be relied upon as indicators of our Group's performance.

Price fluctuation of raw materials

Our major raw materials include steel, zinc, electrolytic manganese dioxide, copper, separator and plastics. In particular, each of steel, zinc and electrolytic manganese dioxide constituted over 5% of our total material cost. The total costs of raw materials accounted for 74.16% and 78.68% of the total cost of sales of our Group for the FY2013 and FY2014, respectively. The prices of the raw materials may be subject to fluctuations as a result of various factors beyond our Group's control, such as global economic and financial conditions. In addition, our Group has no long-term supply contracts with our suppliers, which may also affect our costs of raw materials. Since our products face keen competition and are price sensitive, we are not able to fully shift, if any, the increase in raw material price to our customers. Hence, our business operations and financial performance could be adversely affected by any increase in the cost of raw materials.

During the Track Record Period, the maximum increase in price for steel, zinc and electrolytic manganese dioxide, based on the assumption that of the highest annual average price of these processed raw materials purchased by our Group which were tailored-made in accordance to unique specifications of product type during the Track Record Period, were approximately 9.00%, 7.00% and 7.00%, respectively; whilst the maximum increase in price for the three major raw materials altogether, being steel, zinc and electrolytic manganese dioxide (the "**Key Raw Materials**"), calculated with reference to the maximum increase in price and quantity purchased for each of the Key Raw Materials during Track Record Period, was approximately 8.00%.

The table below sets forth the raw material price sensitivity analysis of the gross profit and gross profit margin of our batteries under the applicable scenarios of each of the three major raw materials during the Track Record Period.

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Sensitivity Analysis

	FY2013	FY2014
Original gross profit (<i>HK\$'000</i>)	75,749	88,306
Percentage change in gross profit:		
— 4.50% increase in steel price	-2.64%	-2.17%
— 9.00% increase in steel price	-5.28%	-4.35%
— 13.50% increase in steel price	-7.93%	-6.52%
 Gross profit margin:		
— Original	20.67%	22.95%
— 4.50% increase in steel price	20.12%	22.45%
— 9.00% increase in steel price	19.58%	21.95%
— 13.50% increase in steel price	19.03%	21.45%
 Decrease in gross profit (<i>HK\$'000</i>)		
— 4.50% increase in steel price	-2,001	-1,920
— 9.00% increase in steel price	-4,003	-3,840
— 13.50% increase in steel price	-6,004	-5,760

Sensitivity Analysis

	FY2013	FY2014
Original gross profit (<i>HK\$'000</i>)	75,749	88,306
Percentage change in gross profit:		
— 3.50% increase in zinc price	-1.46%	-1.28%
— 7.00% increase in zinc price	-2.91%	-2.56%
— 10.50% increase in zinc price	-4.37%	-3.84%
 Gross profit margin:		
— Original	20.67%	22.95%
— 3.50% increase in zinc price	20.37%	22.66%
— 7.00% increase in zinc price	20.07%	22.36%
— 10.50% increase in zinc price	19.77%	22.07%
 Decrease in gross profit (<i>HK\$'000</i>)		
— 3.50% increase in zinc price	-1,103	-1,129
— 7.00% increase in zinc price	-2,206	-2,258
— 10.50% increase in zinc price	-3,309	-3,387

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Sensitivity Analysis

	FY2013	FY2014
Original gross profit (<i>HK\$'000</i>)	75,749	88,306
Percentage change in gross profit:		
— 3.50% increase in electrolytic manganese dioxide price	-1.18%	-1.05%
— 7.00% increase in electrolytic manganese dioxide price	-2.35%	-2.10%
— 10.50% increase in electrolytic manganese dioxide price	-3.53%	-3.15%
 Gross profit margin:		
— Original	20.67%	22.95%
— 3.50% increase in electrolytic manganese dioxide price	20.43%	22.71%
— 7.00% increase in electrolytic manganese dioxide price	20.18%	22.47%
— 10.50% increase in electrolytic manganese dioxide price	19.94%	22.23%
 Decrease in gross profit (<i>HK\$'000</i>)		
— 3.50% increase in electrolytic manganese dioxide price	-891	-926
— 7.00% increase in electrolytic manganese dioxide price	-1,781	-1,852
— 10.50% increase in electrolytic manganese dioxide price	-2,672	-2,778

Sensitivity Analysis

	FY2013	FY2014
Original gross profit (<i>HK\$'000</i>)	75,749	88,306
Percentage change in gross profit:		
— 4.00% increase in Key Raw Materials price	-5.36%	-4.59%
— 8.00% increase in Key Raw Materials price	-10.71%	-9.18%
— 12.00% increase in Key Raw Materials price	-16.07%	-13.78%
 Gross profit margin:		
— Original	20.67%	22.95%
— 4.00% increase in Key Raw Materials price	19.56%	21.90%
— 8.00% increase in Key Raw Materials price	18.45%	20.84%
— 12.00% increase in Key Raw Materials price	17.35%	19.79%
 Decrease in gross profit (<i>HK\$'000</i>)		
— 4.00% increase in Key Raw Materials price	-4,057	-4,055
— 8.00% increase in Key Raw Materials price	-8,115	-8,110
— 12.00% increase in Key Raw Materials price	-12,172	-12,165

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Supply of labour

Although most of our Group's production processes involve the use of machinery, most of them are not fully automated and they require workers to operate, in particular, some of our production lines and our packaging lines. The direct labour costs of our Group were approximately HK\$26.04 million and HK\$14.74 million for the FY2013 and FY2014 respectively, representing approximately 8.96%, and 4.97% of our total cost of sales.

As some of our production lines and packaging lines are not fully automated, we require both skilful and non-skilful workers to operate. In recent years, competition for skilled labour is increasingly intense and hence our Group may face possible shortage of labour in the market. For this, we cannot assure you that our Group will be successful in recruiting and retaining sufficient labour in a timely manner for its existing and future operations.

Also, in recent years, average labour costs in PRC have been increasing due to higher cost of living and the PRC government's policies to impose more stringent requirements on employers such as minimum wage, maximum working hours and other requirements regarding work place safety and hygiene. We cannot assure you that our Group's cost of labour will remain stable in the future.

Accordingly, if our Group experiences significant increase in labour cost or any shortage of labour, to the extent that we are not able to offset such increase by reducing other costs or passing it on to our customers, our Group's financial condition and results of operations may be materially and adversely affected.

Production capacity

During the Track Record Period, our Group carried out production activities by our Dongguan Production Facility and Jiangmen Production Facility. Our aggregate actual production volumes were approximately 890.55 million units and 872.01 million units for the FY2013 and FY2014, respectively. For details of our production capacity by product types, please refer to the section headed "Business — Production facilities" in this prospectus.

Our profitability depends on our ability to fully utilise and expand production capacity to increase our market share. In particular, our production utilisation rates for (i) AA alkaline cylindrical batteries were 92.15% and 82.67%; (ii) AAA alkaline cylindrical batteries were 79.64% and 77.74%; and (iii) AAA carbon cylindrical batteries were 83.84% and 79.58%, for FY2013 and FY2014, respectively. During the Track Record Period, we have been selecting certain production lines for technological enhancement in order to improve our production efficiency. Going forward, we will continue to expand our production capacity to capture market opportunities. For details of our business strategies please refer to the section headed "Business — Business strategies — Expand our production capacity by acquiring a production line with higher designed production capacity and which is able to produce mercury-free, cadmium-free and lead-free batteries to increase our market share" in this prospectus.

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We also plan to invest and expand our production capacity in the future through acquiring a self-owned production line with higher designed production capacity. Details of our future expansion plans are set forth in the paragraph headed “Statement of business objectives and use of proceeds — Implementation plans” in this prospectus. However, we cannot assure our profit to increase solely as the production capacity increases since it also depends on other factors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared in accordance with HKFRSs issued by HKICPA, for which details of our Group’s accounting policies are set out in Notes 2 and 3 of the Accountants’ Report in Appendix I to this prospectus.

Set forth below are some of the significant accounting policies, judgements and estimates used in the preparation of our financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable the economic benefits will flow to our Group and when the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer which excludes value-added tax or other sales taxes and is after deduction of any trade discounts, rebates and returns. Interest income is recognised as it accrues using the effective interest method. Rental income is recognised on a straight-line basis over the terms of relevant leases. Services fee income is recognised in the period when services are rendered.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on first-in first-out method and includes costs of purchase, cost 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 the estimated costs necessary to make the sale.

Net realisable value of inventories

Net realisable value of 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 and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Our Group reassesses these estimates at the end of each reporting period.

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Impairment of trade and other receivables

Our Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. Our Group reassesses the impairment allowances at the end of each reporting period.

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.

Depreciation is calculated to write off the cost of each item of property, plant and equipment less their estimated residual values, if any, over their estimated useful lives. Useful lives, the depreciation method 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 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.

Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value, or reducing balance basis. Prepaid land lease premium are amortised on a straight-line basis over the estimated useful lives. Our Group reviews the estimated useful lives and basis of depreciation or amortisation of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The

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useful lives and basis of depreciation or amortisation are based on our Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

Current and deferred income taxes

Our Group is subject to income taxes in Hong Kong and the PRC. Judgements and estimates are required in determining the provision for income taxes for certain 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 determination 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.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Our Group generates revenue from the sale of disposable batteries, rechargeable batteries and other battery-related products. Our total revenue was approximately HK\$366.50 million and HK\$384.75 million for the FY2013 and FY2014, respectively, representing an increase of approximately 4.98% or HK\$18.25 million from the FY2013 to FY2014. Our total revenue mainly derived from the sales of disposable batteries which contributed approximately 94.61%, and 95.17% to the total revenue for the FY2013 and FY2014, respectively. Sales of rechargeable batteries and other battery-related products accounted for 5.39%, and 4.83% of our total revenue for the FY2013 and FY2014, respectively.

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The table below sets forth our revenue by product types and their percentage of total revenue for the periods indicated:

	FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Disposable batteries				
Cylindrical batteries				
— Alkaline	161,173	43.98%	192,996	50.16%
— Carbon	<u>102,330</u>	<u>27.92%</u>	<u>95,917</u>	<u>24.93%</u>
	<u>263,503</u>	<u>71.90%</u>	<u>288,913</u>	<u>75.09%</u>
Micro-button cells				
— Alkaline	64,931	17.72%	52,951	13.76%
— Other micro-button cells (<i>Note 1</i>)	<u>18,294</u>	<u>4.99%</u>	<u>24,333</u>	<u>6.32%</u>
	<u>83,225</u>	<u>22.71%</u>	<u>77,284</u>	<u>20.08%</u>
	<u>346,728</u>	<u>94.61%</u>	<u>366,197</u>	<u>95.17%</u>
Rechargeable batteries and other battery-related products				
Rechargeable batteries	18,684	5.10%	15,835	4.12%
Other battery-related products (<i>Note 2</i>)	<u>1,087</u>	<u>0.29%</u>	<u>2,720</u>	<u>0.71%</u>
	<u>19,771</u>	<u>5.39%</u>	<u>18,555</u>	<u>4.83%</u>
	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

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During the Track Record Period, cylindrical batteries contributed approximately 71.90%, and 75.09% to our total revenue for the FY2013 and FY2014, respectively, while micro-button cells contributed 22.71% and 20.08% to our total revenue for the FY2013 and FY2014, respectively. Rechargeable batteries and other battery-related products accounted for approximately 5.39%, and 4.83% of our total revenue for the respective years.

The following table sets out total sales volume and average selling price of our Group during the Track Record Period:

	FY2013			FY2014		
	<i>Sales volume</i> ('000)	%	<i>Average Selling Price</i> HK\$	<i>Sales volume</i> ('000)	%	<i>Average Selling Price</i> HK\$
Disposable batteries						
Cylindrical batteries						
— Alkaline	203,215	25.00%	0.79	247,415	27.67%	0.78
— Carbon	221,219	27.22%	0.46	208,376	23.30%	0.46
	<u>424,434</u>	<u>52.22%</u>	<u>0.62</u>	<u>455,791</u>	<u>50.97%</u>	<u>0.63</u>
Micro-button cell						
— Alkaline	364,291	44.82%	0.18	406,949	45.51%	0.13
— Other micro-button cells (<i>Note 1</i>)	20,792	2.56%	0.88	25,218	2.82%	0.96
	<u>385,083</u>	<u>47.38%</u>	<u>0.22</u>	<u>432,167</u>	<u>48.33%</u>	<u>0.18</u>
Rechargeable batteries and other battery-related products						
Rechargeable batteries	2,703	0.33%	6.91	2,473	0.28%	6.40
Other battery-related products (<i>Note 2</i>)	508	0.07%	2.14	3,844	0.42%	0.71
	<u>3,211</u>	<u>0.40%</u>	<u>6.16</u>	<u>6,317</u>	<u>0.70%</u>	<u>2.94</u>
	<u>812,728</u>	<u>100.00%</u>	<u>0.45</u>	<u>894,275</u>	<u>100.00%</u>	<u>0.43</u>

Notes:

- Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
- Other battery-related products include battery chargers, battery power packs and electric fans.

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Our sales volume for the FY2013 and FY2014 accounted for approximately 812.73 million units and 894.28 million units, respectively. Our average selling price amounted to approximately HK\$0.45 and HK\$0.43 for the FY2013 and FY2014, respectively.

Our products price was determined by and based on a variety of factors, including market conditions, manufacturing and packaging costs, fluctuations in raw material prices, labour costs and the volume of our customers' purchases. We apply this pricing policy to all of our customers. Our average selling price is mainly affected by different factors such as battery capacity and size as well as packaging.

Revenue by geography

During the Track Record Period, the PRC was the largest market of our Group, accounted for approximately 35.92% and 34.16% of the total revenue in FY2013 and FY2014, respectively. Set out below is the breakdown of our Group's revenue during the Track Record Period with respect to geographical areas:

	FY2013		FY2014	
	<i>Approximate</i> HK\$'000	%	<i>Approximate</i> HK\$'000	%
Africa	4,618	1.26%	2,580	0.67%
Asia (except China and Hong Kong)	18,539	5.06%	25,233	6.56%
Australia	10,833	2.96%	30,238	7.86%
China	131,651	35.92%	131,420	34.16%
East Europe	15,307	4.18%	14,408	3.74%
Europe	60,936	16.63%	73,240	19.04%
Hong Kong	58,129	15.86%	58,169	15.12%
Middle East	400	0.10%	398	0.10%
North America	36,419	9.94%	32,258	8.38%
South America	29,667	8.09%	16,808	4.37%
Total	<u>366,499</u>	<u>100.00%</u>	<u>384,752</u>	<u>100.00%</u>

Our Group's customers were mainly located in the PRC, Hong Kong, the European countries and the North American countries and their aggregated sales accounted for approximately 82.53% and 80.44%, respectively, FY2013 and FY2014, respectively. The revenue derived from the respective locations was mainly due to orders received. No specific geographical strategy was adopted and will be adopted by our Group.

Revenue by customer types

Our Group's revenue generated from selling batteries and battery-related products can be classified into three main categories according to the customers' types, which are our Group's branded business, private label, and OEM. Sales under our branded business can be broadly divided into two categories, namely direct sales and indirect sales. A majority of our sales under our branded business are conducted through direct sales which comprise

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sales to industrial customers. Our indirect sales under our branded business are primarily made to distributors. During the Track Record Period, our sales under our private label business comprise sales to industrial customers and other customers whereas all of our sales under our OEM business were to battery manufacturers. During the Track Record Period, our batteries sold under our branded business, private label business and OEM business were sold within the PRC and Hong Kong and exported overseas such as to the United States, Canada, Brazil, Australia, Germany and Japan.

	FY2013			FY2014		
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>Gross profit margin %</i>	<i>HK\$'000</i>	<i>Approximate %</i>	<i>Gross profit margin %</i>
Branded business	134,382	36.67%	20.56%	132,872	34.53%	23.02%
Private label business	202,407	55.23%	20.77%	216,212	56.20%	23.85%
OEM business	<u>29,710</u>	<u>8.10%</u>	<u>20.46%</u>	<u>35,668</u>	<u>9.27%</u>	<u>17.27%</u>
Total	<u><u>366,499</u></u>	<u><u>100.00%</u></u>	<u><u>20.67%</u></u>	<u><u>384,752</u></u>	<u><u>100.00%</u></u>	<u><u>22.95%</u></u>

As illustrated in the above table, our private label business accounted for majority of our total revenue for FY2013 and FY2014 at approximately 55.23% and 56.20% respectively. Our branded business accounted for approximately 36.67% and 34.53% of our total revenue for FY2013 and FY2014 respectively. During the Track Record Period, the gross profit margin for our branded business was 20.56% and 23.02% for FY2013 and FY2014, respectively. The gross profit margin for our private label business was 20.77% and 23.85% for FY2013 and FY2014 respectively. The gross profit margin for our OEM business is relatively fluctuating at 20.46% and 17.27% for FY2013 and FY2014, respectively. This is mainly due to the fluctuating trend in OEM business as gross profit is calculated based on different requirements from customers.

During the Track Record Period, we disposed of Techway (China) and its subsidiaries (“**Techway (China) Group**”) in July 2013. For the period from 1 January 2013 to 23 July 2013, no revenue was attributable to Techway (China) Group. Net loss of Techway (China) Group was approximately HK\$3.48 million for the period from 1 January 2013 to 23 July 2013.

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Revenue by nature

During the Track Record Period, we engaged in both self-manufactured and trading batteries. Set out below is the breakdown of our Group's revenue during the Track Record Period with respect to trading and manufacturing segments:

	FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Self-manufactured batteries	319,229	87.10%	332,270	86.36%
Trading batteries	<u>47,270</u>	<u>12.90%</u>	<u>52,482</u>	<u>13.64%</u>
	<u><u>366,499</u></u>	<u><u>100.00%</u></u>	<u><u>384,752</u></u>	<u><u>100.00%</u></u>

Our self-manufactured batteries accounted for approximately 87.10% and 86.36% for the FY2013 and FY2014, respectively.

Cost of sales

Our cost of sales primarily consists of raw materials, direct labour and overheads for our own manufacturing operations. Overhead costs represent utilities, depreciation of plant and machinery and other miscellaneous production costs.

The following table sets out the breakdown of the components of our Group's cost of sales and each item as a percentage of the total cost of sales during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Raw materials	215,625	74.16%	233,241	78.68%
— Steel	44,473	15.30%	42,666	14.39%
— Zinc	31,515	10.84%	32,254	10.88%
— Electrolytic manganese dioxide	25,447	8.75%	26,458	8.93%
— Copper	10,611	3.65%	8,892	3.00%
— Separator	8,845	3.04%	8,860	2.99%
— Plastics	6,757	2.32%	6,431	2.17%
— Others (<i>Note</i>)	87,977	30.26%	107,680	36.32%
Direct labour	26,041	8.96%	14,735	4.97%
Overhead	49,084	16.88%	48,470	16.35%
— Subcontracting charges	6,490	2.23%	9,934	3.35%
— Other overheads	<u>42,594</u>	<u>14.65%</u>	<u>38,536</u>	<u>13.00%</u>
Total cost of sales	<u>290,750</u>	<u>100.00%</u>	<u>296,446</u>	<u>100.00%</u>

Note: Others include (i) raw materials which constituted less than 5% of the total raw material cost; (ii) trading items; and (iii) packaging materials.

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Raw materials

Raw materials costs accounted for the majority of our Group's cost of sales of approximately 74.16% and 78.68% for the FY2013 and FY2014, respectively. The principal raw materials used in our Group's production are mainly comprised of steel, zinc, electrolytic manganese dioxide, copper, separator and plastics.

Direct labour

Our direct labour costs included staff cost that is directly attributable to the production. The amounts accounted for approximately 8.96% and 4.97% of the total cost of sales for the FY2013 and FY2014, respectively.

Overhead

Our overheads comprised subcontracting charges and other overheads such as utilities expenses, depreciation and other production costs not directly attributable to raw materials and labour costs. The amounts accounted for 16.88% and 16.35% of our total cost of sales for the FY2013 and FY2014, respectively.

Gross profit and gross profit margin

The following table sets out the breakdown of our total gross profit and gross profit margin by each category during the Track Record Period:

	FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Disposable batteries				
Cylindrical batteries				
— Alkaline	32,706	20.29%	47,329	24.52%
— Carbon	<u>8,317</u>	<u>8.13%</u>	<u>10,735</u>	<u>11.19%</u>
	<u>41,023</u>	<u>15.57%</u>	<u>58,064</u>	<u>20.10%</u>
Micro-button cell				
— Alkaline	21,117	32.52%	13,082	24.71%
— Other micro-button cells (<i>Note 1</i>)	<u>7,644</u>	<u>41.78%</u>	<u>10,833</u>	<u>44.52%</u>
	<u>28,761</u>	<u>34.56%</u>	<u>23,915</u>	<u>30.94%</u>
Rechargeable batteries and other battery-related products				
Rechargeable batteries	5,220	27.94%	4,103	25.91%
Other battery-related products (<i>Note 2</i>)	<u>745</u>	<u>68.54%</u>	<u>2,224</u>	<u>81.76%</u>
	<u>5,965</u>	<u>30.17%</u>	<u>6,327</u>	<u>34.10%</u>
	<u><u>75,749</u></u>	<u><u>20.67%</u></u>	<u><u>88,306</u></u>	<u><u>22.95%</u></u>

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Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

Our gross profit amounted to approximately HK\$75.75 million, and HK\$88.31 million for the FY2013 and FY2014, respectively. For the FY2013 and FY2014, our gross profit margin was 20.67% and 22.95% respectively.

Other revenue

Other revenue amounted to approximately HK\$5.65 million and HK\$4.66 million for the FY2013 and FY2014, respectively. Our other revenue mainly comprised of revenue from sales of scrap materials, service fee income and handling income.

The sale of scrap materials involves the sale of remained metal materials from production. Service fee income mainly comprised of income incurred from administrative services provided to related parties. Our handling income comprised of income from special packaging or moulding upon special request by customers.

Other net losses

Other net losses amounted to approximately HK\$3.13 million and HK\$0.74 million for the FY2013 and FY2014, respectively. Other net losses mainly included net exchange loss and loss on disposal of property, plant and equipment during the Track Record Period.

Selling expenses

Our selling expenses mainly comprised of (i) salaries and allowance for staffs supporting the sales & marketing functions; (ii) travelling expenses including local and overseas travelling for visiting customers and other marketing activities; (iii) insurance and declaration expenses consisting of insurance for inventories and declaration charges at custom; (iv) freight and transportation expenses comprising transportation charges for both local sales and export sales from factory to ports; and (v) marketing and promotional expenses in relation to the customer visits and marketing activities and others, which amounted to approximately HK\$13.90 million and HK\$14.13 million for the FY2013 and FY2014, respectively.

General and administrative expenses

General and administrative expenses mainly comprised of depreciation and amortisation, legal and professional fee, listing expenses, office, utilities and motor vehicle expenses, salaries and welfare and travelling expenses for administrative purposes. For the FY2013 and FY2014, our general and administrative expenses amounted to HK\$47.47 million and HK\$54.14 million, respectively.

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Legal and professional fee mainly represented the fees incurred for statutory audit, other professional fees such as consultancy fee during the Track Record Period. Office, utilities and motor vehicle expenses mainly comprised of expenses for daily operation for the administrative offices in Hong Kong and the PRC.

Finance costs

Our Group's finance costs mainly comprised of interest payments for our Group's bank loans, import loans and overdraft.

Our Group's finance costs were approximately HK\$7.39 million and HK\$7.14 million for the FY2013 and FY2014, respectively.

Income Tax Expenses

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(a) Cayman Islands profits tax

Our Company is not subject to any taxation in the Cayman Islands.

(b) BVI profits tax

Our subsidiaries incorporated in the BVI are not subject to any taxation in the BVI.

(c) Hong Kong profits tax

Provision for Hong Kong profits tax has been made at 16.5% of the estimated assessable profits of the entities within our Group incorporated in Hong Kong for the Track Record Period.

(d) PRC enterprise income tax

PRC enterprise income tax is provided on the assessable income of the entities within our Group incorporated in the PRC. Pursuant to the EIT Law, the income tax rate is unified at 25% for all types of entities, effective from 1 January 2008.

(e) PRC withholding tax

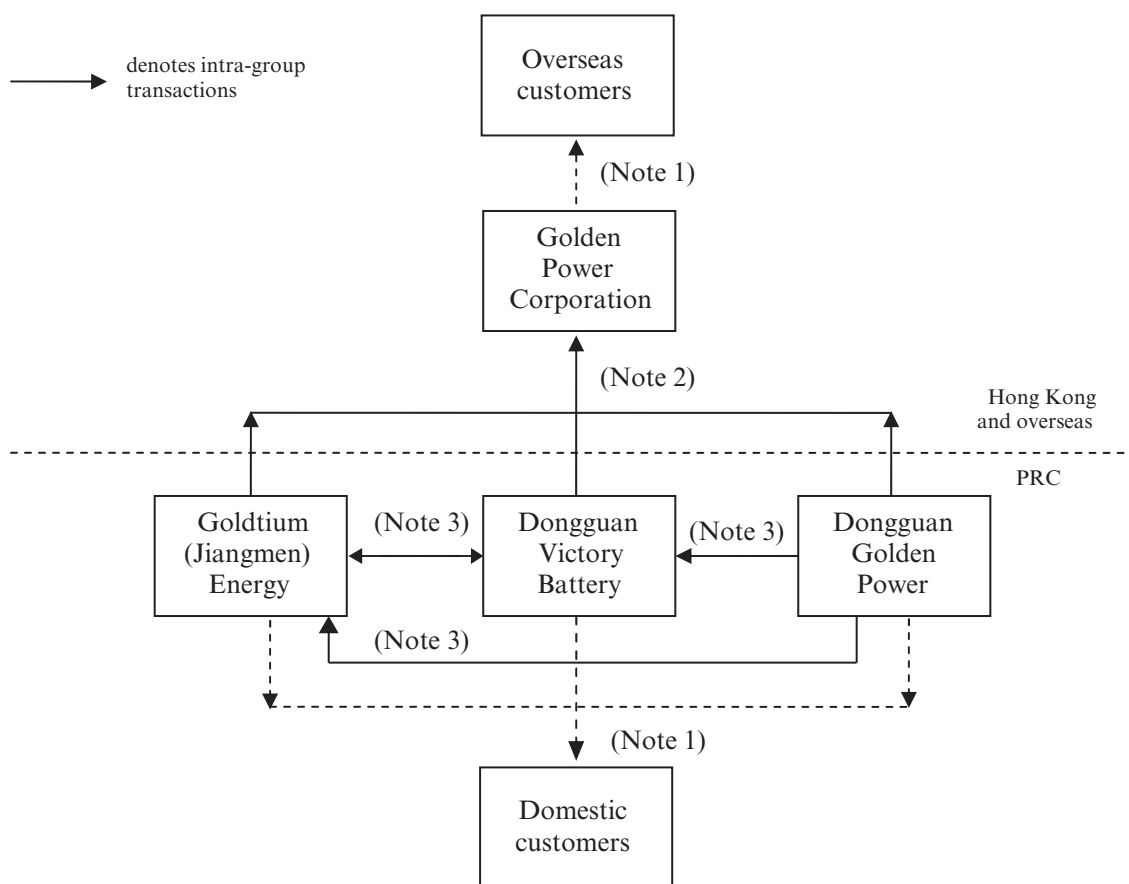
According to the EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when our PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

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Transfer pricing

All of our manufacturing activities in the PRC are undertaken by Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power, while the sales, marketing and other administrative activities are principally undertaken by Golden Power Corporation. Depending on the types of finished goods ordered, Golden Power Corporation places production orders with related group companies that produce the required finished goods and places purchase orders with third party suppliers for finished goods that we do not manufacture for onward sales to our customers. While some customers may deal with our PRC manufacturing subsidiaries directly, generally, Golden Power Corporation is our Group's principal entity dealing with overseas customers and controls the pricing decisions for such sales. The following diagram sets forth our Group's typical transaction flow in respect of self-manufactured products:



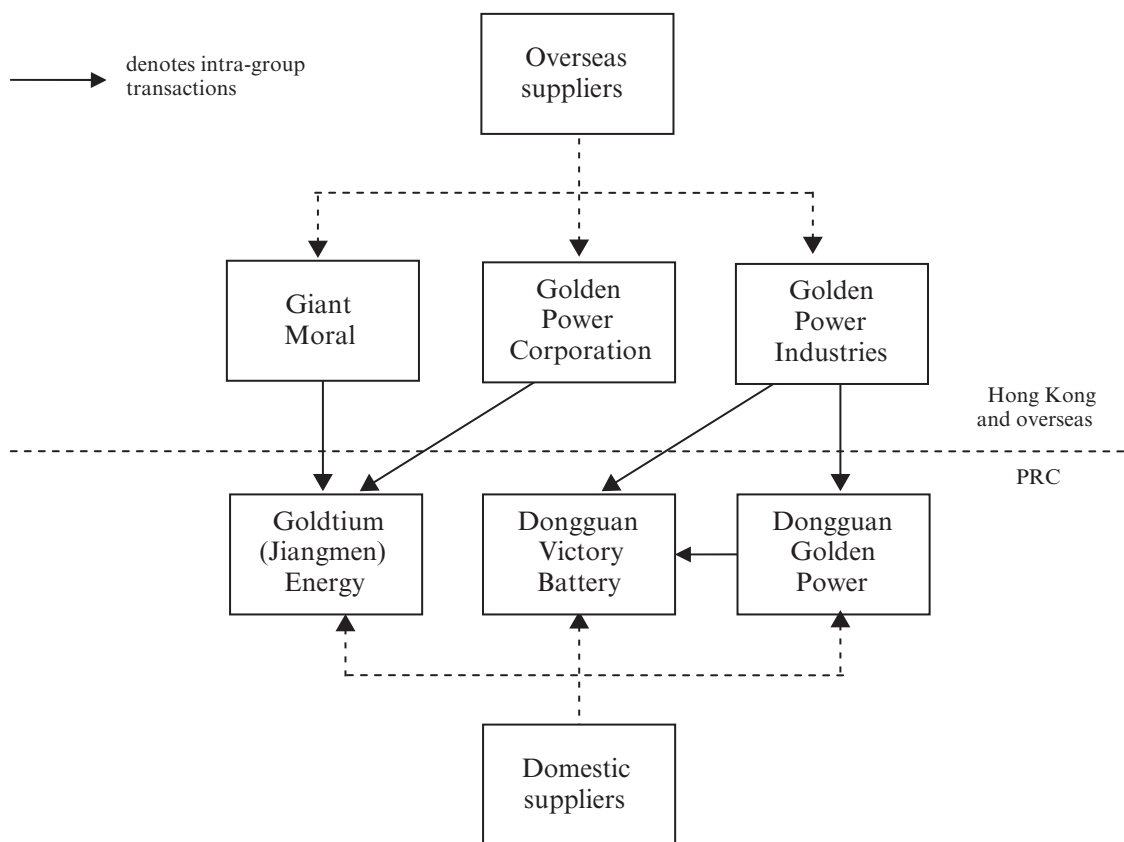
Notes:

1. Pricing policies and decisions in relation to third party customers are based on a variety of factors including market conditions, manufacturing and packaging costs, fluctuations in raw material prices, labour costs and the volume of customers' purchases. We apply the same pricing policy to all our customers including our own-brand customers, private label and OEM customers. Standard quotations are set for export and domestic sales from time to time in accordance with our Group's pricing policies to specify the minimum price that can be quoted for respective products.

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2. For intra-group transactions, standard quotations are also set corresponding to transactions with third party customers. For export sales, standard prices for Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power selling to Golden Power Corporation are in general set at a discount of around 5% to 8% on the standard export sale price for third party customers.
3. For domestic sales, standard prices for Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power selling to each other are in general set at a mark-up of around 2% on cost of goods sold, without overheads absorbed.

The following diagram sets forth our Group’s typical transaction flow in respect of raw materials:



Note: For intra-group transfer of raw materials, such transfers are generally effected at par.

The above transfer pricing arrangement is intended to ensure that our PRC manufacturing subsidiaries can derive sufficient cash flow from their sales to Golden Power Corporation with a reasonable mark-up on their production costs. The standard prices set for our PRC manufacturing subsidiaries selling to Golden Power Corporation were reviewed from time to time. While such reviews were made in the light of experience, as advised by our tax adviser on transfer pricing, attempts have been made to identify suitable comparables in order to apply the “comparable uncontrolled price” method to benchmark the tested transactions directly but it has not been able to identify suitable external or internal comparables with no material difference that would affect price to determine if the standard prices were set in accordance with the arm’s length principle.

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We have adopted internal control measures to ensure ongoing compliance with the relevant tax laws and regulations in Hong Kong and the PRC, including (i) regular identification and assessment of tax-related risks during our Board meetings, consultation with our tax advisers, and formulation of relevant risk management measures; (ii) formulating and implementing an internal control policy on tax-related matters; and (iii) designating our accounting manager to collect updates in relevant tax laws and regulations regularly.

As advised by our tax adviser, PKF Tax and Business Consultants Limited (“**Tax Adviser**”), our Group has been in compliance with the relevant tax laws and regulations in Hong Kong in all material respects during the Track Record Period. Furthermore, as advised by our tax adviser on transfer pricing, given that our Group has duly reported in our returns to the tax authorities that there were related party transactions during the Track Record Period between our subsidiaries in Hong Kong and those in the PRC, our Group has also been in compliance with tax reporting requirements on transfer pricing in all material respects.

Our PRC operating entities have obtained tax clearance confirmations from the relevant national and local tax authorities. As advised by our PRC Legal Advisers, (a) based on the relevant confirmations issued by the national and local tax authorities, during the Track Record Period and up to 12 January 2015, no material penalty had been imposed on any tax related unlawful acts of Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power; (b) according to the relevant confirmations issued by the local customs authorities, during the Track Record Period and up to 12 January 2015, Goldtium (Jiangmen) Energy, Dongguan Victory Battery and Dongguan Golden Power had not committed any act which materially breached any applicable PRC laws and regulations relating to customs. As advised by our Tax Adviser, our Group has been in compliance with the relevant tax laws and regulations in the PRC in all material respects during the Track Record Period.

Although neither the tax authorities in Hong Kong nor in the PRC have raised any questions on our Group’s transfer pricing arrangements as at the Latest Practicable Date, our Group has engaged a tax adviser on transfer pricing which has conducted review in September 2014 and follow-up review in January 2015 as to whether our transfer pricing practice during the three years ended 31 December 2014 was in line with the arm’s length principle. In the absence of “comparable uncontrolled price” as mentioned above, indirect benchmarks were derived from comparables under the “cost plus method” and “resale minus method”. The review by our tax adviser on transfer pricing suggests that:

- (a) in FY2013, there could be an overall over-allocation of profits to our PRC manufacturing subsidiaries selling to Golden Power Corporation in Hong Kong and a corresponding under-allocation of profits to Golden Power Corporation and its subsidiaries in Hong Kong whereas in FY2014, there could be an over-allocation of profits to one of our PRC manufacturing subsidiaries and under-allocation of profits to another PRC manufacturing subsidiary, the overall effect of which, after netting off, does not indicate an over-allocation of profits to our PRC manufacturing subsidiaries. The Hong Kong tax authorities could therefore assert their taxing right by raising tax adjustments to increase the amount of taxable profits attributable to Golden Power Corporation and its subsidiaries in Hong Kong;

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- (b) if the relevant tax authorities do propose adjustments, the total amount of such adjustments' maximum impact on our Group's taxable profits under the review, is estimated to be about HK\$6 million during the Track Record Period; and
- (c) based on our Group's profit level during the Track Record Period, if in the course of making the adjustments it is possible to rebalance the trading results of the entities concerned, our Group will have a favourable tax adjustment of over HK\$0.51 million, being 8.5% on the maximum reallocation of profits within our Group of approximately HK\$6 million. 8.5% is the corporate income tax rate difference between the PRC and Hong Kong.

We have been advised by our tax adviser on transfer pricing that the potential favourable tax effect can only be achieved by effecting rebalancing adjustments in the back year returns or by entering into new transactions. Either approach is subject to the agreement of the tax authorities in the PRC and Hong Kong. In the event that our Group becomes subject to double taxation in the course of effecting the rebalancing adjustments or the Hong Kong tax authorities asserting their taxing right, as advised by our tax adviser on transfer pricing, we may pursue or protect our interest by invoking Article 9 and Article 23 of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes.

As advised by our Group's tax adviser on transfer pricing and as confirmed by the Tax Adviser:

- (1) since some intra-group transactions have not been effected on an arm's length basis, the Hong Kong tax authorities may make transfer pricing adjustments to the business profits of our Group pursuant to the provisions of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO"). To this end, the Hong Kong tax authorities may need to consult with the tax authorities in China and come to a mutual agreement concerning the corresponding adjustments to be made to the relevant tax computations relating to our Group's PRC manufacturing subsidiaries to avoid double taxation. The likelihood of the Hong Kong tax authorities making such a transfer pricing adjustment appears to be dependent on the cost-benefit analysis of pursuing the mutual agreement procedures. In the event that such transfer pricing adjustments are to be made and double taxation occurs as a result, our Group will be entitled to obtain remedy by relying on the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income;
- (2) during the Track Record Period, our Group had implemented a transfer pricing policy that resulted in the allocation of profits to a higher tax regime. As a result, it is unlikely that the Hong Kong tax authorities would consider that our Group had a wilful intention to evade taxes or file incorrect tax returns;

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- (3) following the review by our Group's tax adviser on transfer pricing, our Group's transfer pricing policy has been amended to bring profits into range and our Group has adopted certain internal control measures to make sure our price setting for intra-group transactions are in line with the market. For details of the internal control measures implemented in relation to the above intra-group transactions, please see the paragraph headed "Business — Internal control and risk management policies" of the prospectus; and
- (4) having given due regard to the provisions in the IRO, Departmental Interpretation and Practice Notes and Hong Kong case laws that are relevant to transfer pricing, if our Group adopts self-initiated rebalancing adjustments and the internal control measures mentioned above to make sure our price setting for intra-group transactions are in line with market, then in the experience of our Group's tax adviser on transfer pricing, the Hong Kong tax authorities are more prepared to consider the results of measures mentioned above as technical changes rather than investigative issues requiring penal actions.

In light of the above, our Group's tax adviser on transfer pricing and the Tax Adviser are of the view that it is unlikely that penal action will be taken by the Hong Kong tax authorities as a result of the over-allocation of profits to our Group's PRC manufacturing subsidiaries during the Track Record Period.

The Sole Sponsor and our Directors, based on the advice given by our Group's tax adviser on transfer pricing and the Tax Adviser as well as after considering the internal control measures implemented by our Group, are of the view that the relevant internal control measures implemented by our Group are sufficient and effective and it is unlikely that penal actions will be taken by the Hong Kong tax authorities as a result of the over-allocation of profits to our Group's PRC manufacturing subsidiaries during the Track Record Period.

In the preparation of the consolidated financial statements, our Directors considered that the ratification of revenue recognition created temporary differences (i.e. arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period) as defined in HKAS 12 "Income Taxes" and deferred tax liabilities had been provided in the consolidated financial statements to include the tax impact on the ratification. After the recommendation made by the Internal Control Consultant during 2013, our Group complied with the recommendation on revenue recognition and no revision of revenue figures was made for FY2013 and FY2014. Accordingly, our Directors and Reporting Accountants are of the view that except for the above, no additional tax liabilities are expected.

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KEY FINANCIAL RATIOS

The following tables set forth the summary of our key financial ratios as of the dates or for the periods indicated:

	FY2013	FY2014
Gross profit margin (%) ⁽¹⁾	20.67%	22.95%
Net profit margin (%) ⁽²⁾	1.80%	3.04%
Return on equity (%) ⁽³⁾	15.71%	33.39%
Return on total assets (%) ⁽⁴⁾	2.01%	3.32%
Interest coverage (times) ⁽⁵⁾	2.32	3.36

	As at 31 December	
	2013	2014
Current ratio ⁽⁶⁾	0.59	0.59
Quick ratio ⁽⁷⁾	0.37	0.38
Gearing ratio ⁽⁸⁾	4.29	4.92
Net debt to equity ratio ⁽⁹⁾	4.07	4.43
Average inventories turnover days ⁽¹⁰⁾	97	79
Average trade receivables turnover days ⁽¹¹⁾	59	62
Average trade payables turnover days ⁽¹²⁾	118	138

Notes:

- (1) Gross profit margin is calculated as gross profit for the respective year divided by revenue of the respective reporting year.
- (2) Net profit margin is calculated as net profit for the respective year divided by revenue of the respective reporting year.
- (3) Return on equity is calculated by dividing net profit attributable to equity shareholders for the respective year by total equity attributable to equity shareholders as of the end of the respective year.
- (4) Return on total assets is calculated by dividing net profit for the year attributable to equity shareholders for the respective year by total assets as of the end of the respective year.
- (5) Interest coverage is calculated based on profit before interest and tax for the respective year divided by interest as of the end of the respective year.
- (6) Current ratio is calculated based on the total current assets for the respective year divided by total current liabilities as of the end of the respective year.
- (7) Quick ratio is calculated based on the current assets less inventories for the respective year divided by current liabilities as of the end of the respective year.
- (8) Gearing ratio is calculated based on total debt for the respective year divided by total equity as of the end of the respective year.

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- (9) Net debt to equity is calculated based on net debt (including interest-bearing bank loans and other borrowings, loan from a non-controlling shareholder, amounts due to a fellow subsidiary and a director less cash and cash equivalents) for the respective year/period divided by total equity as of the end of the respective year.
- (10) Average inventories turnover days are calculated by dividing the average of opening and ending balance of inventories for the respective year by cost of sales and multiplying the resulting value by 365 days.
- (11) Average trade receivables turnover days are calculated by dividing the average of opening and ending balance of net trade receivables for the respective year by revenue and multiplying the resulting value by 365 days.
- (12) Average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the respective year by cost of sales and multiplying the resulting value by 365 days.

Details of gross profit margin, net profit margin, average inventory turnover days, average trade receivables turnover days and average trade payables turnover days are set out in the paragraphs headed “Review of historical results of operation” and “Analysis of certain items on the consolidated statements of financial position” in this section.

Return on equity

Our return on equity increased from approximately 15.71% for the FY2013 to approximately 33.39% for the FY2014, which was mainly due to decrease in total equity attributable to shareholders by approximately HK\$11.46 million of which deemed distribution amounted to approximately HK\$18.77 million and dividend declared amounted to approximately HK\$2.00 million paid by our Group, which was partially offset by the increase in profit attributable to equity shareholders of approximately HK\$11.69 million and capitalisation of an amount due to a fellow subsidiary of approximately HK\$19.62 million.

Return on total assets

Our return on total assets for the FY2013 increased from approximately 2.01% to 3.32% for FY2014, which was mainly due to (i) increase in profit for the year by approximately HK\$5.10 million from approximately HK\$6.59 million for the FY2013 to approximately HK\$11.69 million for the FY2014; and (ii) decrease in total assets by approximately HK\$11.54 million from approximately HK\$364.05 million for the FY2013 to approximately HK\$352.51 million for the FY2014 mainly attributable to the decrease in (a) inventories by approximately HK\$9.30 million; (b) decrease in trade and bills receivables of approximately HK\$4.55 million; (c) decrease in deposits, prepayments and other receivables of approximately HK\$8.52 million, offset by increase in cash and bank balance by approximately HK\$6.99 million.

Current ratio

Our current ratio remained relatively stable at approximately 0.59 as at 31 December 2013 and 2014, respectively.

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Quick ratio

Our quick ratio remained relatively stable throughout the Track Record Period at approximately 0.37 and 0.38 as at 31 December 2013 and 2014. The slight increase was mainly due to the decrease in inventories of approximately HK\$9.30 million for the FY2014.

Gearing ratio

Our gearing ratio increased from approximately 4.29 as at 31 December 2013 to approximately 4.92 as at 31 December 2014. Such increase was primarily due to an amount of deemed distribution paid to a shareholder of approximately HK\$18.77 million in 2014 which reduced our retained earnings and thus our total equity, notwithstanding the decrease in total debts in 2014.

Net debt to equity ratio

Our net debt to equity ratio increased from approximately 4.07 as at 31 December 2013 to approximately 4.43 as at 31 December 2014. Such increase was primarily due to an amount of deemed distribution paid to a shareholder of approximately HK\$18.77 million in 2014 which reduced our retained earnings and thus our total equity, notwithstanding the decrease in total debts and increase in cash and cash equivalents in 2014.

Interest coverage

Our interest coverage increased from approximately 2.32 for the FY2013 to approximately 3.36 for the FY2014, which was primarily due to (i) our increase in the profit before finance costs and income tax mainly as a result of our increased gross profit; and (ii) a slight decrease in our finance costs for the FY2014.

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REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2013 compared with FY2014

Revenue

The following table sets forth our revenue, sales volume and average selling price of our products for the periods indicated:

	FY2013				FY2014			
	Revenue <i>HK\$'000</i>	% of total %	Sales volume '000	Average selling price <i>HK\$</i>	Revenue <i>HK\$'000</i>	% of total %	Sales volume '000	Average selling price <i>HK\$</i>
Disposable batteries								
Cylindrical batteries								
— Alkaline	161,173	43.98%	203,215	0.79	192,996	50.16%	247,415	0.78
— Carbon	<u>102,330</u>	<u>27.92%</u>	<u>221,219</u>	<u>0.46</u>	<u>95,917</u>	<u>24.93%</u>	<u>208,376</u>	<u>0.46</u>
	<u>263,503</u>	<u>71.90%</u>	<u>424,434</u>	<u>0.62</u>	<u>288,913</u>	<u>75.09%</u>	<u>455,791</u>	<u>0.63</u>
Micro button cell								
— Alkaline	64,931	17.72%	364,291	0.18	52,951	13.76%	406,949	0.13
— Other micro- button cells <i>(Note 1)</i>	<u>18,294</u>	<u>4.99%</u>	<u>20,792</u>	<u>0.88</u>	<u>24,333</u>	<u>6.32%</u>	<u>25,218</u>	<u>0.96</u>
	<u>83,225</u>	<u>22.71%</u>	<u>385,083</u>	<u>0.22</u>	<u>77,284</u>	<u>20.08%</u>	<u>432,167</u>	<u>0.18</u>
Rechargeable batteries and other battery-related products								
Rechargeable batteries	18,684	5.10%	2,703	6.91	15,835	4.12%	2,473	6.40
Other battery-related products	<u>1,087</u>	<u>0.29%</u>	<u>508</u>	<u>2.14</u>	<u>2,720</u>	<u>0.71%</u>	<u>3,844</u>	<u>0.71</u>
	<u>19,771</u>	<u>5.39%</u>	<u>3,211</u>	<u>6.16</u>	<u>18,555</u>	<u>4.83%</u>	<u>6,317</u>	<u>2.94</u>
	<u><u>366,499</u></u>	<u><u>100.00%</u></u>	<u><u>812,728</u></u>	<u><u>0.45</u></u>	<u><u>384,752</u></u>	<u><u>100.00%</u></u>	<u><u>894,275</u></u>	<u><u>0.43</u></u>

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

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Our revenue increased by approximately HK\$18.25 million from approximately HK\$366.50 million for the FY2013 to approximately HK\$384.75 million for the FY2014. Such increase was mainly due to the combined effect of (i) increase in sales of cylindrical batteries by approximately HK\$25.41 million; (ii) increase in sales of other micro-button cells by approximately HK\$6.04 million; and partially offset by (iii) decrease in sales of alkaline micro-button cells by approximately HK\$11.98 million.

Cylindrical batteries

Alkaline cylindrical batteries

Our revenue from alkaline cylindrical batteries increased by approximately HK\$31.83 million from approximately HK\$161.17 million for the FY2013 to approximately HK\$193.00 million for the FY2014. Such increase was mainly due to the increase in the sales volume from approximately 203.22 million units for the FY2013 to approximately 247.42 million units for the FY2014 resulting from (i) the increased demand for AA alkaline cylindrical batteries of (a) approximately HK\$11.52 million from industrial customer I, which is principally engaged in the sale and manufacturing of remote controls, due to shift of product demand from carbon cylindrical batteries, and (b) approximately HK\$3.96 million from a retail private label customer, which required more retail packaging; and (ii) increased demand for AAA alkaline cylindrical batteries of approximately HK\$11.32 million which amounted to HK\$9.52 million from our major retail private label customers.

Our average selling price slightly decreased from approximately HK\$0.79 per unit for the FY2013 to approximately HK\$0.78 per unit for the FY2014. This was mainly due to increase in sales volume from approximately 203.22 million units for the FY2013 to approximately 247.42 million units for the FY2014 as we offered some bulk purchase discounts to our private label customers. The gross profit margin for alkaline cylindrical batteries increased from approximately 20.29% to 24.52% as the effect of increase in sales volume of products of higher selling price outweighs the effect of decrease in average selling price for the FY2014.

Carbon cylindrical batteries

Our revenue from carbon cylindrical batteries decreased by approximately HK\$6.41 million from approximately HK\$102.33 million for the FY2013 to approximately HK\$95.92 million for the FY2014. Such decrease was mainly due to the decrease in sales volume from approximately 221.22 million units for the FY2013 to approximately 208.38 million units for the FY2014 due to the decreased demand for AA carbon cylindrical batteries by approximately HK\$7.76 million mainly due to the shift of product demand to alkaline cylindrical batteries from our industrial customer I; and partially offset by increase in demand of AAA carbon cylindrical batteries of approximately HK\$3.65 million from a retail private label customer.

The average selling price remained at approximately HK\$0.46 per unit for both FY2013 and FY2014.

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Micro-button cells

Alkaline micro-button cells

Our revenue from alkaline micro-button cells decreased by approximately HK\$11.98 million from approximately HK\$64.93 million for the FY2013 to approximately HK\$52.95 million for the FY2014.

Such decrease was mainly attributable to the occasional increase in demand from alkaline micro-button cells by customers from Brazil in the FY2013. Since such alkaline micro-button cells were high voltage batteries, the average selling price was comparatively higher. With significant decrease in contribution of the aforementioned alkaline micro-button cells in 2014, the revenue from sale of micro-button cells of such customers dropped by approximately HK\$11.46 million for the FY2014 as compared to the corresponding period in FY2013. Our average selling price decreased from approximately HK\$0.18 per unit for the FY2013 to approximately HK\$0.13 per unit for the FY2014. This was mainly due to the decrease in orders for the aforesaid alarm cells which has a relatively high selling price.

Other micro-button cells

Other micro-button cells included sales of silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells. The aggregate amount contributed approximately 4.99% and 6.32% to the total revenue for the FY2013 and FY2014, respectively. The increase was mainly attributable to the increase in sales of lithium manganese micro-button cells of approximately HK\$3.67 million which was mainly due to the increase in demand for the product with a new package from a private label customer amounted to approximately HK\$1.54 million.

The average selling price of other micro-button cells increased from approximately HK\$0.88 per unit for the FY2013 to HK\$0.96 per unit for the FY2014 which was mainly affected by different factors such as battery capacity and size as well as packaging.

Rechargeable batteries and other battery-related products

For the FY2013 and FY2014, revenue derived from the sale of rechargeable batteries and other battery-related products remained relatively stable for approximately HK\$19.77 million and HK\$18.56 million, respectively.

The average selling price for rechargeable batteries and other battery-related products decreased from approximately HK\$6.91 per unit to HK\$6.40 per unit and HK\$2.14 per unit to HK\$0.71 per unit for the FY2013 and FY2014, respectively. The average selling price of rechargeable batteries decreased mainly due to increased orders from one of our customers who required rechargeable batteries products with less capacity in the FY2014. Thus, sales volume decreased from approximately 2.70 million units to approximately 2.47 million units with decreased average selling price. The

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gross profit margin decreased from approximately 27.94% for the FY2013 to approximately 25.91% for the FY2014 which was due to the lower profit margin of rechargeable batteries products with less capacity being sold in the FY2014.

Cost of sales

	FY2013		FY2014		Change %
	HK\$'000	%	HK\$'000	%	
Raw materials	215,625	74.16%	233,241	78.68%	8.17%
— Steel	44,473	15.30%	42,666	14.39%	-4.06%
— Zinc	31,515	10.84%	32,254	10.88%	2.34%
— Electrolytic manganese dioxide	25,447	8.75%	26,458	8.93%	3.97%
— Copper	10,611	3.65%	8,892	3.00%	-16.20%
— Separator	8,845	3.04%	8,860	2.99%	0.17%
— Plastics	6,757	2.32%	6,431	2.17%	-4.82%
— Others (including trading items and packaging material)	87,977	30.26%	107,680	36.32%	22.40%
Direct labour	26,041	8.96%	14,735	4.97%	-43.42%
Overhead	49,084	16.88%	48,470	16.35%	-1.25%
— Subcontracting charges	6,490	2.23%	9,934	3.35%	53.07%
— Other overheads	42,594	14.65%	38,536	13.00%	-9.53%
Total cost of sales	<u>290,750</u>	<u>100.00%</u>	<u>296,446</u>	<u>100.00%</u>	1.96%

Note: Others include (i) raw materials which constituted less than 5% of the total raw material cost; (ii) trading items; and (iii) packaging materials.

Our cost of sales increased by approximately HK\$5.70 million from approximately HK\$290.75 million for the FY2013 to approximately HK\$296.45 million for the FY2014. Such increase was mainly attributable to the (i) increase in cost of raw materials by approximately HK\$17.61 million from approximately HK\$215.63 million for the FY2013 to approximately HK\$233.24 million for the FY2014 due to increase in total sales volume for FY2014, which was partially offset by decrease in direct labour cost of approximately HK\$11.31 million resulting from the decrease in average number of staffs from 878 for the FY2013 to 700 for the FY2014 from packaging and other production department during the period, compared with that of FY2013 which shifted our direct labour cost to subcontracting charges as more packaging work had to be out-sourced. This resulted in the increase of subcontracting charges of approximately HK\$3.44 million from approximately HK\$6.49 million for the FY2013 to approximately HK\$9.93 million for the FY2014. The decrease in staff cost was due to the decrease in number of staff and the enhancement of automation of our production lines for alkaline cylindrical batteries, namely the enhancement of production efficiency by increasing the annual designed

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production capacity of one of the existing production lines for AA alkaline cylindrical batteries from 200 units per minute to 300 units per minute by the engineering tune-up of existing machinery and the existing production line for AAA alkaline cylindrical batteries from 280 units per minute to 300 units per minute by the engineering tune-up of existing machinery such that our staff may work for less number of hours or shifts to produce the same amount of batteries, and addition of the production lines of our carbon cylindrical batteries. The enhancement of automation for our production lines for our alkaline cylindrical batteries as mentioned above reduced both direct and indirect labour cost and overheads of approximately HK\$4.68 million whilst the addition of production line for carbon cylindrical batteries in September 2013 reduced both direct and indirect labour cost and overheads of approximately of HK\$2.62 million as it shared some fixed costs as well as reduced the repair and maintenance expenses.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by product category for the FY2013 and FY2014:

	FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Disposable batteries				
Cylindrical batteries				
— Alkaline	32,706	20.29%	47,329	24.52%
— Carbon	<u>8,317</u>	<u>8.13%</u>	<u>10,735</u>	<u>11.19%</u>
	<u>41,023</u>	<u>15.57%</u>	<u>58,064</u>	<u>20.10%</u>
Micro-button cell				
— Alkaline	21,117	32.52%	13,082	24.71%
— Other micro-button cells (Note 1)	<u>7,644</u>	<u>41.78%</u>	<u>10,833</u>	<u>44.52%</u>
	<u>28,761</u>	<u>34.56%</u>	<u>23,915</u>	<u>30.94%</u>
Rechargeable batteries and other battery-related products				
Rechargeable batteries	5,220	27.94%	4,103	25.91%
Other battery-related products (Note 2)	<u>745</u>	<u>68.54%</u>	<u>2,224</u>	<u>81.76%</u>
	<u>5,965</u>	<u>30.17%</u>	<u>6,327</u>	<u>34.10%</u>
	<u><u>75,749</u></u>	<u><u>20.67%</u></u>	<u><u>88,306</u></u>	<u><u>22.95%</u></u>

Notes:

1. Other micro-button cells are silver oxide micro-button cells, lithium manganese micro-button cells and zinc air micro-button cells.
2. Other battery-related products include battery chargers, battery power packs and electric fans.

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With the increase in our revenue of approximately HK\$18.25 million from approximately HK\$366.50 million for the FY2013 to approximately HK\$384.75 million for the FY2014, our gross profit increased by approximately HK\$12.56 million from approximately HK\$75.75 million for the FY2013 to approximately HK\$88.31 million for the FY2014, representing an increase of approximately 16.58%. Such increase was mainly attributable to the increase in gross profit margin from approximately 20.67% for the FY2013 to approximately 22.95% for the FY2014. Such increase in gross profit margin was mainly due to the decrease in direct labour cost of approximately HK\$11.31 million which reduced the extent of increase of cost of sales compared to the extent of increase of revenue.

Other revenue

Our other revenue decreased from approximately HK\$5.65 million for the FY2013 to approximately HK\$4.66 million for the FY2014. Such decrease was mainly attributable to the decrease in sundry income by approximately HK\$0.59 million mainly due to (i) decrease in a payable amounted to approximately HK\$0.26 million being written off as sundry income in FY2013 as the creditor was deregistered in FY2014 which was one-off in nature; and (ii) a reversal of overprovision for commission provided in previous year of approximately HK\$0.11 million for the FY2014.

Other losses, net

Our other net losses decreased from approximately HK\$3.13 million for the FY2013 to approximately HK\$0.74 million for the FY2014. Such decrease was mainly attributable to the decrease in net exchange loss of approximately HK\$2.52 million due to fluctuations in exchange rate of USD during the period; partially offset by the increase in loss on disposal of property, plant and equipment of approximately HK\$0.13 million for the FY2014.

Selling expenses

	FY2013		FY2014		Change %
	HK\$'000	%	HK\$'000	%	
Freight and transportation	4,058	29.19%	4,518	31.97%	11.34%
Salaries and welfare	3,712	26.70%	3,356	23.75%	-9.59%
Insurance and declaration expenses	2,410	17.34%	2,909	20.59%	20.71%
Marketing and promotion expenses	1,232	8.86%	1,097	7.76%	-10.96%
Travelling expenses	1,181	8.50%	1,094	7.74%	-7.37%
Others	1,308	9.41%	1,157	8.19%	-11.54%
	<u>13,901</u>	<u>100.00%</u>	<u>14,131</u>	<u>100.00%</u>	1.65%

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Our selling expenses increased from approximately HK\$13.90 million for the FY2013 to approximately HK\$14.13 million for the FY2014, representing an increase of approximately 1.65%. Such increase was mainly due to increase in freight and transportation expenses and insurance and declaration expenses of approximately HK\$0.46 million and HK\$0.50 million, respectively, as a result of increase in revenue.

General and administrative expenses

	FY2013		FY2014		Change %
	HK\$'000	%	HK\$'000	%	
Salaries and welfare	23,086	48.63%	23,736	43.84%	2.82%
Office, utilities and motor vehicle expenses	7,975	16.80%	8,035	14.84%	0.75%
Listing expenses	1,313	2.77%	7,994	14.77%	508.91%
Depreciation and amortisation	3,503	7.38%	3,438	6.35%	-1.86%
Legal and professional fees	2,211	4.66%	2,929	5.41%	32.47%
Other taxes	983	2.07%	825	1.52%	-16.07%
Travelling expenses	1,902	4.01%	916	1.69%	-51.84%
Entertainment	1,853	3.90%	851	1.57%	-54.07%
Others	4,644	9.78%	5,419	10.01%	16.67%
	<u>47,470</u>	<u>100.00%</u>	<u>54,143</u>	<u>100.00%</u>	14.06%

Our general and administrative expenses increased from approximately HK\$47.47 million for the FY2013 to approximately HK\$54.14 million for the FY2014, representing an increase of approximately 14.06%. Such increase was primarily attributable to (i) increase in the listing-related expenses of approximately HK\$6.68 million; (ii) increase in staff costs of approximately HK\$0.65 million for administrative staff; and (iii) increase in others which included an one-off impairment of deposit paid for acquisition of plant and equipment and its related cost of approximately HK\$0.91 million as the supplier was under the process of liquidation and such deposit was considered unlikely to be received by our Group.

Finance costs

Our finance costs slightly decreased from approximately HK\$7.39 million for the FY2013 to approximately HK\$7.14 million for the FY2014, representing a decrease of approximately 3.38% which was mainly attributable to the reduced average bank borrowings balance for the FY2014.

Taxation

Our income tax expense increased from approximately HK\$3.17 million for the FY2013 to approximately HK\$5.13 million for the FY2014. Such increase was mainly due to: (i) the increased profit before income tax of Golden Power Corporation of approximately HK\$11.41 million, which is subject to Hong Kong profit tax; the increase

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in profit before income tax of Golden Power Corporation was mainly due to (a) increase in the gross profit margin of alkaline cylindrical batteries from 20.29% for the FY2013 to 24.52% for the FY2014 as a result of different packing requirements from retail customers who can afford a higher purchasing price and (b) one of the production lines for carbon cylindrical batteries commenced the mass production in September 2013; and (ii) the PRC withholding tax of approximately HK\$0.2 million incurred for dividend declared by one of our PRC subsidiaries. The effective tax rates for the FY2013 and FY2014 were approximately 32.47% and 30.48% respectively. The effective tax rate for the FY2013 and FY2014 were considered rather stable.

Profit for the year

As a result of the aforesaid and in particular our increase in revenue and gross profit margin as discussed above, our profit for the year attributable to owners of our Company increased from approximately HK\$7.30 million for the FY2013 to approximately HK\$11.69 million for the FY2014. Our Group's net profit margin increased from approximately 1.80% for the FY2013 to 3.04% for the FY2014 which was mainly due to (i) our improved gross profit margin from 20.67% for the FY2013 to 22.95% for the FY2014; and (ii) our decreased net other losses represented by the decrease in our net exchange loss of approximately HK\$2.52 million due to fluctuations in exchange rate of USD against RMB during the year.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our sources of liquidity and capital resources have been and are expected to continue to be cash from operating activities and other various forms of financing including bank borrowings. Our Group expects to increase the liquidity and capital resources from the proceeds from the Placing.

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The following table sets out the selected cash flow data from our Group's consolidated cash flow statements for the periods indicated.

	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	23,483	79,037
Net cash used in investing activities	(22,549)	(19,641)
Net cash used in financing activities	<u>(10,403)</u>	<u>(51,521)</u>
Net (decrease)/increase in cash and cash equivalent	(9,469)	7,875
Effect of foreign exchange rate changes, net	(19)	(882)
Cash and cash equivalent at the beginning of the year	<u>19,663</u>	<u>10,175</u>
Cash and cash equivalent at the end of the year	<u><u>10,175</u></u>	<u><u>17,168</u></u>

Cash flow from operating activities

Our Group derived our cash inflow from operating activities principally from the sales proceeds of its products. Our cash outflow from operations primarily reflects payments for the purchase of raw materials and staff costs.

Net cash generated from operating activities for the FY2014 amounted to approximately HK\$79.04 million which was mainly attributable to our profit before income tax of approximately HK\$16.82 million positively adjusted for (i) depreciation of approximately HK\$12.59 million and (ii) finance costs of approximately HK\$7.14 million; (iii) increase in trade payables of approximately HK\$25.87 million due to increase in purchase for production and longer credit term granted by certain suppliers; (iv) decrease in inventories of approximately HK\$8.40 million due to our improved inventory management; (v) decrease in trade and bills receivables of approximately HK\$3.02 million due to early settlement from certain customers; (vi) decrease in amounts due from fellow subsidiaries as the amount were fully settled in FY2014; and partially offset by increase in deposits, prepayment and other receivables of approximately HK\$1.84 million mainly as a result of increase in prepayment for listing expenses in relation to Placing and decrease in receipts in advance, other payables and accruals of approximately HK\$0.26 million.

Net cash generated from operating activities for the FY2013 amounted to approximately HK\$23.48 million which was mainly attributable to our profit before income tax of approximately HK\$9.76 million positively adjusted for (i) depreciation of approximately HK\$11.84 million and (ii) finance cost of approximately HK\$7.39 million; (iii) decrease in inventories of approximately HK\$21.78 million due to our improved inventory management; (iv) increase in trade payables of approximately HK\$11.49 million; (v) decrease in amounts due from directors of approximately HK\$4.55 million; while partially offset by (i) reversal of impairment loss on inventories of approximately HK\$2.31 million; (ii) increase in trade and bills receivables of approximately HK\$16.51 million; (iii)

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increase in deposits, prepayments and other receivables of approximately HK\$10.97 million; and (iv) decrease in receipts in advance, other payables and accruals of approximately HK\$7.17 million.

Our cash and bank balances increased from approximately HK\$10.18 million as at 31 December 2013 to HK\$17.17 million as at 31 December 2014. Although our Group's average trade payables turnover days increased from 118 days in FY2013 to 138 days in FY2014 as stated in the paragraph headed "Key financial ratios" in this section, our Directors consider that the reasons for our cash and bank balances to remain at approximately HK\$17.17 million as at 31 December 2014 were mainly due to (a) some events for cash outflow in FY2014, such as the (i) dividend payment of HK\$20 million, (ii) cash paid arising from group reorganisation of approximately HK\$8.73 million and (iii) net repayment of bank loans of approximately HK\$9.78 million; and (b) the possible net off effect brought by the increase in our Group's average trade receivables turnover days from 59 days for FY2013 to 62 days for FY2014 as stated in the paragraph headed "Key financial ratios" in this section. Notwithstanding the above, our Directors consider our Group's organic growth and ability to generate funds are improving, which enables us to sustain our business since our gross profit margin increased from approximately 20.67% for FY2013 to 22.95% for FY2014; net profit margin increased from approximately 1.80% for FY2013 to 3.04% for FY2014; and our net cash generated from operating activities increased from approximately HK\$23.48 million for FY2013 to HK\$79.04 million for FY2014.

Cash flow from investing activities

Our cash inflow from investing activities primarily includes cash generated from disposal of plant and equipment, whereas our cash outflow from investing activities primarily include cash used in the purchase of plant and equipment.

Net cash used in investing activities for the FY2014 amounted to approximately HK\$19.64 million and was mainly due to the purchase of property, plant and equipment of approximately HK\$18.92 million for enhancing our production line to increase our production capacity.

Net cash used in investing activities for the FY2013 amounted to approximately HK\$22.55 million and was mainly due to the purchase of property, plant and equipment of approximately HK\$20.53 million for enhancing our production line to increase our production capacity and acquisition of deferred non-voting shares in a subsidiary of approximately HK\$1.80 million.

Net cash used in financing activities

Our cash inflow from financing activities primarily includes proceeds from bank borrowings. Our cash outflow from financing activities primarily includes repayment of bank borrowings, payment of interest expenses, payment of dividends and payment arising from group reorganisation to a shareholder.

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Net cash used in financing activities for the FY2014 amounted to approximately HK\$51.52 million. This was mainly due to the cash paid arising from group reorganisation of approximately HK\$8.73 million, dividend paid of approximately HK\$20.00 million and interest paid for bank borrowings of approximately HK\$6.25 million. The new bank borrowings raised and repayment of bank borrowings of approximately HK\$453.54 million and HK\$463.32 million, respectively, was primarily attributable to the import loan from banks.

Net cash used in financing activities for the FY2013 was approximately HK\$10.40 million. This was mainly due to the dividend paid of approximately HK\$6.30 million, interest paid of approximately HK\$6.73 million and other finance costs paid of approximately HK\$0.88 million. The new bank borrowings raised and repayment of bank borrowings of approximately HK\$348.14 million and HK\$346.05 million, respectively, was primarily attributable to the import loans from bank.

Net Current Liabilities

The table below sets out the breakdown of our Group's current asset and current liabilities as at the dates indicated:

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current Assets			
Inventories	68,652	59,351	63,577
Trade and bills receivables	71,450	66,901	43,982
Deposits, prepayments and other receivables	27,560	19,036	20,272
Prepaid land lease payments	234	231	740
Income tax recoverable	71	49	—
Cash and cash equivalents	<u>10,175</u>	<u>17,168</u>	<u>15,811</u>
	<u>178,142</u>	<u>162,736</u>	<u>144,382</u>
Current Liabilities			
Bank overdraft	—	—	1
Trade payables	100,332	124,212	101,462
Receipts in advance, other payables and accruals	30,834	21,808	18,830
Bank borrowings, secured	166,882	125,695	135,260
Income tax payable	<u>1,807</u>	<u>2,546</u>	<u>3,084</u>
	<u>299,855</u>	<u>274,261</u>	<u>258,637</u>
Net current liabilities	<u>(121,713)</u>	<u>(111,525)</u>	<u>(114,255)</u>

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As at 31 December 2013 and 2014 and 31 March 2015, we had net current liabilities of approximately HK\$121.71 million, HK\$111.53 million and HK\$114.26 million, respectively. The net current liabilities were primarily attributable to a significant amount of short-term bank borrowings amounted to approximately HK\$166.88 million and HK\$125.70 million, and HK\$135.26 million that accounted for approximately 55.65%, 45.83% and 52.30% of the total current liabilities, in which approximately HK\$28.02 million was repayable after one year but subject to the lending bank's overriding right of repayment on demand as at 31 December 2013; whilst as at 31 December 2014 and 31 March 2015, no such amount was applicable to our Group as the banks waived their overriding right during the year. For details of our Group's bank borrowings, please refer to the paragraph headed "Indebtedness" of this section. Such net current liabilities were recorded as we principally financed our operation and capital expenditure with short-term bank borrowings. Prior to and during the Track Record Period, we applied short-term bank borrowings for (i) the aggregate payment of approximately HK\$72.32 million for our production lines and other machinery as our investment in property, plant and equipment; and (ii) the payment of dividend of approximately HK\$9.30 million and HK\$2.00 million for FY2013 and FY2014, respectively. Thus, our net current liabilities were primarily resulted from such arrangement to finance our non-current assets and declared dividend with current liabilities as at 31 December 2013 and 31 December 2014.

Our net current liabilities reduced by approximately HK\$10.18 million from approximately HK\$121.71 million as at 31 December 2013 to approximately HK\$111.53 million as at 31 December 2014. The reduction is mainly due to (i) reduction of current portion of bank borrowings of approximately HK\$41.18 million from approximately HK\$166.88 million as at 31 December 2013 to approximately HK\$125.70 million as at 31 December 2014 due to the combined effect of (a) repayment of such borrowings of approximately HK\$463.32 million; (b) reclassification of current portion of bank borrowings to non-current portion of approximately HK\$8.25 million as certain banks removed their overriding right of repayment on demand clause during FY2014, and such reclassification was made in accordance with Hong Kong Accounting Standards 1 "Presentation of Financial Statements" and HK Interpretation-5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" issued by the Hong Kong Institute of Certified Public Accountants to classify the bank borrowings by reference to the contractual rights and obligations of the lender and the borrower; and (c) addition of current portion of bank borrowings of approximately HK\$431.14 million; (ii) decrease in receipts in advance, other payables and accruals of approximately HK\$9.03 million mainly due to settlement of amounts due to related parties; which was partially offset by (i) the decrease in inventories of approximately HK\$9.30 million due to our further improved inventory management; (ii) the decrease in trade and bills receivables of approximately HK\$4.55 million due to arrangement with two customers to settle receivables prior to their agreed payment date at an interest rate of 1.21% per annum; (iii) the decrease in deposits, prepayments and other receivables of approximately HK\$8.52 million as all our amounts from fellow subsidiaries as at 31 December 2013 were fully settled during FY2014; and (iv) increase in trade payables of approximately HK\$23.88 million due to extended credit terms from 120 days AMS to 150 days AMS granted certain suppliers.

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Our net current liabilities remained relatively stable at approximately HK\$111.53 million as at 31 December 2014 and HK\$114.26 million as at 31 March 2015 with an increase of approximately HK\$2.73 million. The increase was mainly due to the increase in short-term bank borrowings of approximately HK\$9.57 million. Due to fewer orders processed during the first quarter of 2015, our trade and bills receivables and trade payables reduced by approximately HK\$22.92 million and approximately HK\$22.75 million, respectively; whilst our inventories increased by approximately HK\$4.23 million from 31 December 2014 to 31 March 2015.

The following table illustrates our Company's plan to improve our net current liabilities position and reduce our current portion of bank borrowings:

Items	Net current liabilities <i>HK\$'000</i>	Current portion of bank borrowings <i>HK\$'000</i>	<i>Notes</i>
	111,525 (as at 31 December 2014)	125,695 (as at 31 December 2014)	
Total estimated capital expenditure of the new production line (part of which is expected to be incurred in late 2015)	3,605		(1)
Offer issued by one of our principal banks in January 2015	(20,000)	(20,000)	(2)
Capital injection of HK\$20 million made by Mr. Chu in May 2015	(20,000)	(20,000)	(3)
Use of proceeds/cash inflow from net proceeds from the Placing (after deduction of outstanding listing expenses)			
— Repayment of current portion of bank borrowings	(31,214)	(31,214)	(4)
— Working capital	(26,121)		(5)
Upon Listing	17,795	54,481	

Notes:

- (1) In May 2015, our Company entered into a sale and purchase agreement (the "SPA") in relation to the sale and purchase of the new production line for AA carbon cylindrical batteries (the "PRC Production Line") with a PRC vendor (the "PRC Vendor"), from which our Company had previously purchased its production line for AAA carbon cylindrical batteries. Our Group's total

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capital expenditure for the PRC Production Line, including other expenses such as fees relating to the installation of the PRC Production Line, is estimated to be approximately HK\$3.60 million, of which approximately HK\$2.89 million is the consideration payable to the PRC Vendor. According to the SPA, among others, (i) 50% of the consideration shall be payable upon the first acceptance and satisfactory check and delivery of the PRC Production Line to our Group and the remaining 50% shall be payable upon the second acceptance and satisfactory check of the PRC Production Line by our Group; and (ii) the PRC Production Line shall be delivered to our Group 180 days after the execution of the SPA. Our Directors estimate that the PRC Production Line will be delivered to our Group in around November 2015, the testing of the PRC Production Line will complete in around January 2016 and the PRC Production Line will commence commercial production in around February 2016. Accordingly, it is estimated that our Group will incur approximately 50% of the total capital expenditure for the PRC Production Line in around November 2015. For illustrative purpose only, it is assumed that the total estimated capital expenditure of the new production line will be paid in full upon Listing.

- (2) According to the indicative offer issued by one of our principal banks in November 2014 and the offer issued by this bank in January 2015, HK\$20 million of our Group's current portion of bank borrowings with this bank is converted to non-current portion of bank borrowings.
- (3) Mr. Chu has made a capital injection of HK\$20 million to our Company in May 2015.
- (4) The following table illustrates the breakdown of cash inflow from net proceeds from the Placing:

	Net proceeds from the Placing	Cash inflow/ (outflow) from net proceeds from the Placing	Notes
	HK\$'000	HK\$'000	
Gross proceeds from the Placing	70,000	70,000	(a)
All listing expenses (including underwriting commission)	(35,318)		(b)
Outstanding listing expenses		(12,665)	(c)
Balance	34,682	57,335	
General working capital	10%	(3,468)	(d)
Repayment of current portion of bank borrowings	90%	(31,214)	(d)
Balance of cash inflow from net proceeds from the Placing		26,121	

Notes:

- (a) Our Group expects to receive HK\$70.00 million gross proceeds from the Placing based on the low-point of the indicative range of the Placing Price of HK\$1.25 per Placing Share.
- (b) All listing expenses (including underwriting commission) relating to the Placing is estimated to be approximately HK\$35.32 million based on the mid-point of the indicative range of the Placing Price of HK\$1.30 per Placing Share for illustrative purpose.

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- (c) The outstanding listing expenses relating to the Placing to be paid upon Listing is estimated to be approximately HK\$12.67 million.
- (d) Pursuant to the implementation plans of our Company, the use of proceeds will be as follows:
 - (i) 10% of the net proceeds will be deployed for general working capital; and
 - (ii) 90% of the net proceeds will be deployed for the repayment of certain bank loan facilities. Please see the section headed “Statement of Business Objectives and Use of Proceeds” of this prospectus for further details.

As illustrated in the table in Note (4) above, approximately HK\$31.21 million from net proceeds from the Placing will be deployed for the repayment of current portion of bank borrowings.

- (5) As illustrated in the table in Note (4) above, the balance of cash inflow from net proceeds from the Placing is approximately HK\$26.12 million after deduction of outstanding listing expenses relating to the Placing to be paid upon Listing as described in Note (c) above, which also helps reduce our Group’s net current liabilities.

By applying the above plan, it is estimated that our Group’s net current liabilities will be reduced from approximately HK\$111.53 million as at 31 December 2014 to approximately HK\$17.80 million upon Listing; whereas our Group’s current portion of bank borrowings will be reduced from approximately HK\$125.70 million as at 31 December 2014 to approximately HK\$54.48 million upon Listing.

In view of our Group’s outstanding current portion of bank borrowings (being the major component of the Group’s net current liabilities) of approximately HK\$54.48 million upon Listing as illustrated above, our Directors consider that we have sufficient resources to repay such bank borrowings based on (i) estimated cash and bank balance of approximately HK\$13.57 million (being the Group’s cash and bank balances as at 31 December 2014, which were approximately HK\$17.17 million, deducted by the total capital expenditure for the new production line for producing mercury-free, cadmium-free and lead-free AA carbon cylindrical batteries); (ii) as illustrated in the table in Note (4) above, balance of cash inflow from net proceeds from the Placing of approximately HK\$26.12 million; (iii) estimated total market value of the pledged properties in Hong Kong and Macau of approximately HK\$110.89 million, with reference to the market value indications provided by certain banks in September 2014 and the recent sales and purchases of similar properties within the same industrial centre which reflects the market liquidity of such properties; and (iv) relatively stable cash inflow from operating activities before working capital changes of approximately HK\$26.37 million and HK\$38.05 million for FY2013 and FY2014, respectively.

Please refer to the paragraphs headed “Liquidity and capital resources — Cash flow from operating activities” and “Key financial ratios” in this section for further details in relation to other factors which may affect the Group’s net current liabilities position.

Please refer to the paragraph headed “Risk Factors — Risks relating to the business of our Group — We recorded net current liabilities as of 31 December 2013 and 31 December 2014, and we cannot assure you that we will not experience a net current liability position again in future” in this prospectus. We intend to finance our future capital expenditure requirements mainly with cash from operating activities, borrowings, proceeds from the Placing and other existing resources.

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ANALYSIS OF CERTAIN ITEMS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment consist of leasehold land and buildings, plant and machinery, furniture, fixtures and office equipment, leasehold improvements, construction in progress, motor vehicles and other instruments. As at 31 December 2013 and 2014, the carrying amount of our property, plant and equipment amounted to approximately HK\$171.28 million and HK\$175.70 million, respectively, representing approximately 92.13%, and 92.58% of our Group's total non-current assets, respectively.

The increase in property, plant and equipment as at 31 December 2014 of approximately HK\$4.42 million was primarily attributable to the purchase of approximately HK\$18.92 million, mainly for our production line and other machinery, partially offset by the depreciation charge of approximately HK\$12.59 million.

Deferred tax assets

Deferred tax assets amounted to approximately HK\$7.97 million and HK\$7.74 million of which HK\$3.37 million and HK\$2.62 million was arising from others ("**Other Deferred Tax Assets**") as at 31 December 2013 and 2014 respectively. The Other Deferred Tax Assets represented the tax impact on temporary differences arising from differences between the carrying amounts of assets and liabilities of the Group stated in the consolidated financial statements prepared based on the Group's accounting policy and the tax bases. Tax bases are the amounts attributed to those assets or liabilities for tax purpose. As at 31 December 2013 and 2014, the Other Deferred Tax Assets were mainly arising from the temporary differences in inventory and costs of sales for the purpose of profits tax filing which amounted to approximately HK\$3.26 million and HK\$2.31 million, respectively. Such temporary differences were attributable to certain genuine manufacturing expenses in relation to inventory incurred by our subsidiaries in the PRC, which were eligible for enterprise income tax deduction in the PRC. As confirmed by our Directors, part of such manufacturing expenses of our subsidiaries in the PRC were deferred to later years for enterprise income tax deduction purpose in accordance with the guidance from the local PRC tax authority. This has resulted in the temporary differences in inventory and the temporary differences will be reversed in the subsequent periods.

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Inventories

Our inventory comprised of raw material, work-in-progress and finished goods. The following table sets forth a summary of our inventory balances and inventories turnover days as of the dates indicated:

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	24,838	20,768
Work-in-progress	28,097	24,677
Finished goods	<u>15,717</u>	<u>13,906</u>
	<u><u>68,652</u></u>	<u><u>59,351</u></u>
	As at 31 December	
	2013	2014
Average inventories turnover days <i>(Note)</i>	<u>97</u>	<u>79</u>

Note: Average inventories turnover days are calculated by dividing the average of opening and ending balance of inventories for the relevant year by cost of sales and multiplying the resulting value by 365 days.

During the Track Record Period, inventories constituted one of the principal components of our Group's current assets. Our Group strives to manage and control the level of inventories. The value of our inventories accounted for approximately 38.54% and 36.47% of our Group total current assets as at 31 December 2013 and 2014, respectively.

Our inventories decreased by approximately 13.55% from HK\$68.65 million as at 31 December 2013 to HK\$59.35 million as at 31 December 2014. Our inventories declined during the Track Record Period because our Group made significant efforts to control the purchase of raw materials and improved our inventory management by establishing a control on stock demand rather than being price oriented. This was in line with the decreasing inventories turnover days from 97 days to 79 days as at 31 December 2013 and 2014, respectively.

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The following table illustrates the aging analysis of inventories as of the end of each of the reporting dates.

Aging of inventories	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	60,917	51,214
1–2 years	5,733	3,154
Over 2 years	2,002	4,983
	68,652	59,351

As at 31 December 2013 and 2014, inventories aged more than one year was approximately 11.27% and 13.71% respectively. The increase in inventories aged more than one year during the Track Record Period was mainly due to (i) the delay in production schedule of mercury-free micro button cells arising from delay in: (a) approval of invention patent by relevant authority; and (b) consequently the customer's approval of specification of certain models of mercury-free micro button cells, resulting in an increase in work-in-progress for the production to meet the expected demand from customers. Such invention patent was obtained in April 2014 and production of certain models of mercury-free micro button cells subsequently commenced in August 2014. As at 31 January 2015, HK\$0.87 million of such inventory was subsequently shipped to our customers; and (ii) the delay in customers' confirmation of shipment resulting in an increase in finished goods.

As at 31 March 2015, approximately 75.08% of our aggregate carrying amounts of inventories as at 31 December 2014 had been utilised and sold.

Our Group has a general policy of provision for inventories but makes assessments on provisions on a case-by-case basis. During the Track Record Period, we had an impairment loss in respect of inventory which amounted to HK\$0.94 million and HK\$0.75 million as at 31 December 2013 and 2014, respectively. The amounts remained stable as at both 31 December 2013 and 2014.

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Trade and Bills Receivables

Our trade receivables as at the respective year-end and period-end represented the outstanding amounts receivable by us from our customers who have been granted with credit periods. The following tables set out the total trade and bills receivables, aging analysis and trade receivables turnover days as of the dates indicated:

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net trade receivables	66,860	64,644
Bills receivables	<u>4,590</u>	<u>2,257</u>
Total	<u>71,450</u>	<u>66,901</u>
	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	27,882	35,466
31–60 days	22,091	18,137
61–90 days	12,667	8,848
90–120 days	3,928	3,482
Over 120 days	<u>4,882</u>	<u>968</u>
	<u>71,450</u>	<u>66,901</u>
	As at 31 December	
	2013	2014
Average trade receivables turnover days ^(Note)	<u>59</u>	<u>62</u>

Note: Average trade receivables turnover days are calculated by dividing the average of opening and ending balance of net trade receivables for the relevant year by revenue and multiplying the resulting value by 365 days.

Our trade receivables are primarily related to receivables for goods sold to our customers. Our Group's credit periods ranged from 30 days to 120 days, based on our relationship with the individual customers, their credit history, the volume of the customer's orders and other factors deemed relevant. The credit period of individual customers is considered on a case-by-case basis. Certain customers, particularly new or smaller customers, are required to make full payment before or upon delivery. Our Group seeks to maintain strict control over the outstanding receivables and closely monitors them to minimise the credit risk. Overdue balances are reviewed regularly by our Directors.

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The increase in average trade receivables turnover days was mainly attributable to the increase in orders from customers granted with longer credit period. Despite the increasing trend for our average trade receivables turnover days, our credit management policy is deemed to be appropriate as the turnover days are within our credit periods ranged from 30 days to 120 days. As such, our Directors and our Sole Sponsor believe that such increase in average trade receivables turnover days would not have significant impact to our cash inflows.

Net trade receivables and bills receivables

Our net trade receivables decreased by approximately HK\$2.22 million from approximately HK\$66.86 million as at 31 December 2013 to approximately HK\$64.64 million as at 31 December 2014 mainly due to arrangement with two customers to settle receivables prior to their agreed payment date at an interest rate of 1.21% per annum.

Our Group's credit periods ranged from 30 days to 120 days. During the Track Record Period, 93.17% and 98.55% of our net trade and bill receivables are aged within 120 days due to our implementation of stringent debt collection policy. The amount of past due but not impaired amounted to approximately HK\$18.64 million and HK\$17.02 million as at 31 December 2013 and 2014, respectively.

Our impairment loss in respect of trade receivables related to receivables that are not expected to be recoverable as a result of certain reasons such as financial difficulties of the customers. These balances were fully provided for. Our Group does not hold any collateral or other credit enhancements over these balances. During the Track Record Period, minimal amount, if any, of impairment loss in respect of trade receivables was recorded due to our policy regarding debt collection.

Trade receivables are unsecured and non-interest bearing. The carrying amounts of trade receivables approximate their fair values. Trade receivables amounting to approximately HK\$4.56 million and HK\$nil as at 31 December 2013 and 2014, respectively, were pledged to a bank as collateral for the banking facilities granted to our Group under the factoring arrangement.

As at 31 March 2015, approximately 83.68% of the balance of trade receivables as at 31 December 2014 has been settled.

Bills receivables

Our bills receivables decreased by approximately HK\$2.33 million from approximately HK\$4.59 million as at 31 December 2013 to approximately HK\$2.26 million as at 31 December 2014 mainly due to the reduced use of bills receivables by customers preference during the FY2014.

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Deposits, Prepayment and Other Receivables

The table below sets out the deposits, prepayment and other receivables of our Group for the Track Record Period:

	As at 31 December	
	2013	2014
	HK\$'000	HK\$'000
Utilities and other deposits	1,939	923
Prepayments	9,031	9,344
Other receivables	6,810	8,769
Amounts due from a fellow subsidiary — Golden Power Rubber Products Ltd	<u>9,780</u>	<u>—</u>
	<u>27,560</u>	<u>19,036</u>

Prepayments

Our Group principally makes prepayments in connection with our purchase of raw materials. Our Group is sometimes required to prepay a portion of the purchase price in advance of taking delivery of the raw materials, depending on the practice of different suppliers. Prepayments increased by approximately HK\$0.31 million from approximately HK\$9.03 million as at 31 December 2013 to approximately HK\$9.34 million as at 31 December 2014. The increase was mainly due to the increase in prepayment for listing expenses in relation to the Placing of approximately HK\$1.90 million.

Other receivables

Our other receivables increased by approximately HK\$1.96 million from approximately HK\$6.81 million as at 31 December 2013 to approximately HK\$8.77 million as at 31 December 2014. The increase was mainly attributable to the increase in tax refund of approximately HK\$3.30 million for the FY2014. Such increase was mainly due to increase in inventories purchased in the PRC which was entitled to tax refund for the FY2014.

Amount due from a fellow subsidiary

The amount represented advances to our fellow subsidiary, which was interest bearing at 5% per annum, unsecured and repayable on demand. The amount was fully settled in September 2014.

Trade Payable

Our trade payables mainly relate to the purchase of raw materials from our suppliers with credit terms generally ranging from 30 to 150 days. Our Group settles our trade payables mainly in the form of letter of credit, bank remittance and cheques.

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The table below sets out the aging analysis of our trade payables, as at the respective dates during the Track Record Period:

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	37,334	35,430
31–90 days	28,868	60,868
91–180 days	27,443	22,943
Over 180 days	<u>6,687</u>	<u>4,971</u>
	<u><u>100,332</u></u>	<u><u>124,212</u></u>
	As at 31 December	
	2013	2014
Average trade payables turnover days <i>(Note)</i>	<u>118</u>	<u>138</u>

Note: Average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the relevant year by cost of sales and multiplying the resulting value by 365 days, where appropriate.

Trade payables as at 31 December 2014 were approximately HK\$124.21 million, representing an increase of approximately 23.80% as compared with that as at 31 December 2013. The increase in trade payables was mainly due to the increase in raw materials purchased in response to the increase in sales during the year. The increase was also attributable to raw materials purchased from suppliers who granted us longer credit period compared to FY2013.

The average trade payables turnover days increased from 118 days as at 31 December 2013 to 138 days as at 31 December 2014. The increase was attributed to our increased purchase of raw materials from suppliers granting us a longer credit period from 120 days AMS to 150 days AMS to match with our longer credit period granted to our customers.

As at 31 March 2015, 64.22% of the balance of trade payables as at 31 December 2014 has been settled.

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Receipts in advance, other payables and accruals analysis

The following table sets forth receipts in advance, other payables and accruals of our Group as at the dates indicated:

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-Current portion:		
Loan from a former subsidiary	<u>16,000</u>	<u>11,000</u>
	<u>16,000</u>	<u>11,000</u>
Current portion:		
Receipts in advance	4,570	5,627
Other payables	3,394	2,264
Accruals	5,075	8,209
Interest payables	748	28
Provision for long service payments	242	334
Provision for annual leave	346	346
Amounts due to a fellow subsidiary	9,452	—
Amount due to a director	1,007	—
Loan from a former subsidiary	3,000	5,000
Dividend payable to the ultimate holding company	<u>3,000</u>	<u>—</u>
	<u>30,834</u>	<u>21,808</u>
	<u><u>46,834</u></u>	<u><u>32,808</u></u>

Our other payables and accruals primarily consist of payments for our expenditures related to the audit fee, wages, sales commission, bonus, rental, and social insurance.

Receipts in advance

Receipts in advance increased by approximately HK\$1.06 million from HK\$4.57 million as at 31 December 2013 to HK\$5.63 million as at 31 December 2014. The increase was mainly due to amounts received from customers for securing productions.

Other payables

Other payables remained relatively stable as approximately HK\$3.39 million and HK\$2.26 million as at 31 December 2013 and 2014, respectively.

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Accruals

The accruals increased by approximately HK\$3.13 million from approximately HK\$5.08 million as at 31 December 2013 to approximately HK\$8.21 million as at 31 December 2014. The increase was mainly due to the increase in accruals for bonus and wages of approximately HK\$1.55 million due to increased bonus expected to be paid out after FY2014.

Loan from a former subsidiary

The amount of HK\$19.00 million represented cash advances to Goldtium (Hong Kong), a former subsidiary of our Group, from a non-controlling shareholder of Goldtium (Jiangmen) Battery upon the disposal of Techway (China) on 23 July 2013. Since the amount was excluded in the determination of consideration for the disposal, our Directors consider that, based on the substance of the transaction, our Group is ultimately responsible for the repayment of the amount. Goldtium (Hong Kong) was appointed as the repayment agent of our Group for the repayment.

The amount is interest-free and unsecured, of which HK\$3.00 million was repaid during FY2014, while the remaining HK\$5.00 million is repayable on or before 31 December 2015 and HK\$11.00 million is repayable on or before 31 December 2016.

Amounts due to a fellow subsidiary/a director/dividend payable to the ultimate holding company

The amounts represented fund transfer. The amounts were non-trade in nature, interest-free, unsecured and repayable on demand. All the amounts due to a fellow subsidiary and a director and dividend payable to the ultimate holding company were fully repaid during FY2014.

SUFFICIENCY OF WORKING CAPITAL

Notwithstanding that (i) our Group had previously breached certain covenants in relation to the minimum net tangible assets requirements for the bank borrowing (the “Breaches”) during the Track Record Period; (ii) our Group had significant amount of short-term bank borrowings during the Track Record Period; and (iii) our Group had relatively high gearing ratio and net debt to equity ratio during the Track Record Period, our Directors and the Sole Sponsor are of the opinion that the working capital available to our Group is sufficient for at least 12 months from the date of this prospectus after taking into consideration the following factors:

(i) Procedures adopted by our Group to strengthen our liquidity position and improve our net current liabilities position

Our Company has formulated a plan to improve its net current liabilities position and reduce its current portion of bank borrowings. By applying the said plan, it is estimated that the Group’s net current liabilities will be reduced from approximately HK\$111.53 million as at 31 December 2014 to approximately HK\$17.80 million upon Listing; whereas our

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Group's current portion of bank borrowings will be reduced from approximately HK\$125.70 million as at 31 December 2014 to approximately HK\$54.48 million upon Listing. Please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net current liabilities" of this prospectus for further details.

(ii) Sufficient assets pledged to banks

We had pledged certain properties in Hong Kong and Macau as well as certain property, plant and equipment in the PRC to banks. As at 31 December 2014, the total value of assets pledged by our Group as security to banks amounted to approximately HK\$139.49 million, representing approximately 89.22% of the utilized banking facilities of approximately HK\$156.34 million. Our Directors consider that our Group has sufficient assets pledged for the banking facilities;

(iii) Removal or reduction of tangible net worth covenant under bank borrowing agreements

We have well-established relationships with some of our existing principal banks. Further, in spite of the Breaches, details of which are set out in the paragraph headed "Indebtedness — Bank borrowings" in this section below, we have taken immediate action to negotiate with the banks and the banking facilities which were renewed in September 2014 and November 2014 have been agreed by the banks to remove or reduce the minimum net tangible assets requirements which our Group is able to maintain. Our Directors believe that our Group's well-established relationships with some of the existing principal banks and the removal or reduction of the tangible net worth covenant under bank borrowing agreements implied that the financial position and liquidity position of our Group are perceived to be sufficient by the banks;

(iv) Internal control for monitoring the liquidity situation and the covenants under bank borrowing agreements

In relation to the Breaches, we have adopted internal control procedures for monitoring compliance with the terms of the bank borrowing agreements. For details, please see the paragraph headed "Business — Internal control and risk management policies" in this prospectus. Accordingly, our Directors are of the view that our Group can effectively monitor our compliance with the covenants under the bank borrowing agreements with an aim to preventing the request of early repayment by the banks due to breach of covenants;

(v) Stable cash inflow from operating activities and repayment of bank borrowings

During the Track Record Period, our Group had relatively stable cash inflow from operating activities. Please see the paragraph headed "Financial Information — Liquidity and capital resources — Cash flow from operating activities" in this prospectus for details. Our Directors are of the view that our Group has sufficient cash inflow for operation and this shall improve our Group's net current liabilities position in the future;

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(vi) The declaration and payment of dividend by Golden Power Properties before its merger

Our Directors are of the view that the declaration and payment of dividend by Golden Power Properties before its merger would not have adverse effect on the working capital and operation of our Group. For details, please refer to the paragraph headed “Financial Information — Dividend and dividend policy” in this prospectus.

INDEBTEDNESS

The following table sets forth a summary of our indebtedness at the end of the respective dates as indicated. As at 31 March 2015, being the Latest Practicable Date for the purpose of indebtedness statement, except as disclosed in the table below, our Group did not have any outstanding debt securities, borrowings, indebtedness, mortgage, contingent liabilities and guarantees on a consolidated basis. Since 31 March 2015, there has been no material adverse change in our indebtedness.

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Non-current:			
Bank borrowings, secured	—	30,649	29,022
Loan from a former subsidiary	<u>16,000</u>	<u>11,000</u>	<u>11,000</u>
	<u>16,000</u>	<u>41,649</u>	<u>40,022</u>
Current:			
Bank borrowings, secured	166,882	125,695	135,260
Loan from a former subsidiary	3,000	5,000	5,000
Amount due to a fellow subsidiary	9,452	—	—
Amount due to a director	<u>1,007</u>	<u>—</u>	<u>—</u>
	<u>180,341</u>	<u>130,695</u>	<u>140,260</u>
	<u><u>196,341</u></u>	<u><u>172,344</u></u>	<u><u>180,282</u></u>

Bank borrowings

During the Track Record Period, the secured bank loans and secured bank import loans of our Group were mainly applied for the purchase of property, plant and equipment, and for our operation. Our bank borrowings decreased from approximately HK\$166.88 million for the FY2013 to approximately HK\$156.34 million for the FY2014 which was mainly due to repayment of secured bank loans during the FY2014.

Our bank borrowings increased by approximately 5.08%, from approximately HK\$156.34 million as at FY2014 to approximately HK\$164.28 million as at 31 March 2015 which was mainly due to an addition of a short-term bank borrowing.

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Bank borrowings are classified as current liabilities according to the HK Interpretation-5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants. According to the repayment schedules the bank borrowings are repayable as follows:

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
			<i>HK\$'000</i>
Within 1 year			
— short term loans	129,456	116,987	127,270
— current portion of long-term loans	<u>9,409</u>	<u>8,708</u>	<u>7,990</u>
	138,865	125,695	135,260
Over 1 year but within 2 years	8,244	6,518	6,527
Over 2 years but within 5 years	8,529	19,743	18,367
Over 5 years	<u>11,244</u>	<u>4,388</u>	<u>4,128</u>
	<u><u>166,882</u></u>	<u><u>156,344</u></u>	<u><u>164,282</u></u>

The following table sets out the range of interest rates for our bank borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December		As at
	2013	2014	31 March
			2015
Bank borrowings	2.21%–7.86%	2.22%–7.56%	2.18%–7.08%

As at the close of business on 31 March 2015, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of approximately HK\$229.90 million, of which approximately HK\$65.62 million were unutilised.

Our Group's bank borrowings are subject to covenants that (i) our Company has to maintain tangible net worth of no less than HK\$20.00 million; (ii) our Group has to direct our import and export trade business to a bank at not less than HK\$60.00 million per annum; and (iii) our Group has to direct our import and export trade business to banks at not less than HK\$50.00 million for each period of 12 consecutive calendar months.

The major factors considered when deciding whether to finance our Group's acquisition of plant and equipment by way of current portion of bank borrowings or non-current portion of bank borrowings include the amount of facility limit, place and type of pledged assets, repayment terms, interest expenses, timing of draw down and whether there is penalty for early repayment.

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Some advantages of current portion of bank borrowings over non-current portion of bank borrowings include:

- (i) our Group tends to enjoy a more flexible repayment schedule and interest repayment amount for interest rate on current portion of bank borrowing is relatively lower than that under long-term borrowing arrangement including leasing and/or hire purchase based on the size of our Group's pledged assets and the target borrowing level;
- (ii) our Group enjoys a higher degree of flexibility from using current portion of bank borrowings. For instance, no immediate draw down is required and thus no interest cost is incurred until draw down; and
- (iii) there is no penalty for early repayment for using current portion of bank borrowings.

Some disadvantages of non-current portion of bank borrowings over current portion of bank borrowings include:

- (i) it was difficult to obtain relatively small scale borrowing under long-term repayment schedule from our Group's principal banks in view of the relatively low purchase cost of the machinery and components ranging from RMB1 million to RMB7 million;
- (ii) it was also difficult to obtain non-current portion of bank borrowing from our Group's principal banks in view of the relatively low purchase cost of the machinery parts ranging from RMB10,000 to RMB500,000;
- (iii) to the best knowledge and understanding of our Directors and according to the discussion with our Group's principal banks at the relevant time, instead of granting a full loan amount, only 50% of the cost of machinery will be financed if there was a bank agreeing to the granting of non-current portion of bank borrowing given the low borrowing scale;
- (iv) our Group was informed by our principal banks in Hong Kong that plant and equipment located in the PRC are less likely to be considered as pledged assets for leasing and over the years our Group had less than 50% of leasing arrangement which deployed the use of pledged assets located outside Hong Kong; and
- (v) our Group experienced difficulties in obtaining non-current portion of bank borrowing from our Group's principal banks in the PRC as real estate properties would be preferred over plant and equipment as pledged assets.

To our Directors' best knowledge and from the experience of our Group during the Track Record Period, interest expense of current portion of bank borrowings could be 0.51% to 1.96% lower than that of non-current portion of bank borrowings.

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Based on the above advantages of current portion of bank borrowings over non-current portion of bank borrowings and disadvantages of non-current portion of bank borrowings over current portion of bank borrowings, to our Directors' best knowledge, it is an industry norm to use current portion of bank borrowings and/or internal resources for financing the acquisition of plant and equipment.

Having considered the above advantages and disadvantages of current portion of bank borrowings and non-current portion of bank borrowings as well as the relevant industry norm, our Company generally used current portion of bank borrowings instead of non-current portion of bank borrowings to finance our acquisition of plant and equipment.

Since November 2012, some subsidiaries of our Group had breached the covenants in relation to the minimum net tangible assets requirements for their bank borrowings, which were remedied in September 2014 and November 2014, respectively, when the relevant bank facility letters were renewed. As a result of the Breaches, the relevant banks in respect of the Breaches were contractually entitled to request early repayment of the outstanding amount of bank borrowings amounted to HK\$54.73 million, HK\$53.91 million and nil as at 31 December 2012, 2013 and 2014, respectively. Such covenants have been included under the bank facility letters between those subsidiaries and the banks since 2009 and 2010. At the material times, the properties owned by Golden Power Properties in Hong Kong were pledged to the banks to secure the banking facilities granted to those subsidiaries.

In calculating the net tangible assets of those subsidiaries, the management team of our Group took into account the asset values of the properties owned by Golden Power Properties due to their misconception of the calculation of net tangible assets. The management team had a mistaken belief that they have complied with the minimum net tangible assets requirements as the banks have not taken any action against those subsidiaries and have approved their renewal of banking facilities annually since 2009 and 2010. As such, the management team of our Group has inadvertently continued to include the asset values of the pledged properties owned by Golden Power Properties in calculating the net tangible assets of those subsidiaries of our Group.

In preparation of the Listing, our Group has appointed professional advisers who have technically examined our Group's compliance with the bank covenants and discovered the breach of the covenants in relation to the minimum net tangible assets requirements. Thereafter, our Group has taken immediate action to negotiate with the banks and the banking facilities were renewed in September 2014 and November 2014 with the minimum net tangible assets requirements removed. The relevant banks, after the Breaches, have renewed the bank borrowings at the same interest rates in respect of combined credit and revolving term loan, respectively. For details of the sensitivity analysis on interest rate, please refer to the paragraph headed "Quantitative and qualitative information about market risks — Interest rate risk" in this section. Our Group has also adopted internal control measures to ensure on-going compliance with the bank covenants.

If our Group was required by the banks to make early repayment of the outstanding amount of bank borrowings arising from the breach of the covenants in relation to the minimum net tangible assets requirements at the material times, we believe that we would

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have had the ability to repay taking into account our then cash and bank balance and the asset values of the properties owned by Golden Power Properties which were pledged to the banks to secure the relevant banking facilities.

For more details on covenants, please refer to Note 22 of the Accountants' Report in Appendix I to this prospectus.

On 12 January 2015 and 14 January 2015, our Group obtained unconditional waivers (the "**Unconditional Waivers**") from the two relevant lending banks, respectively, in respect of the Breaches during the Track Record Period.

As at the Latest Practicable Date, we had not received indication from any of the lending banks that it intended to request early repayment of our Group's outstanding bank borrowings. The relevant banks approved the annual renewal of the relevant bank facilities letters subsequently in September 2014 and November 2014. Since all the relevant bank facility letters/loan agreements in respect of the Breaches were subsequently renewed with the relevant financial covenants amended and the relevant lending banks granted the Unconditional Waivers to our Group, our Directors are of the view that the Breaches are unlikely to trigger any legal or financial consequences in the future.

There are some cross default provisions ("**Cross Default Provision(s)**") in some bank facilities letters/loan agreements of the Group, which would have been triggered if, in respect of the Breaches, (i) the relevant banks requested early repayment; (ii) the relevant banks enforced the relevant securities; and/or (iii) our relevant subsidiary breached any term of any material agreement with a member of the relevant banks.

The Directors confirmed that the relevant banks in respect of the Breaches had not requested early repayment and/or enforced the relevant securities. However, in respect of the factoring agreement containing the Cross Default Provision as mentioned in item (iii) above, the Directors cannot ascertain whether the relevant bank would consider the bank facility letters in respect of the Breaches to be material agreements and thus are unable to confirm if the Cross Default Provision under the said factoring agreement has been triggered. Nevertheless, as at 31 December 2014, there was no outstanding indebtedness under the said factoring agreement and thus the Directors consider that the potential breach of the Cross Default Provision under the said factoring agreement would not have any financial impact on our Group.

The Sole Sponsor, after having considered that the relevant banks in respect of the Breaches had already granted the Unconditional Waivers to our Group and thus the potential breach of the Cross Default Provisions had been remedied, concurs with the view of our Directors that the potential breach of the Cross Default Provisions is unlikely to trigger any legal or financial consequences in the future.

In case there is any future breach of bank covenants by our Group, the cross default provisions in the bank facility letters between our Group and the banks may be triggered and the banks may, among others, demand early repayment of the outstanding loans at the material times and/or reduce the credit limit granted to our Group. Our Group has adopted internal control measures to ensure on-going compliance with the bank covenants.

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Our Directors has confirmed that our Group had not defaulted or delayed in any payments, or experienced any difficulties in obtaining banking facilities with terms that are commercially acceptable to us during the Track Record Period and up to the Latest Practicable Date. As of the date of this prospectus, we did not have any plan for material external debt financing.

Our Directors consider that the Breaches would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account that (i) our Group has fully rectified all of the Breaches by (a) informing the relevant banks as soon as practicable after such Breaches have been discovered and negotiating with the relevant banks for renewing the relevant bank facilities with the requirements of the maintenance of our Group's minimum net tangible assets either removed or reduced; and (b) obtaining the Unconditional Waivers; (ii) with an aim to avoiding future occurrence of the Breaches, the calculation of tangible net worth has been clarified and elaborated in the renewed bank facility letter where the minimum net tangible assets requirements have been reduced; (iii) our Group has implemented the internal control measures as set out under the paragraph headed "Business — Internal control and risk management policies" of this prospectus to avoid recurrence of the Breaches; (iv) no similar Breaches had recurred since the implementation of such measures up to the Latest Practicable Date; and (v) the management of our Group was aware of the relevant minimum net tangible assets requirements but had miscalculated the net tangible assets amount, thus the Breaches were unintentional, out of a mistaken belief and did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures and the findings of PKF Business Advisory Limited, our Group's Internal Control Consultant, concurs with the view of our Directors that the abovementioned Breaches would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective.

Our Directors and the Sole Sponsor are of the view that Mr. Tse Kar Keung ("**Mr. Tse**"), our Group's financial controller and company secretary, is competent to oversee our Group's ongoing compliance with the covenants in our Group's bank facilities, the Companies Ordinance and other applicable laws and regulations after Listing after taking into account the following factors:

- (1) Mr. Tse has the relevant work experience and qualifications. For instance, Mr. Tse has over 23 years of experience in the accounting field: he acquired a master degree of science in applied accounting in the Hong Kong Baptist University; he has been a member and a fellow of the Association of Chartered Certified Accountants; he has been a member of the Hong Kong Institute of Certified Public Accountants, etc. For further details, please refer to the paragraph headed "Directors, Senior Management and Staff — Senior management" of this prospectus;

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- (2) during the tenure of Mr. Tse with our Group, (a) the Breaches and the non-compliance incidents in relation to the Predecessor Companies Ordinance have been rectified as soon as practicable after they have been discovered. For details of the relevant rectification/remedial actions taken, please refer to the paragraphs headed “Financial Information — Indebtedness — Bank borrowings” and “Business — Non-compliance of our Group — I. Issues in relation to compliance with the Predecessor Companies Ordinance” of this prospectus, respectively; (b) our Group has implemented enhanced internal control measures in relation to the Breaches and the non-compliance incidents in relation to the Predecessor Companies Ordinance. For details, please see the paragraphs headed “Business — Internal control and risk management policies” and “Business — Non-compliance of our Group — I. Issues in relation to compliance with the Predecessor Companies Ordinance” of this prospectus, respectively;
- (3) Mr. Tse attended the trainings covering matters on (a) regulatory compliance, such as on-going compliance with the Companies Ordinance and other applicable laws and regulations after the Listing; and (b) observance of covenants in our Group’s bank facility letters provided by our Group’s legal advisers as to Hong Kong law on 4 September 2014 and 22 January 2015, respectively; and
- (4) as a result of paragraphs (2) and (3) above, Mr. Tse has gained more awareness relating to (a) the circumstances leading to the Breaches and the non-compliance incidents in relation to the Predecessor Companies Ordinance; (b) the relevant rectification/remedial actions to be taken; (c) the relevant enhanced internal control measures to be adopted; and (d) measures to avoid future occurrence of the Breaches or relevant non-compliances.

Pledge of assets

The following table sets forth the carrying amounts of assets pledged to secure our Group’s general banking facilities as at the dates indicated:

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Property, plant and equipment	53,930	44,726	42,464
Prepaid land lease payment	6,601	6,263	5,702
Trade receivables	4,560	—	13,114
	<u>65,091</u>	<u>50,989</u>	<u>61,280</u>

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As at 31 December 2013, the aggregate corporate guarantee available to our Group, fellow subsidiaries and a former subsidiary under cross corporate guarantee in respect of banking facilities was HK\$35.00 million. Such corporate guarantee becomes available to our Group only upon the completion of Reorganisation of our Group. Thus, no such unutilised banking facilities available as at 31 December 2014.

The aggregate corporate guarantee available to our Group only in respect of banking facilities was approximately HK\$199.34 million and HK\$230.73 million for the FY2013 and FY2014, respectively. The unutilised banking facilities available as at 31 December 2014 was approximately HK\$74.38 million. Such guarantee will be released upon listing.

During the Track Record Period, our Group also had guarantee provided by government bodies of approximately HK\$18.40 million for FY2013. No such guarantee is available for FY2014.

Our Directors confirm that, as at 31 March 2015, being the latest practicable date for the purpose of determining indebtedness, save as disclosed, but not limited to, under the paragraphs headed “Indebtedness” in this section, we did not have any other borrowings, debt securities, indebtedness, mortgages, charges, contingent liabilities or guarantee. Our Directors also confirm that, since 31 March 2015, there has been no material adverse change in our indebtedness.

Amounts due to fellow subsidiaries and to a director

Amounts represented payables to fellow subsidiaries and a director, Mr. Chu for fund transfer. The amounts were interest-free, unsecured and repayable.

As at 31 March 2015, being the latest practicable date for the purpose of the indebtedness statement to this prospectus, our Group has indebtedness of approximately HK\$180.28 million.

CONTINGENT LIABILITIES

1. As at 31 December 2013 and 2014, our Group issued a guarantee of HK\$3,000,000 in respect of an instalment loan granted by a bank to a related company of our Group. As at 31 December 2013 and 2014, the maximum liabilities of our Group under the guarantee issued is the outstanding amount of the loan owed by the related company of our Group which amounted to HK\$2,869,000 and HK\$2,600,000, respectively. Such guarantee will be released upon listing.
2. Our Group is covered by a cross guarantee arrangement issued by our Group, our fellow subsidiary and a former fellow subsidiary to the banks in respect of banking facilities granted to our Group which remains in force so long as our Group has drawn down under the banking facilities. Under the guarantee, our Group, its fellow subsidiaries and the related company that are parties to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

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As at 31 December 2014, our Directors do not consider it probable that a claim will be made against the company under any of the guarantees. The banking facilities available to our Group, its fellow subsidiaries and a related company under the cross guarantee amounted to HK\$35,000,000 and HK\$nil as at 31 December 2013 and 2014 respectively.

The maximum contingent liability of our Group under the cross guarantee is the amount of the facilities drawn down by our fellow subsidiaries and a former subsidiary that are covered by the cross guarantee. As at 31 December 2013 and 2014, no banking facilities were drawn down by our fellow subsidiary and former subsidiary. Such guarantee will be released upon listing.

CONTRACTUAL ARRANGEMENTS AND COMMITMENTS

The following tables set forth the operating leases arrangements and commitments which we were obligated to make as at 31 March 2015, being the latest practicable date for the purpose of the indebtedness statement for the period indicated. The timing of these payments are based on our best estimate of contractual maturity of the obligations. The timing of the payments may differ significantly from the actual maturity of these obligations.

	As at 31 March 2015 Within a year HK\$'000
Operating lease arrangements	1,675
Capital commitments	<u>3,277</u>
Total	<u><u>4,952</u></u>

Our capital commitment has been primarily used for the purchase of equipment and machinery for our production facilities. Our Directors confirmed that there has been no material change in our contractual arrangements and commitments since 31 March 2015 up to the Latest Practicable Date.

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CAPITAL EXPENDITURE

Our Group financed our historical capital expenditure through cash flows generated from operating activities and bank borrowings. The following table sets out a summary of our Group's capital expenditures during the Track Record Period.

	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Historical capital expenditures		
Property, plant and equipment	<u>20,526</u>	<u>18,917</u>

Our Group's capital expenditures in 2013 and 2014 principally consisted of expenditures on property, plant and equipment for production machines, packing machines, and molding equipment. The following table sets out our projected capital expenditures for each of the year ending 31 December 2015 and six months ending 30 June 2016:

	Year ending 31 December 2015 <i>HK\$'000</i>	Six months ending 30 June 2016 <i>HK\$'000</i>
Planned capital expenditures		
Property, plant and equipment	<u>6,110</u>	<u>8,392</u>

Our Group expects that the capital expenditures planned for the full year 2015 and the six months ending 30 June 2016 will be primarily used for the purchase of production line. Our Group's current plan with respect to future capital expenditures is subject to changes depending on the implementation of our Group's business strategy and market conditions. As our Group's business continues to grow, our Directors are of the view that additional capital expenditures will be incurred. Our Group plans to finance future capital expenditures primarily through the net proceeds from the Placing, bank borrowings as well as from cash flows generated from operations.

LISTING EXPENSES

The estimated expenses in relation to the Listing are approximately HK\$32.04 million (excluding underwriting commission of approximately HK\$3.28 million that will be charged to the equity after the Listing), of which approximately HK\$9.73 million is directly attributable to the Listing and will be accounted for as a deduction from equity upon completion of the Listing. For the remaining estimated listing expenses of approximately HK\$22.31 million, approximately HK\$4.75 million, HK\$1.31 million and HK\$7.99 million were charged to the year ended 31 December 2012, FY2013 and FY2014, respectively, while approximately HK\$8.26 million is expected to be charged upon completion of the Listing.

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OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except for the capital commitment disclosed above, our Group had no material off-balance sheet commitments or arrangements.

DIVIDEND AND DIVIDEND POLICY

For the FY2013 and FY2014, our Group declared dividends of HK\$9.30 million and HK\$2.00 million, respectively, to its then shareholders. All dividends declared had been fully paid and we financed the payment of such dividends by internal resources.

The entire dividend of HK\$20.00 million was declared and paid by Golden Power Properties, a subsidiary of our Group principally engaged in holding properties, in early September 2014. The properties owned by Golden Power Properties are office premises located at Flat A to D, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The intention and commercial rationale for the declaration of the dividend should be traced back to the merger of Golden Power Properties into our Group.

The merger of Golden Power Properties into our Group was decided by our Directors after taking into consideration (i) the security to the banking facilities after release of personal guarantee provided by Mr. Chu; (ii) the enhancement of the assets base of our Group; and (iii) the avoidance of additional administrative works for the potential continuing connected transactions between our Group and Golden Power Properties in relation to the rental of the office owned by Golden Power Properties.

Since (i) the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties; (ii) such retained earnings was derived from investment return of Golden Power Properties instead of the battery business of our Group; (iii) the source of cash outflow for such dividend was derived from the repayment of amount due from related companies which had not engaged in any battery business with our Group to Golden Power Properties, which was not related to the battery business of our Group; and (iv) Golden Power Properties is merely a property holding company without involving in any operation and administration of the battery business of our Group, our Directors are of the view that (i) the declaration of the dividend paid by Golden Power Properties before the merger would not have any adverse effect on the working capital and operation of our Group as the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties and not from cash or cash equivalent balance of HK\$15.19 million of our Group as at 31 July 2014; (ii) the merger of Golden Power Properties can reduce the office rental expenses of our Group and enhance the asset base of our Group; and (iii) it is thus fair and reasonable for the declaration of the dividend to Mr. Chu as his own investment return, which was not related to the battery business. Our Group had not relied on the cash balances or cash inflow of Golden Power Properties to finance our battery business during the Track Record Period.

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The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to (i) cash flows position of our Group; (ii) profitability of our Hong Kong subsidiaries (as historically our Group declared dividend mainly out of the distributable profits of our Hong Kong subsidiaries whereas the retained profits of our PRC entities are mainly for development of our PRC operation, and our Directors have confirmed that they are not likely to declare dividend out of the distributable profits of our PRC entities in the foreseeable future); (iii) any new development opportunities; and (iv) the balance of distributable reserves of our Company. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Based on our Directors' assessment, unless our Group achieves a net current asset position in such year or period (as applicable), no dividend will be declared for the year ending 31 December 2015 or the six months ending 30 June 2016.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 29 in the Accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of our Company and Shareholders as a whole. The effect of such related party transactions would not distort the track record to the extent that the historical results of the Group were reflective of its performance.

DISTRIBUTABLE RESERVES

As at 31 December 2014, our Company did not have any distributable reserves available for distribution to our Shareholders.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Our activities exposed us to a variety of financial risks, including credit risk, liquidity risk, foreign currency risk and interest rate risk.

Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

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Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss to our Group by failing to discharge an obligation. Our credit risk is primarily attributable to trade and bills receivables, deposits, other receivables and cash and bank balances. With respect to trade and bills receivables, our Group has adopted credit policies, which include the analysis of the financial position of its customers and a regular review of their credit limits. Our Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and our Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, our 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.

Our 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 our Group has significant exposure to individual customers. As at 31 December 2013 and 2014, 13% and 19% of the total trade and bills receivables were due from our largest customer; 39% and 37% of the total trade and bills receivables were due from our five largest customers respectively.

Liquidity risk

Liquidity risk is the risk that our Group will encounter difficulty in meeting obligations associated with financial liabilities. Our 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 our Group to meet its financial obligations.

Even though our Group recorded net current liabilities during the Track Record Period, our Group declared dividend of approximately HK\$9.30 million and HK\$2.00 million for FY2013 and FY2014, respectively. In addition, a subsidiary of our Group declared a dividend of HK\$20.00 million in September 2014.

In 2012, our Group recorded a gain on disposal of properties of approximately HK\$21.60 million. The Directors are of the view that the dividend of HK\$39.00 million paid in FY2012 included the extraordinary income from the aforementioned gain on disposal, and thus the dividend paid out of HK\$17.40 million should be considered as retained profit generated from the ordinary course of business of our Group.

FINANCIAL INFORMATION

In relation to the dividend of HK\$20.00 million declared and paid in early September 2014, the entire dividend of HK\$20.00 million was declared and paid by Golden Power Properties, a subsidiary of our Group principally engaged in holding properties. Since (i) the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties; (ii) the sources of cash outflow for such amount due from related companies was generated from investment return instead of the battery business; and (iii) Golden Power Properties is merely a property holding company without involving in any operation and administration of the business of our Group, our Directors are of the view that (i) the declaration of the dividend paid by Golden Power Properties before the merger would not have any adverse effect on the working capital and operation of our Group as the source of such dividend of HK\$20.00 million was principally derived from the retained earnings of Golden Power Properties and not from cash or cash equivalent balance of HK\$15.19 million of our Group as at 31 July 2014; (ii) the merger of Golden Power Properties can reduce the office rental expenses of our Group and enhance the asset base of our Group; and (iii) it is thus fair and reasonable for the declaration of the dividend to Mr. Chu as his own investment return, which was not related to the battery business.

The Directors consider that the actual cash outflow for dividend in relation to the retained profit generated from the ordinary course of business of our Group should be amounted to approximately HK\$17.4 million, HK\$9.30 million and HK\$2.00 million for FY2012, FY2013 and FY2014, respectively. On the assumption that no such dividend paid during the Track Record Period, the net current liabilities, current ratio and net debt to equity ratio of our Group would be reduced to approximately HK\$82.83 million, 0.70 times and 1.98 times, respectively for FY2014. It indicates that the dividend paid during the Track Record Period would not materially affect the gearing and the liquidity of our Group.

Thus, our Directors are of the view that the declaration of dividend was not a key factor which led to the relatively high debt-to-equity ratio of the Group. Nevertheless, after taking into consideration that (i) our Group had sufficient working capital for its operation based on our Group's internal annual working capital projection; (ii) our Group has sufficient cash generated from operating activities to support its operation and repayment of bank borrowing interest; (iii) our Group has sufficient asset backing to the banking facilities, which is considered to be crucial for obtaining banking facilities granted by banks; (iv) asset injection of Mr. Chu by merger of Golden Power Properties into our Group; and (v) no dividend were paid to the shareholder of our Group since the Golden Power Group Buyout, the Directors are of the view that the dividend paid during the Track Record Period was reasonable in view of balancing the interest of our Group and Mr. Chu.

FINANCIAL INFORMATION

Our Group has adopted liquidity management measures which can be classified into operational and managerial level as follows:

On the operational level, each of the accounting departments of our operating subsidiaries prepares weekly cash flow plans and daily cash flow records after taking into account the expected settlement of invoices and respectively monthly expenses for regular review and approval by our Group's financial controller and chairman.

Our Group also monitors and maintains a level of cash and cash equivalents to finance operation and mitigates the effects of fluctuations in cash flows. The Directors will conduct weekly meetings to review the status of outstanding invoices and their settlement as well as cashflow projection.

In relation to the bank borrowings, our Group has implemented policy to regularly monitor current and expected liquidity requirements and our compliance with debt covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet liquidity requirements in the short and longer term. As at 31 December 2014, our Group has unutilized banking facilities of approximately HK\$74.38 million. The Directors believe that there is no significant liquidity risk of our Group.

On the managerial level, the management of our Group has closely monitored the effects of net current liabilities primarily resulted from arrangement to finance the purchase of fixed assets and declaration of dividend. Our Group recognizes the importance of liquidity and the ability to continue as a going concern. In the event of possible future dividend declaration and material external debt financing, the Directors will firstly look into the status of compliance with debt covenants, possible fluctuations with respect to financial performance and the alignment with our Group's expansion plan to avoid further dampen the status of net current liabilities.

As at the Latest Practicable Date, the Directors had not defaulted or delayed in any payments, or experienced any difficulties in obtaining banking facilities with terms or have any plan for material external debt financing.

FINANCIAL INFORMATION

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. Our 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.

Our Group's entities in Hong Kong and the PRC adopt HK\$ and RMB as our functional currency respectively. Since HK\$ is pegged to USD, material fluctuation in the exchange rates of HK\$ against USD is remote, and therefore no sensitivity analysis has been prepared. For the currency risk arising from the exchange rate of HK\$ against Euro and other currencies, no sensitivity analysis has been prepared as the exposure is insignificant to our Group.

Our Group's exposure to foreign exchange risks is mainly arising from the operation of our PRC subsidiaries with functional currency of RMB. During the Track Record Period, our PRC subsidiaries' export sales were mainly denominated in US dollars whereas costs of sales were mainly denominated in RMB. Sales of our PRC subsidiaries (before any inter-company elimination) denominated in USD are approximately 60% and 58% of the total sales of our PRC subsidiaries, for FY2013 and FY2014, respectively. We mainly settled our export sales and PRC domestic sales in USD and RMB, respectively.

The following table indicates the approximate change in our Group's profit after tax and retained profits in response to reasonably possible changes in USD against RMB, RMB against Japanese Yen and RMB against HK\$, to which our Group has significant exposure:—

	FY2013		FY2014	
	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits <i>HK\$'000</i>	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits <i>HK\$'000</i>
USD/RMB	2% (2%)	346 (346)	2% (2%)	407 (407)
Japanese Yen/RMB	10% (10%)	(263) 263	10% (10%)	(173) 173
HK\$/RMB	2% (2%)	(23) 23	2% (2%)	— —

FINANCIAL INFORMATION

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of our Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by our Group which expose our Group to foreign currency risk as at the end of each of the reporting period which are denominated in a currency other than the functional currencies of the lender or the borrower.

We closely monitor and minimise our foreign exchange risk exposure by (i) buying or selling foreign currencies at spot rate; and (ii) considering entering into appropriate forward contracts when necessary and our Directors consider that the costs of hedging are economically justified. We manage our foreign exchange risk exposure by designating our financial controller to closely monitor the movement of exchange rates in which the Group has currency risk exposures. He would assess any material and adverse impact on our financial performance and propose whether we may enter into any derivative financial instruments to manage such foreign currency risk exposures. The monthly recommendation from our financial controller is submitted to our executive Directors for approval.

Interest rate risk

Our interest rate risk arises primarily from amounts due from bank balances and interest bearing bank loans. Our Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of our Group is closely monitored by the management and we may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

The following table summarises the effect on the consolidated financial statements if interest rates had been increased by 25 basis points with all other variables held constant:–

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in net profit and retained profits for the year/period	<u>(323)</u>	<u>(294)</u>

FINANCIAL INFORMATION

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

The 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. Our Group has no significant exposure to market price risk.

Commodity price risk

The major raw materials used in the production of our Group's products include steel, zinc, electrolytic manganese dioxide, copper, separators and plastics. Our Group is exposed to fluctuation in the prices of these raw materials which are influenced by the global market as well as regional supply and demand conditions. Fluctuation in the prices of raw materials could adversely affect our financial performance. Our Group historically has not entered into any commodity derivative instruments to hedge against the potential commodity price changes.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed Listing might have affected the net tangible assets of our Group as if the Listing had occurred on 31 December 2014. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerned.

FINANCIAL INFORMATION

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Listing as if it had taken place on 31 December 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Listing or at any future dates.

	Audited consolidated net tangible assets attributable to owner of our Company as at 31 December 2014	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity share holders of our Company as at 31 December 2014	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$1.25 per share	35,017	48,863	83,880	0.52
Based on the Placing Price of HK\$1.35 per share	<u>35,017</u>	<u>54,211</u>	<u>89,228</u>	<u>0.56</u>

Notes:

1. The audited consolidated net tangible assets attributable to equity shareholders of our Company as at 31 December 2014 is based on the audited combined net assets of the Group extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$1.25 and HK\$1.35 per Share, after deduction of the underwriting fees and related expenses payable by our Company of approximately HK\$35.19 million and approximately HK\$35.44 million respectively (excluding approximately HK\$14.05 million listing expenses which have been accounted for prior to 31 December 2014).
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 160,000,000 Shares are in issue assuming that the Placing and the Capitalisation Issue have been completed on 31 December 2014, but takes no account of any shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company does not take into account the capital injection of HK\$20,000,000 made by Mr. Chu in May 2015. Had the capital injection been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company as at 31 December 2014 would be HK\$103,880,000 (assuming an Placing Price of HK\$1.25 per Share) and HK\$109,228,000 (assuming an Placing Price of HK\$1.35 per Share, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.65 (assuming an Placing Price of HK\$1.25 per Share) and HK\$0.68 (assuming an Placing Price of HK\$1.35 per Share), respectively.

FINANCIAL INFORMATION

5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that there are no circumstances which, had they been required to comply with Rules 17.15 to 17.21 in Chapter 17 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT

Subsequent to 31 December 2014 and up to the Latest Practicable Date, our Group has continued to focus on our business. Our Reporting Accountants, PKF, Certified Public Accountants, Hong Kong, have conducted a review on the Subsequent Interim Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

	Three months ended 31 March	
	2014	2015
	(unaudited)	(unaudited)
Revenue (<i>HK\$'000</i>)	72,470	70,783
Gross profit (<i>HK\$'000</i>)	14,638	13,555
Gross profit margin (%)	20.20%	19.15%
Sales volume (<i>million units</i>)	164.63	138.65
Average selling price (<i>HK\$ per unit</i>)	0.44	0.51

The slight decrease in our revenue for the three months ended 31 March 2015 compared to that of the corresponding period in 2014 was mainly due to the slight depreciation of RMB against HK\$. The revenue denominated in RMB remained relatively stable as compared to the corresponding period in 2014. As such, our gross profit margin remained relatively stable as well.

MATERIAL ADVERSE CHANGE

Our Directors confirm that the impact of the listing expenses on our consolidated statement of profit or loss as disclosed in the paragraph headed “Listing expenses” in this section above has resulted in a material adverse change in the financial or trading position or prospects of our Group since 31 December 2014, being the date of which our Group’s latest audited consolidated financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus, and up to the date of this prospectus. On the other hand, our Directors confirm that there is no material adverse change in our Group’s pricing strategies subsequent to the Track Record Period and up to the date of this prospectus.

UNDERWRITING

UNDERWRITERS

Sole Lead Manager

RaffAello Securities (HK) Limited

Co-Lead Manager

CNI Securities Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Placing

Pursuant to the Underwriting Agreement, our Company is offering 56,000,000 Placing Shares for subscription by way of Placing at the Placing Price on and subject to the terms and conditions of this prospectus.

Subject to the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Underwriting Agreement (including the Sole Lead Manager, for itself and on behalf of the other Underwriter, and us agreeing to the Placing Price), the Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Placing Shares which are being offered but are not taken up under the Placing on the terms and subject to the conditions of this prospectus.

Grounds for termination

The Sole Lead Manager (for itself and on behalf of the other Underwriter) in its sole and absolute opinion shall be entitled by notice in writing to our Company to terminate the Underwriting Agreement if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Lead Manager:
 - (i) that any statement contained in any placing documents as defined in the Underwriting Agreement (the “**Placing Documents**”) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Placing (including any supplement or amendment thereto) (together the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of publication of the respective Relevant Document, constitute a material omission from any of the Relevant Documents; or

UNDERWRITING

- (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Underwriting Agreement (other than on the part of any of the Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors under the Underwriting Agreement or any member of our Group pursuant to the indemnification provisions of the Underwriting Agreement; or
- (v) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, conditions, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise), or performance of any member of our Group; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the warranties contained in the Underwriting Agreement; or
- (vii) the approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Placing Documents (and/or any other documents issued or used in connection with the Placing) or the Placing; or
- (ix) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Placing Documents or to the issue of any of the Placing Documents; or
- (x) any event, act or omission which gives or is likely to give rise to any material liability of any member of our Group pursuant to the indemnification provisions in the Underwriting Agreement; or
- (xi) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

UNDERWRITING

(xii) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any of our Directors and senior management members of our Group as set out in the section headed “Directors, Senior Management and Staff” of this prospectus; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Ebola disease or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or

(iv) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority as defined in the Underwriting Agreement (the “**Laws**”), or any change or development involving a prospective change in existing Laws or any event or circumstance likely to result in a change in or development involving a prospective change in (or in the interpretation or application thereof by any court or other competent authority of) existing Laws, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Placing (the “**Specific Jurisdictions**”); or

UNDERWRITING

- (v) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), the PRC, New York (imposed at the United States federal or New York state level or otherwise), London or any other Specific Jurisdiction, or any disruption in commercial banking or securities settlement or clearance services or procedures or matters in any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the European Union (or any member thereof) or any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting Taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of the warrantors under the Underwriting Agreement; or
- (x) any of the Directors and senior management members of our Company as set out in the section headed “Directors, Senior Management and Staff” of this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any member of our Group or any Director of the Predecessor Companies Ordinance, the Companies Ordinance, the GEM Listing Rules or any other Laws applicable to the Placing; or

UNDERWRITING

- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Placing Shares pursuant to the terms of the Placing; or
- (xv) non-compliance of this prospectus (and/or any other documents used in connection with the Placing) or any aspect of the Placing with the GEM Listing Rules or any other Laws applicable to the Placing; or
- (xvi) the issue or requirement to issue by our Company of any supplement or amendment to the prospectus (and/or any other documents used in connection with the Placing) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xviii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement or any resolution passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

and which, with respect to any of sub-paragraphs (i) through (xix) above, individually or in the aggregate in the absolute opinion of the Sole Lead Manager (for itself and on behalf of the other Underwriter):

- (a) has or is or will or could be expected to have an adverse effect on the assets, liabilities, general affairs, management, business, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or position or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) makes or will make or may make it inadvisable, inexpedient or impracticable for the Placing to proceed or to market the Placing or shall otherwise result in an interruption to or delay thereof; or
- (c) has or will have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

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Undertakings to the Stock Exchange under the GEM Listing Rules

(A) Undertaking by us

Under Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Placing (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

(B) Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that he/it will not and will procure that the relevant registered holder(s) will not:

- (a) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“First Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which they are shown by this prospectus to be the beneficial owners; and
- (b) at any time in the period of six months immediately after the expiry of the First Six-Month Period (“Second Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each of our Controlling Shareholders has also undertaken to our Company and the Stock Exchange that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, each of them will:

- (a) when he/it pledges or charges any of our Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and

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- (b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We undertake to inform the Stock Exchange as soon as we have received information relating to the above pledge or charge and disclose such matters by way of an announcement which will be published in accordance with the requirements under the GEM Listing Rules.

Other undertakings

(A) Undertaking by us

Our Company has undertaken to the Sole Sponsor and the Underwriters that, except pursuant to the Placing, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, it will not, and will procure that its subsidiaries not, without the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, without the prior approval of the Stock Exchange, the Sole Lead Manager and prior notification to the Sole Sponsor and the Sole Lead Manager, save pursuant to the Placing, the Capitalisation Issue and the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme, (a) within the First Six-Month Period, our Company and its major subsidiaries will not, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our major subsidiaries; and (b) at any time within the further six months commencing on the expiry of the First Six-Month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our major subsidiaries so as to result in any of the Controlling Shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in The Codes on Takeovers and Mergers and Share Buy-backs (the “Code”) as being the level for triggering a mandatory general offer in any of the companies controlled by him, her or it or any of their associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such major subsidiaries.

Our Company has also undertaken to the Sole Sponsor and the Underwriters that save with the prior approval of the Stock Exchange, the Sole Sponsor and the Sole Lead Manager, no subsidiaries will during the First Six-Month Period purchase any Shares.

UNDERWRITING

(B) Undertaking by our Controlling Shareholders

Each of the Controlling Shareholders, pursuant to the Underwriting Agreement, has agreed and undertaken to the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager, our Company and the Underwriters that, except pursuant to the Placing, it or he will not, without the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules:

- (a) at any time during the First Six-Month Period:
- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which the Controlling Shareholders have beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively, except otherwise allowed under Rule 13.18 of the GEM Listing Rules);

Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

UNDERWRITING

- (b) at any time in the Second Six-month Period, it or he will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (i) the Controlling Shareholders will, if he/it pledges or charges any Shares or other securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Lead Manager and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) the Controlling Shareholders will, if he/it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Lead Manager and, if required, the Stock Exchange of any such indication.

Each of the Controlling Shareholders has jointly and severally undertaken to our Company and the Underwriters that, except pursuant to the Placing, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, it will not, and will procure that its subsidiaries will not, without the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holder(s) that:

- (i) Within the First Six-Month Period, he/it will not, and will procure that none of his/its associates or the companies controlled by him/it will, sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the securities of our Company or any interests therein owned by him/it or any of their associates or in which he/it or any of their associates is, directly or indirectly interested immediately after the completion of the Placing (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise), or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by him/it or

UNDERWRITING

any of their associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

- (ii) save with the prior written consent of the Sole Sponsor and Sole Lead Manager and prior notification to the Sole Sponsor and the Sole Lead Manager, within the Second Six-Month Period, he/it will not, and will procure that none of his/its associates or the companies controlled by him/it or any of their associates will sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any securities of our Company or any interests therein referred to in subparagraph (a) above or sell, transfer, dispose of or enter into any agreement to dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by him/it or any of their associates which is the beneficial owner (directly or indirectly) of such securities of our Company or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of the Controlling Shareholders (together with his/its associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him/it and/or any of their associates which owns such securities of our Company or interests as aforesaid.

Each of the Controlling Shareholders also undertaken to the Sole Sponsor, our Company and the Underwriters that:

- (a) save with the prior written consent of the Sole Sponsor and the Sole Lead Manager (such consent shall not be unreasonably withheld), during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is twelve months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their associates or in which he, she or it or any of their associates is, directly or indirectly interested immediately following completion of the Placing (or any other Shares or interest in the Shares arising or deriving therefrom) or any share or interest in any company controlled by him, her or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other Shares or interest in the Shares arising or deriving therefrom); and

UNDERWRITING

- (b) in the event that consent is granted by the Sole Sponsor and the Sole Lead Manager, when he, she or it or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in sub-paragraph (a) above, he, she or it shall give prior written notice of not less than three business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Lead Manager giving details of the number of Shares in our Company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledge or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in sub-paragraph (a) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Lead Manager in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Lead Manager as they may require.

Commission and expenses

The commission payable to the Underwriters in relation to the Placing will be borne by our Company. The Underwriters will receive an underwriting commission at the rate of 4.5% of the aggregate Placing Price payable for the Placing Shares, out of which they pay any sub-underwriting commissions and praecipium.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Placing are estimated to amount to approximately HK\$35.32 million in total paid and payable by our Company, based on the mid-point of the indicative range of the Placing Price of HK\$1.30 per Placing Share.

Underwriters’ interests in our Company

Save for their obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Placing.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements.

Sole Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$1.35 per Placing Share (and expected to be not less than HK\$1.25 per Placing Share) plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% transaction levy imposed by the SFC. Assuming the Placing Price of HK\$1.35 or HK\$1.25 per Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,727.21 and HK\$2,525.20 for every board lot of 2,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Sole Lead Manager on the Price Determination Date which is scheduled on or about Monday, 1 June 2015 (or such later date as agreed between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter)). If our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter) are unable to reach an agreement on the Placing Price on the Price Determination Date, or such later time as agreed between our Company and the Sole Lead Manager, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

If, the Sole Lead Manager and with the consent of our Company, considers it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction cause to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.goldenpower.com notice of the reduction of the indicative Placing Price range.

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.goldenpower.com at or before 9:00 a.m. on Thursday, 4 June 2015.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (a) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue;
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the Underwriting

STRUCTURE AND CONDITIONS OF THE PLACING

Agreement (unless and to the extent such conditions are validly waived on or before such dates and times), and in any event not later than the date which is 30 days after the date of this prospectus; and

- (c) the Price Determination Agreement between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter) is expected to be entered into on or before the Price Determination Date. The Placing Price is expected to be fixed by the Price Determination Agreement.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.goldenpower.com on the next business day following such lapse. All money received will be refunded to applicants of the Placing without interests.

THE PLACING

Pursuant to the Underwriting Agreement, our Company is offering 56,000,000 Placing Shares for subscription by way of Placing.

Investors subscribing for and purchasing the Placing Shares are also required to pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% transaction levy imposed by the SFC.

It is expected that the Underwriters (subject to the terms and conditions of the Underwriting Agreement, and subject to our Company and the Sole Lead Manager agreeing to the Placing Price) or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price to selected professional, institutional and/or other investors. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities.

BASIS OF ALLOCATION

All decisions concerning the allocation of the Placing Shares to the selected professional, institutional and/or other investors pursuant to the Placing will be made on the basis of, and with reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell the Shares, after the Listing Date. Such allocation is intended to establish a solid and broad Shareholder base for the benefit of our Company and the Shareholders as a whole. In addition, our Company and our Directors will use their respective best endeavours to comply or procure the compliance with the minimum public float requirement under the GEM Listing Rules when allocating the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

No allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

LISTING DATE

Dealings in the Shares on GEM are expected to commence on Friday, 5 June 2015. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares is 8038.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, with effect from the Listing Date or any other date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

The following is the text of a report for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, PKF, Certified Public Accountants, Hong Kong.



Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

大信梁學濂(香港)會計師事務所

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

29 May 2015

The Directors
Golden Power Group Holdings Limited

RaffAello Capital Limited

Dear Sirs,

We report on the financial information of Golden Power Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2013 and 2014 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2013 and 2014 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (the “Financial Information”). This Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 29 May 2015 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 7 June 2012 as an exempted company with limited liability under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in the sections headed “History, Development and Reorganisation” in the Prospectus, which was completed on 25 September 2014, the Company became the holding company of the subsidiaries now comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 33 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions other than the Reorganisation since its date of incorporation. The audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 33 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. The Underlying Financial Statements have been audited by us in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.2 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.2 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, for the purpose of this report, the Financial Information, presented on the basis set out in Note 1.2 of Section II below, gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and 2014, and of the Group's consolidated results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION OF THE GROUP

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December	
		2013	2014
		HK\$'000	HK\$'000
Revenue	4	366,499	384,752
Cost of sales		<u>(290,750)</u>	<u>(296,446)</u>
Gross profit		75,749	88,306
Gain on disposal of interests in subsidiaries	24	245	—
Other revenue	5	5,649	4,663
Other losses — net	6	(3,131)	(738)
Selling expenses		(13,901)	(14,131)
General and administrative expenses		<u>(47,470)</u>	<u>(54,143)</u>
Profit from operations		17,141	23,957
Finance costs	7(a)	<u>(7,386)</u>	<u>(7,137)</u>
Profit before income tax	7	9,755	16,820
Income tax expense	9	<u>(3,167)</u>	<u>(5,127)</u>
Profit for the year		<u>6,588</u>	<u>11,693</u>
Attributable to:—			
Equity shareholder of the Company	11	7,301	11,693
Non-controlling interests		<u>(713)</u>	<u>—</u>
Profit for the year		<u>6,588</u>	<u>11,693</u>
Basic earnings per share	13	<u>N/A</u>	<u>N/A</u>

Details of dividends declared and paid or payable by the Company to its shareholder during the Relevant Periods are set out in Note 12 of Section II below.

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year		.....6,588	.....11,693
Other comprehensive income/(loss):–			
Item that may be reclassified subsequently to profit or loss:–			
Exchange differences arising on translation of financial statements of foreign operations		1,633	(2,004)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	24	.....(2,114)—
Other comprehensive loss for the year, net of tax		.....(481)	.....(2,004)
Total comprehensive income for the year		.....<u>6,107</u>	.....<u>9,689</u>
Total comprehensive income attributable to:–			
Equity shareholder of the Company		6,745	9,689
Non-controlling interests		.....(638)—
		.....<u>6,107</u>	.....<u>9,689</u>

(C) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December	
	Note	2013	2014
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	171,278	175,699
Intangible assets	15	295	305
Prepaid land lease payments	16	6,367	6,032
Deferred tax assets	10	<u>7,965</u>	<u>7,737</u>
		<u>185,905</u>	<u>189,773</u>
CURRENT ASSETS			
Inventories	17	68,652	59,351
Trade and bills receivables	18	71,450	66,901
Deposits, prepayments and other receivables	19	27,560	19,036
Prepaid land lease payments	16	234	231
Income tax recoverable		71	49
Cash and bank balances		<u>10,175</u>	<u>17,168</u>
		<u>178,142</u>	<u>162,736</u>
DEDUCT:–			
CURRENT LIABILITIES			
Trade payables	20	100,332	124,212
Receipts in advance, other payables and accruals	21	30,834	21,808
Bank borrowings, secured	22	166,882	125,695
Income tax payable		<u>1,807</u>	<u>2,546</u>
		<u>299,855</u>	<u>274,261</u>
NET CURRENT LIABILITIES		<u>(121,713)</u>	<u>(111,525)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>64,192</u>	<u>78,248</u>

		At 31 December	
	<i>Note</i>	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
DEDUCT:–			
NON-CURRENT LIABILITIES			
Bank borrowings, secured	22	—	30,649
Other payables	21	16,000	11,000
Deferred tax liabilities	10	<u>1,714</u>	<u>1,582</u>
		<u>17,714</u>	<u>43,231</u>
NET ASSETS		<u>46,478</u>	<u>35,017</u>
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	25	1,400	—
Reserves	26	<u>45,078</u>	<u>35,017</u>
TOTAL EQUITY		<u>46,478</u>	<u>35,017</u>

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholder of the Company					Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Exchange reserve	Capital reserve	Retained profits			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>Note 26(c)(i)</i>	<i>Note 26(c)(ii)</i>	<i>Note 26(c)(iii)</i>				
At 1.1.2013	1,400	2,189	4,622	3,000	39,622	50,833	3,397	54,230
Acquisition of deferred non-voting shares in a subsidiary (<i>Note 23</i>)	—	—	—	(1,800)	—	(1,800)	—	(1,800)
Total comprehensive (loss)/income for the year	—	—	(556)	—	7,301	6,745	(638)	6,107
Disposal of interests in subsidiaries (<i>Note 24</i>)	—	—	—	—	—	—	(2,759)	(2,759)
Dividend declared by the Company (<i>Note 12</i>)	—	—	—	—	(9,300)	(9,300)	—	(9,300)
Appropriation to statutory reserve	—	654	—	—	(654)	—	—	—
At 31.12.2013 and 1.1.2014	1,400	2,843	4,066	1,200	36,969	46,478	—	46,478
Total comprehensive (loss)/income for the year	—	—	(2,004)	—	11,693	9,689	—	9,689
Dividend declared by the Company (<i>Note 12</i>)	—	—	—	—	(2,000)	(2,000)	—	(2,000)
Dividend declared and paid by a subsidiary before the completion of group reorganisation	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Appropriation to statutory reserve	—	568	—	—	(568)	—	—	—
Capitalisation of amount due to a fellow subsidiary (<i>Note 34</i>)	—	—	—	19,618	—	19,618	—	19,618
Deemed distribution (<i>Note 26(c)(iii)</i>)	(1,400)	—	—	(10,999)	(6,369)	(18,768)	—	(18,768)
At 31.12.2014	—	3,411	2,062	9,819	19,725	35,017	—	35,017

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December	
		2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		9,755	16,820
Adjustments for:–			
Gain on disposal of interests in subsidiaries		(245)	—
Amortisation of intangible assets		60	60
Amortisation of prepaid land lease payments		231	233
Depreciation		11,839	12,589
Finance costs		7,386	7,137
Loss on disposals of property, plant and equipment		1	129
Interest income		(517)	(343)
Impairment loss on deposits paid for acquisition of plant and equipment		—	911
Impairment loss on trade receivables		178	542
Reversal of impairment loss on inventories		(2,307)	(172)
Exchange difference		(13)	142
		<u>26,368</u>	<u>38,048</u>
Operating profit before working capital changes		26,368	38,048
Decrease in inventories		21,775	8,403
(Increase)/decrease in trade and bills receivables		(16,509)	3,022
Increase in deposits, prepayments and other receivables		(10,973)	(1,837)
Increase in trade payables		11,485	25,869
Decrease in receipts in advance, other payables and accruals		(7,173)	(259)
Decrease in amounts due from fellow subsidiaries		760	9,780
Decrease in amounts due from directors		<u>4,547</u>	<u>—</u>

	<i>Note</i>	Year ended 31 December	
		2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from operations		30,280	83,026
Interest received		517	343
Income tax paid		<u>(7,314)</u>	<u>(4,332)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>23,483</u>	<u>79,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(20,526)	(18,917)
Sale proceeds from disposals of property, plant and equipment		—	257
Payments to acquire intangible assets		(34)	(70)
Deposits paid for acquisition of plant and equipment		—	(911)
Payments to acquire deferred non-voting shares in a subsidiary	23	(1,800)	—
Net cash outflow arising from disposal of subsidiaries	24	<u>(189)</u>	<u>—</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(22,549)</u>	<u>(19,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid by the Company		(6,300)	(5,000)
Dividend paid by a subsidiary before the completion of group reorganisation		—	(20,000)
Interest paid for bank borrowings		(6,732)	(6,246)
Other finance costs paid		(882)	(891)
Increase in amount due to a fellow subsidiary	34	1,412	129
Increase/(decrease) in amount due to a director		7	(1,007)
New bank borrowings raised		348,143	453,544
Repayment of bank borrowings		(346,051)	(463,319)
Cash paid arising from group reorganisation	26(c)(iii)	<u>—</u>	<u>(8,731)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(10,403)</u>	<u>(51,521)</u>

	<i>Note</i>	Year ended 31 December	
		2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,469)	7,875
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		(19)	(882)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>19,663</u>	<u>10,175</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>10,175</u>	<u>17,168</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>10,175</u>	<u>17,168</u>

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP AND REORGANISATION

1.1 General information of the Group

The Company was incorporated on 7 June 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is the offices of Appleby Trust (Cayman) Ltd., P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Flat C, 20/F., Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group are principally engaged in the manufacturing and trading of batteries products (the "Listing Business") in Hong Kong and the People's Republic of China (the "PRC"). The ultimate controlling party of the Group is Mr. Chu King Tien ("Mr. Chu" or the "Controlling Shareholder").

In the opinion of the 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.

1.2 Basis of presentation

As detailed in the sections headed "History, Development and Reorganisation" in the Prospectus, the Company was incorporated as a part of Reorganisation undertaken by the Group. Upon completion of the Reorganisation on 25 September 2014, the Company became the holding company of the Group.

Because the companies now comprising the Group were controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies comprising the Group are combined using the book values from the Controlling Shareholder's perspective.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group (or where the companies were incorporated/established at a date after 1 January 2013, for the period from the date of incorporation/establishment to 31 December 2014) as if the current group structure had been in existence throughout the entire Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence at the respective dates.

Equity interests in companies now comprising the Group held by parties other than the Controlling Shareholder and changes therein prior to the Reorganisation are presented as non-controlling interests in equity. All material intra-group transactions and balances have been eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

- (a) When preparing the Financial Information, the Group's ability to continue as a going concern has been assessed. As at 31 December 2013 and 2014, the Group had net current liabilities of HK\$121,713,000 and HK\$111,525,000 respectively. In addition, as stated in Note 22, certain

subsidiaries of the Group breached certain covenants in relation to the minimum net tangible assets requirements for the bank borrowings until September 2014. The Financial Information has been prepared on a going concern basis due to the reasons that (i) as at 31 December 2014, the Group had unutilised banking facilities of HK\$74,383,000; (ii) as mentioned in Note 22, in September 2014, the covenants in relation to the minimum net tangible assets requirements were removed or revised to the amounts that the Group is able to maintain; and (iii) the directors expect that the Group is able to renew all the banking facilities when expire.

After taking into consideration of the revised banking facilities already in place as at 31 December 2014, 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 Financial Information to be prepared on a going concern basis.

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.

- (b) The Financial Information set out in this report has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules. The Financial Information has been prepared under the historical cost convention.

All HKFRSs effective for the accounting period commencing from 1 January 2014 have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods. The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3 below.

- (c) The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants ²
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions ¹
HKAS 27 Amendments	Equity method in Separate Financial Statements ²
HKAS 28 and HKFRS 10 Amendments	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 ¹
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 ¹
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs issued in October 2014 ²

1 Effective for annual periods beginning on or after 1 January 2015

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 Consolidation and combination

Subsidiaries are all 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.

i) Business combinations under common control

The Group applies merger accounting to account for the business combinations (including acquisition of subsidiaries) under common control, where all assets and liabilities are recorded at predecessor carrying amounts, as if the existing group structure had been in existence throughout the Relevant Periods, and the Listing 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 in accordance with HKAS 39 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.

2.3 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 each item 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 straight-line basis	0%
Leasehold buildings	4% on straight-line basis	0%
Plant and machinery	10% reducing balance basis	10%
Furniture, fixtures and office equipment	15% reducing balance basis	10%
Moulds	33% on straight-line basis	0%
Loose tools and instruments	50% on reducing balance basis	0%
Motor vehicles	25% on straight-line basis	10%
Leasehold improvements	15% on reducing balance basis	0%

Useful lives, the depreciation method 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 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.

2.4 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 included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance lease. 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 2.3. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2.9. 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.

2.5 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.

2.6 Inventories

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

2.7 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method, less allowance of impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2.8 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible to 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.

2.9 Impairment of assets

2.9.1 Impairment of receivables

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 financial assets carried at amortised cost 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.

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.

2.9.2 Impairment of other 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, 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/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

2.10 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.

2.11 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.

2.12 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 completed.

2.13 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.

2.14 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 sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts, rebates and returns.

Interest income is recognised as it accrues using the effective interest method.

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

Services fee income is recognised in the period when services are rendered.

2.15 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 periods. The obligation is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

2.16 Translation of foreign currencies

2.16.1 *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.

2.16.2 *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.

2.16.3 *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.

2.17 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 periods.

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.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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
- 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.

2.18 Financial guarantees issued, provisions and contingent liabilities**2.18.1 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 2.18.2 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.

2.18.2 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

2.19 Related parties

A party is considered to be related to the Group if:–

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Group.
- (b) the party is an entity where any of the following conditions applies:–
 - (i) the entity and the Group are members of the same group;

- (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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).

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.

2.20 Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, 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.

3. 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 Financial Information. The principal accounting policies are set forth in Note 2 above. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these Financial Information.

3.1 Net realisable value of inventories

Net realisable value of 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 and the historical experience of selling products with similar nature. 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.

3.2 Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

3.3 Depreciation

Property, plant and equipment are depreciated on straight-line 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.

3.4 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.

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold to the external customers less discounts, rebates and returns, and net of value-added tax and surcharges.

The Group's operating business are organised and managed separately according to the nature of products, which 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 identified two reportable segments, namely disposable batteries and rechargeable batteries and other battery-related products. No operating segments have been aggregated to form 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 Relevant Periods is set out below:–

Segment revenue from external customers

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	161,173	192,996
— Carbon	<u>102,330</u>	<u>95,917</u>
	.....263,503	.....288,913
(ii) Micro-button cells		
— Alkaline	64,931	52,951
— Other micro-button cells	<u>18,294</u>	<u>24,333</u>
	.....83,225	.....77,284
	.....346,728	.....366,197
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	18,684	15,835
(ii) Other battery-related products	<u>1,087</u>	<u>2,720</u>
	.....19,771	.....18,555
	<u>.....366,499</u>	<u>.....384,752</u>

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results		
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	32,706	47,329
— Carbon	<u>8,317</u>	<u>10,735</u>
	..... 41,023	..... 58,064
(ii) Micro-button cells		
— Alkaline	21,117	13,082
— Other micro-button cells	<u>7,644</u>	<u>10,833</u>
	..... 28,761	..... 23,915
	..... 69,784	..... 81,979
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	5,220	4,103
(ii) Other battery-related products	<u>745</u>	<u>2,224</u>
	..... 5,965	..... 6,327
	<u>75,749</u>	<u>88,306</u>

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

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results	75,749	88,306
Gain on disposal of interests in subsidiaries	245	—
Unallocated other revenue	5,649	4,663
Unallocated other losses — net	(3,131)	(738)
Unallocated corporate expenses	(61,371)	(68,274)
Finance costs	<u>(7,386)</u>	<u>(7,137)</u>
Profit before income tax	<u>9,755</u>	<u>16,820</u>

Segment revenue represents sales to external parties. There are no inter-segment transactions during the Relevant Periods. Segment results represents 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:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	6,785	7,636
— Micro-button cells	<u>1,175</u>	<u>1,446</u>
	7,960	9,082
Rechargeable batteries and other battery-related products	<u>—</u>	<u>—</u>
Segment total	7,960	9,082
Unallocated depreciation and amortisation	<u>4,170</u>	<u>3,800</u>
	<u><u>12,130</u></u>	<u><u>12,882</u></u>

Revenue from major customers

During the Relevant Periods, the revenue generated from the following customer accounted for over 10% of the Group's total revenue:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<u>39,215</u>	<u>48,393</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 delivered.

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	131,651	131,420
Hong Kong	58,129	58,169
Asia (except PRC and Hong Kong)	18,539	25,233
Europe	60,936	73,240
East Europe	15,307	14,408
North America	36,419	32,258
South America	29,667	16,808
Australia	10,833	30,238
Africa	4,618	2,580
Middle East	400	398
	<u>366,499</u>	<u>384,752</u>

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

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	145,746	151,612
Hong Kong	17,522	16,791
Macau	<u>14,672</u>	<u>13,633</u>
	<u>177,940</u>	<u>182,036</u>

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

5. OTHER REVENUE

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of scrap materials	3,050	3,362
Services fee income	496	211
Interest income	517	343
Rental income	120	70
Handling income	609	409
Sundry income	857	268
	<u>5,649</u>	<u>4,663</u>

6. OTHER LOSSES — NET

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange loss	(3,130)	(609)
Loss on disposals of property, plant and equipment	<u>(1)</u>	<u>(129)</u>
	<u>(3,131)</u>	<u>(738)</u>

7. PROFIT BEFORE INCOME TAX

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

	Year ended 31 December	
	2013	2014
	HK\$'000	HK\$'000
(a) Finance costs:-		
Bank loans interest	6,856	6,399
Interest on import loans	823	862
Bank overdraft interest	<u>59</u>	<u>29</u>
Total interest expense	7,738	7,290
Less: interest expense capitalised into property, plant and equipment (Note)	<u>(352)</u>	<u>(153)</u>
	<u>7,386</u>	<u>7,137</u>
(b) Staff costs (excluding directors' emoluments) (Note 8):-		
Salaries, wages and other allowances	50,205	38,287
Contributions to defined contribution plans	<u>4,443</u>	<u>5,427</u>
	<u>54,648</u>	<u>43,714</u>
(c) Other items:-		
Amortisation of intangible assets	60	60
Amortisation of prepaid land lease payments	231	233
Auditor's remuneration	162	333
Costs of inventories recognised as expenses	290,750	296,446
Depreciation	11,839	12,589
Net exchange loss	3,130	609
Loss on disposals of property, plant and equipment:-		
— Proceeds from disposals of property, plant and equipment	<u>—</u>	<u>(257)</u>
— Carrying amount of property, plant and equipment	<u>1</u>	<u>386</u>
	1	129
Impairment loss/(reversal of impairment loss) on:-		
— Deposits paid for acquisition of plant and equipment	—	911
— Trade receivables	178	542
— Inventories	(2,307)	(172)
Minimum lease payments paid under operating leases:-		
— Plant and machinery	691	648
— Buildings	<u>3,628</u>	<u>3,749</u>

Note: The borrowing costs have been capitalised at a rate of 3.35% and 3.93% per annum for the years ended 31 December 2013 and 2014.

8. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments

Directors' emoluments for the Relevant Periods, disclosed pursuant to the Hong Kong Companies Ordinance are as follows:-

Name of director	Year ended 31 December 2013				Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contribution to defined contribution plan HK\$'000	
Executive directors:-					
Mr. Chu	—	1,730	100	15	1,845
Ms. Chu Shuk Ching	—	1,730	100	15	1,845
Mr. Chu Ho Wa (appointed on 1 April 2013)	—	226	30	11	267
Mr. Tang Chi Him, Cyran (appointed on 1 April 2013)	—	540	60	11	611
	—	4,226	290	52	4,568

Name of director	Year ended 31 December 2014				Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contribution to defined contribution plan HK\$'000	
Executive directors:-					
Mr. Chu	—	1,350	200	17	1,567
Ms. Chu Shuk Ching	—	1,350	200	17	1,567
Mr. Chu Ho Wa	—	330	45	16	391
Mr. Tang Chi Him, Cyran	—	720	90	17	827
	—	3,750	535	67	4,352

Five highest paid individuals

Among the five highest paid individuals of the Group, three and three of them are directors of the Company for the years ended 31 December 2013 and 2014 respectively. Details of their emoluments have already been disclosed above.

The emoluments and designated band of the remaining two individuals are as follows:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits in kind	1,106	1,124
Discretionary bonus	106	119
Contributions to defined contribution plan	<u>30</u>	<u>34</u>
	<u>1,242</u>	<u>1,277</u>

The individuals with the highest emoluments are fall within the following band:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$Nil to HK\$1,000,000	<u>2</u>	<u>2</u>

For the years ended 31 December 2013 and 2014, 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.

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong profits tax:–		
Provision for the year	1,368	3,405
Current tax — PRC enterprise income tax (“EIT”):–		
Provision for the year	<u>5,106</u>	<u>1,501</u>
PRC withholding tax	6,474	4,906
Deferred taxation (<i>Note 10</i>):–	—	192
Current year	<u>(3,307)</u>	<u>29</u>
	<u>3,167</u>	<u>5,127</u>

The Company and its subsidiaries incorporated in 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, 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.

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.

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

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>9,755</u>	<u>16,820</u>
Tax on profit before income tax, calculated at the applicable tax rate	2,183	3,147
Tax effect of non-taxable income (<i>note a</i>)	(157)	(12)
Tax effect of non-deductible expenses (<i>note b</i>)	1,078	1,740
Tax effect of unrecognised (accelerated)/decelerated tax allowances	59	54
Tax effect of unrecognised tax losses	14	6
PRC withholding tax (<i>note c</i>)	—	192
Tax concession	<u>(10)</u>	<u>—</u>
Income tax expense	<u>3,167</u>	<u>5,127</u>

Notes:

- (a) Non-taxable income mainly represented interest income and exchange gain.
- (b) Non-deductible expenses mainly include professional fees incurred in connection with the initial listing of shares of the Company on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited, certain exchange losses and other expenses which are not deductible under relevant tax rules and regulation in Hong Kong and the PRC.
- (c) For the year ended 31 December 2014, PRC withholding tax represented withholding tax for dividend declared by a PRC subsidiary.

10. DEFERRED TAXATION

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

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Deferred tax assets	7,965	7,737
Deferred tax liabilities	<u>(1,714)</u>	<u>(1,582)</u>
	<u>6,251</u>	<u>6,155</u>

The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the Relevant Periods:–

	Unutilised tax losses HK\$'000	(Accelerated)/ decelerated tax allowances HK\$'000	Impairment loss on inventories HK\$'000	Others HK\$'000	Total HK\$'000
At 1.1.2013	3,557	(2,291)	548	1,054	2,868
(Charged)/credited to profit or loss for the year	(237)	1,641	(359)	2,262	3,307
Exchange adjustments	<u>—</u>	<u>10</u>	<u>13</u>	<u>53</u>	<u>76</u>
At 31.12.2013 and 1.1.2014	3,320	(640)	202	3,369	6,251
Credited/(charged) to profit or loss for the year	329	365	(19)	(704)	(29)
Exchange adjustments	<u>(9)</u>	<u>(9)</u>	<u>(3)</u>	<u>(46)</u>	<u>(67)</u>
At 31.12.2014	<u>3,640</u>	<u>(284)</u>	<u>180</u>	<u>2,619</u>	<u>6,155</u>

As at 31 December 2013 and 2014, temporary differences relating to the undistributed profits of the Company's subsidiaries in the PRC were RMB24,204,000 and RMB21,381,000 respectively (equivalent to HK\$30,698,000 and HK\$26,673,000 respectively). The related deferred tax liabilities of HK\$1,535,000 and HK\$1,334,000 as at 31 December 2013 and 2014 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.

11. PROFIT ATTRIBUTABLE TO THE SHAREHOLDER OF THE COMPANY

Profit attributable to the shareholder of the Company includes a loss of HK\$1,712,000 and HK\$8,459,000 for the years ended 31 December 2013 and 2014 respectively, which has been dealt with in the financial statements of the Company.

Reconciliation of the above amounts to the Company's loss for the year:–

	Year ended 31 December	
	2013	2014
	HK\$'000	HK\$'000
Amount of consolidated loss attributable to the shareholder dealt with in the Company's financial statements	(1,712)	(8,459)
Interim dividend from subsidiaries attributable to the profits of the year, approved and paid during the year	<u>12,500</u>	<u>2,500</u>
Company's profit/(loss) for the year — Note 26(b)	<u><u>10,788</u></u>	<u><u>(5,959)</u></u>

12. DIVIDENDS

Dividends declared and paid or payable to the shareholder of the Company attributable to the profit for the year are as follows:–

	Year ended 31 December	
	2013	2014
	HK\$'000	HK\$'000
Interim dividend per share	<u>9,300</u>	<u>2,000</u>
Interim dividend declared and paid	6,300	2,000
Interim dividend declared and payable	<u>3,000</u>	<u>—</u>
	<u><u>9,300</u></u>	<u><u>2,000</u></u>

13. BASIC EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for each of the years ended 31 December 2013 and 2014 on a combined basis as disclosed in Note 1.2 above.

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 1.1.2013	65,901	232,760	24,702	6,991	2,818	11,891	4,839	10,023	359,925
Additions	—	5,064	857	—	—	119	1,342	13,144	20,526
Disposals	—	—	(2)	—	—	—	—	—	(2)
Disposal of subsidiaries	—	—	(1,219)	(2,257)	(298)	—	—	—	(3,774)
Transfer	—	22,698	242	—	—	—	426	(23,366)	—
Exchange adjustments	983	1,856	102	—	—	84	48	199	3,272
At 31.12.2013	66,884	262,378	24,682	4,734	2,520	12,094	6,655	—	379,947
Accumulated depreciation:-									
At 1.1.2013	16,125	144,248	17,651	6,975	2,806	9,263	2,403	—	199,471
Charge for the year	2,517	7,178	725	15	6	942	456	—	11,839
Written back on disposals	—	—	(1)	—	—	—	—	—	(1)
Disposal of subsidiaries	—	—	(899)	(2,257)	(298)	—	—	—	(3,454)
Exchange adjustments	188	498	59	—	—	59	10	—	814
At 31.12.2013	18,830	151,924	17,535	4,733	2,514	10,264	2,869	—	208,669
Net book value:-									
At 31.12.2013	48,054	110,454	7,147	1	6	1,830	3,786	—	171,278
Cost:-									
At 1.1.2014	66,884	262,378	24,682	4,734	2,520	12,094	6,655	—	379,947
Additions	—	881	88	—	—	50	780	17,118	18,917
Disposals	—	(240)	—	—	—	(1,870)	—	—	(2,110)
Transfer	—	9,590	32	—	—	—	843	(10,465)	—
Exchange adjustments	(497)	(1,318)	(34)	—	—	(44)	(50)	(65)	(2,008)
At 31.12.2014	66,387	271,291	24,768	4,734	2,520	10,230	8,228	6,588	394,746
Accumulated depreciation:-									
At 1.1.2014	18,830	151,924	17,535	4,733	2,514	10,264	2,869	—	208,669
Charge for the year	2,484	8,558	625	1	3	339	579	—	12,589
Written back on disposals	—	(41)	—	—	—	(1,683)	—	—	(1,724)
Exchange adjustments	(117)	(317)	(9)	—	—	(35)	(9)	—	(487)
At 31.12.2014	21,197	160,124	18,151	4,734	2,517	8,885	3,439	—	219,047
Net book value:-									
At 31.12.2014	45,190	111,167	6,617	—	3	1,345	4,789	6,588	175,699

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

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Hong Kong	9,802	9,208
Macau	14,401	13,633
The PRC	<u>23,851</u>	<u>22,349</u>
	<u>48,054</u>	<u>45,190</u>

Certain Group's property, plant and equipment were pledged to banks to secure banking facilities granted to the Group (Note 22), with the following net book values:-

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Leasehold land and buildings in Hong Kong	9,320	8,744
Leasehold land and buildings in Macau	14,401	13,633
Buildings in the PRC	23,851	22,349
Plant and machinery	<u>6,358</u>	<u>—</u>
	<u>53,930</u>	<u>44,726</u>

15. INTANGIBLE ASSETS

	2013	2014
	HK\$'000	HK\$'000
Trademarks		
Cost:-		
At 1 January	579	613
Additions	<u>34</u>	<u>70</u>
At 31 December	<u>613</u>	<u>683</u>
Accumulated amortisation:-		
At 1 January	258	318
Amortisation for the year	<u>60</u>	<u>60</u>
At 31 December	<u>318</u>	<u>378</u>
Net book value:-		
At 31 December	<u>295</u>	<u>305</u>

16. PREPAID LAND LEASE PAYMENTS

	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:-		
At 1 January	7,735	7,994
Exchange adjustments	<u>259</u>	<u>(131)</u>
At 31 December	.....7,994	.....7,863
Accumulated amortisation:-		
At 1 January	1,121	1,393
Amortisation for the year	231	233
Exchange adjustments	<u>41</u>	<u>(26)</u>
At 31 December	.....<u>1,393</u>	.....<u>1,600</u>
Net book value:-		
At 31 December	<u>6,601</u>	<u>6,263</u>
	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
In the PRC held under medium-term leases	6,601	6,263
Less: Current portion	<u>(234)</u>	<u>(231)</u>
Non-current portion	<u>6,367</u>	<u>6,032</u>

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 2013 and 2014, prepaid land lease payments with net book values of HK\$6,601,000 and HK\$6,263,000 respectively were pledged to banks to secure banking facilities granted to the Group (Note 22).

17. INVENTORIES

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	25,330	21,233
Work-in-progress	28,445	24,935
Finished goods	<u>15,814</u>	<u>13,936</u>
	69,589	60,104
Less: Impairment loss	<u>(937)</u>	<u>(753)</u>
	<u>68,652</u>	<u>59,351</u>

Movements of impairment loss on inventories are as follows:–

	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	3,189	937
Reversal of impairment loss for the year	(2,307)	(172)
Exchange adjustments	<u>55</u>	<u>(12)</u>
At 31 December	<u><u>937</u></u>	<u><u>753</u></u>

The reversal of impairment loss were included in the costs of inventories recognised as expenses.

The reversal of impairment loss made in prior years was mainly due to utilisation of obsolete raw materials and sale of substandard batteries arising from unexpected subsequent orders placed by customers during the years ended 31 December 2013 and 2014.

18. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	66,860	64,644
Less: Impairment loss	<u>—</u>	<u>—</u>
	66,860	64,644
Bills receivables	<u>4,590</u>	<u>2,257</u>
	<u><u>71,450</u></u>	<u><u>66,901</u></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.

Impairment loss 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 impairment loss is written off against trade receivables.

Movements of impairment loss on trade receivables are as follows:–

	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	388	—
Impairment loss for the year	178	542
Written off against trade receivables	<u>(566)</u>	<u>(542)</u>
At 31 December	<u>—</u>	<u>—</u>

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

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	27,882	35,466
31–60 days	22,091	18,137
61–90 days	12,667	8,848
91–120 days	3,928	3,482
Over 120 days	<u>4,882</u>	<u>968</u>
Total	<u>71,450</u>	<u>66,901</u>

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

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	52,807	49,885
Past due for less than 3 months	15,495	16,333
Past due for 3 to 6 months	2,783	492
Past due for 6 months to 1 year	348	191
Past due for over 1 year	<u>17</u>	<u>—</u>
	<u>71,450</u>	<u>66,901</u>

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 impairment 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.

As at 31 December 2013 and 2014, trade receivables of HK\$4,560,000 and HK\$Nil respectively were pledged to a bank as collateral for the banking facilities granted to the Group under factoring arrangement (Note 22).

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	At 31 December	
		2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Utilities and other deposits		1,939	923
Prepayments		9,031	9,344
Other receivables		6,810	8,769
Amounts due from fellow subsidiaries	(a)		
— Golden Power Investments (B.V.I.) Ltd. ("Golden Power Investments")		—	—
— Golden Power Rubber Products Ltd. ("GP Rubber")		9,780	—
Amounts due from directors	(b)	—	—
		<u>27,560</u>	<u>19,036</u>

Note:—

(a) Amounts due from fellow subsidiaries

Details disclosed pursuant to the Hong Kong Companies Ordinance in relation to amounts due from fellow subsidiaries are as follows:-

Name of companies	Balance at 1.1.2013 <i>HK\$'000</i>	Maximum amount outstanding	Balance at 31.12.2013 <i>HK\$'000</i>
		during the year <i>HK\$'000</i>	
Golden Power Investments	1,097	1,097	—
GP Rubber	<u>9,443</u>	9,780	<u>9,780</u>
	<u>10,540</u>		<u>9,780</u>

Name of companies	Balance at 1.1.2014 <i>HK\$'000</i>	Maximum amount outstanding	Balance at 31.12.2014 <i>HK\$'000</i>
		during the year <i>HK\$'000</i>	
Golden Power Investments	—	—	—
GP Rubber	<u>9,780</u>	9,780	<u>—</u>
	<u>9,780</u>		<u>—</u>

The amounts represent the advances to fellow subsidiaries, which are interest-free, unsecured and repayable on demand, except for the amount due from GP Rubber which is interest bearing at 5% per annum.

(b) Amounts due from directors

Details disclosed pursuant to the Hong Kong Companies Ordinance in relation to amounts due from directors are as follows:-

Name of directors	Balance at	Maximum amount outstanding	Balance at
	1.1.2013	during the year	31.12.2013
	HK\$'000	HK\$'000	HK\$'000
Mr. Chu	4,547	4,547	—
Ms. Chu Shuk Ching	—	—	—
	<u>4,547</u>		<u>—</u>

Name of directors	Balance at	Maximum amount outstanding	Balance at
	1.1.2014	during the year	31.12.2014
	HK\$'000	HK\$'000	HK\$'000
Mr. Chu	—	—	—
Ms. Chu Shuk Ching	—	—	—
	<u>—</u>		<u>—</u>

The amounts represented the advances to the directors, which were interest-free, unsecured and repayable on demand. The amounts were fully settled during the year ended 31 December 2013.

20. TRADE PAYABLES

Analysis of aging of trade payables based on the date of receipt of goods purchased is as follows:-

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
0-30 days	37,334	35,430
31-90 days	28,868	60,868
91-180 days	27,443	22,943
Over 180 days	<u>6,687</u>	<u>4,971</u>
	<u>100,332</u>	<u>124,212</u>

21. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	Note	At 31 December	
		2013 HK\$'000	2014 HK\$'000
Loan from a former subsidiary	(a)	19,000	16,000
Receipts in advance		4,570	5,627
Other payables		3,394	2,264
Accruals		5,075	8,209
Interest payable		748	28
Provision for long service payments	(b)	242	334
Provision for annual leave		346	346
Amount due to a fellow subsidiary			
— Golden Power Investments	(c)	9,452	—
Amount due to a director	(c)	1,007	—
Dividend payable to the ultimate holding company	(c)	3,000	—
		<u>46,834</u>	<u>32,808</u>
Repayable within 1 year		30,834	21,808
Over 1 year	(a)	<u>16,000</u>	<u>11,000</u>
		<u>46,834</u>	<u>32,808</u>

Notes:—

(a) Loan from a former subsidiary

The amount of HK\$19,000,000 represented a loan to Goldtium (Hong Kong) Company Limited (“Goldtium (Hong Kong)”), a former subsidiary of the Group, from a non-controlling shareholder of the Group’s former subsidiary (the “Loan Provider”), Goldtium (Jiangmen) Battery Company Limited (“Goldtium (Jiangmen) Battery”) (the “Outstanding Indebtedness”). The amount is interest-free and unsecured, of which HK\$3,000,000 is repayable on or before 31 December 2014, HK\$5,000,000 is repayable on or before 31 December 2015 and HK\$11,000,000 is repayable on or before 31 December 2016 (the “Loan Prepayment Terms”).

As stated in note 24, upon the disposal of Techway (China) Limited (“Techway (China)”), a subsidiary of the Group, on 23 July 2013 at a consideration of HK\$100,000, Goldtium (Jiangmen) Battery and Goldtium (Hong Kong) ceased to be the subsidiaries of the Group. Since the Outstanding Indebtedness was excluded in the determination of consideration for the disposal, the directors consider that, based on the substance of the transaction, the Group is ultimately responsible for the repayment of the Outstanding Indebtedness.

According to a repayment agreement signed on 8 September 2014, Goldtium (Hong Kong) was appointed as the repayment agent of the Group for the repayment of the Outstanding Indebtedness. The Group shall pay the relevant amounts to Goldtium (Hong Kong) 10 days before the relevant due dates set out in the Loan Repayment Terms. Goldtium (Hong Kong), as the repayment agent, shall forthwith pay the relevant amounts to the Loan Provider within 3 days upon receipt of funds from the Group.

(b) Provision for long service payments

Movements of provision for long service payments are as follows:

	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	342	242
Provision for the year	—	92
Settlement of long service payments	<u>(100)</u>	<u>—</u>
At 31 December	<u><u>242</u></u>	<u><u>334</u></u>

(c) Amounts due to a fellow subsidiary/a director/dividend payable to the ultimate holding company

The amounts were non-trade nature, interest-free, unsecured and repayable on demand.

22. BANK BORROWINGS

	At 31 December	
	2013	2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	108,898	100,856
Secured bank loans under factoring arrangement	3,887	—
Secured bank import loans and other loans	<u>54,097</u>	<u>55,488</u>
(a)	166,882	156,344
Less: Amount classified as current liabilities	<u>(166,882)</u>	<u>(125,695)</u>
Amount classified as non-current liabilities	<u>—</u>	<u>30,649</u>

The bank loans are repayable as follows:—

	At 31 December	
	2013	2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year		
— short-term loans	129,456	116,987
— current portion of long-term loans	<u>9,409</u>	<u>8,708</u>
	138,865	125,695
Over 1 year but within 2 years	(b) 8,244	6,518
Over 2 years but within 5 years	(b) 8,529	19,743
Over 5 years	(b) <u>11,244</u>	<u>4,388</u>
	<u><u>166,882</u></u>	<u><u>156,344</u></u>

The amounts due are based on the scheduled repayment dates set out in the loan agreements and do not take into account the effect of any repayment on demand clause.

Notes:–

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

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Banking facilities available to the Group, its fellow subsidiary and a former subsidiary under cross guarantee		
Total banking facilities granted	35,000	—
Less: banking facilities utilised by the Group	(31,278)	—
Unutilised banking facilities	<u>3,722</u>	<u>—</u>

As at 31 December 2013, these banking facilities were secured by:–

- (i) leasehold land and buildings situated in Hong Kong owned by the Group (Note 14);
- (ii) bank loans of HK\$31,278,000 were guaranteed by Mr. Chu;
- (iii) unlimited cross corporate guarantee executed by the Group, its fellow subsidiary and a former subsidiary; and
- (iv) unlimited corporate guarantee executed by the Group's fellow subsidiaries and related companies.

Above banking facilities were revised in September 2014 and the banking facilities were available to the Group only afterwards.

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Banking facilities available to the Group only		
Total banking facilities granted	199,336	230,727
Less: banking facilities utilised by the Group	(135,604)	(156,344)
Unutilised banking facilities	<u>63,732</u>	<u>74,383</u>

As at 31 December 2013, these banking facilities were secured by:–

- (i) prepaid land lease payments, leasehold buildings and plant and machinery situated in Hong Kong, the PRC and Macau owned by the Group (Notes 14 and 16);
- (ii) leasehold land and buildings situated in Hong Kong owned by its fellow subsidiaries. The pledge were released in September 2014;
- (iii) bank loans of HK\$135,604,000 were guaranteed by Mr. Chu;
- (iv) bank loans of HK\$22,634,000 were guaranteed by unlimited cross corporate guarantee executed by the Group, its fellow subsidiary, a related company and a former subsidiary;
- (v) bank loans of HK\$77,430,000 were guaranteed by unlimited corporate guarantee executed by the Group's fellow subsidiaries and related companies;

- (vi) guarantees provided by the Government of the Hong Kong Special Administrative Region of HK\$8,800,000 and Hong Kong Mortgage Corporation Limited of HK\$9,600,000. The guarantees were released upon the repayment of bank loans on 16 December 2014; and
- (vii) the Group's trade receivables of HK\$4,560,000 assigned as collateral under factoring arrangement (Note 18).

As at 31 December 2014, these banking facilities were secured by:–

- (i) corporate guarantee of HK\$86,500,000 executed by the Company;
 - (ii) prepaid land lease payments, leasehold buildings and plant and machinery situated in Hong Kong, the PRC and Macau owned by the Group (Notes 14 and 16);
 - (iii) bank loans of HK\$86,252,000 were guaranteed by Mr. Chu. The guarantee will be released upon the listing;
 - (iv) bank loans of HK\$46,763,000 were guaranteed by unlimited cross corporate guarantee executed by the Group, its fellow subsidiary, a related company and a former subsidiary. The guarantees will be released upon the listing;
 - (v) bank loans of HK\$25,703,000 were guaranteed by unlimited corporate guarantee executed by the Group's fellow subsidiaries and related companies. The guarantees will be released upon the listing; and
 - (vi) no trade receivables of the Group as at 31 December 2014 were assigned as collateral under factoring arrangement.
- (b) Pursuant to the banking facilities letters, certain loans are subject to the lending bank's overriding right of repayment on demand. Accordingly, the outstanding loan amounts of HK\$28,017,000 and HK\$Nil, which were repayable over one year according to the repayment terms, were classified under current liabilities pursuant to HK-Int 5 as at 31 December 2013 and 2014 respectively.
- (c) The banking facilities granted to the Group requires certain Group's subsidiaries including Golden Power Corporation (Hong Kong) Limited ("Golden Power Corporation"), Golden Power Industries Limited ("Golden Power Industries") and Giant Moral Limited ("Giant Moral") (the "Borrowers") to meet certain financial covenants. The Borrowers did not meet the minimum net tangible assets requirements (the "Breaches") until September 2014 when the banking facilities granted to the Borrowers were revised by banks with the minimum net tangible assets requirements removed or revised to the amounts that the Group is able to maintain.

The banks were contractually entitled to request early repayment of the outstanding amount of HK\$53,912,000 as at 31 December 2013. However, the banks did not request for early repayment and approved the annual renewal of banking facilities during the Relevant Periods.

On 12 January 2015 and 14 January 2015, the Group obtained unconditional waivers from the banks in respect of the Breaches.

There are some cross default provisions ("Cross Default Provision(s)") in some bank facilities letters/loan agreements of the Group, which would have been triggered if, in respect of the Breaches, (i) the relevant banks requested early repayment; (ii) the relevant banks enforced the relevant securities; and/or (iii) the relevant subsidiary breached any term of any material agreement with a member of the relevant bank.

Since the relevant banks in respect of the Breaches had not requested early repayment and/or enforced the relevant securities, only the Cross Default Provision in a factoring agreement might have been triggered due to the Breaches. If such Cross Default Provision were triggered, the relevant bank would have been contractually entitled to require the Group to early repay the secured bank loans under the factoring arrangement amounted to HK\$3.89 million and HK\$Nil as at 31 December 2013 and 2014.

23. ACQUISITION OF DEFERRED NON-VOTING SHARES IN A SUBSIDIARY

On 4 January 2013, Best Kind Holdings Limited (“Best Kind”) acquired all of the deferred non-voting shares of Golden Power Industries at a consideration of HK\$1,800,000 from Mr. Chu. In the books of Golden Power Industries, the carrying amount of the deferred non-voting shares of Golden Power Industries on the date of acquisition was HK\$1,800,000 with related share premium of HK\$1,200,000. For details of the deferred non-voting shares of Golden Power Industries, please refer to Note 33(a)(ii).

24. DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 23 July 2013, the Group disposed of its equity interest in Techway (China) to Mr. Chan Wah Hee, an independent third party to the Group (the “Buyer”), at a consideration of HK\$100,000 with a mutual understanding with the Buyer that the Group is ultimately responsible for the repayable of Outstanding Indebtedness as stated in note 21(a). Upon the completion of disposal, Techway (China)’s subsidiaries, Goldtium (Jiangmen) Battery and Goldtium (Hong Kong) were also disposed. The net assets of the above subsidiaries disposed of were as follows:

	<i>HK\$'000</i>
Plant and equipment	320
Trade receivables	79
Deposits, prepayments and other receivables	29,206
Tax recoverable	417
Cash and bank balances	289
Trade payables	(2,224)
Receipts in advance, other payables and accruals	(20,623)
Tax payable	(3,347)
	<u>4,117</u>
Net assets disposed of	4,117
Release of exchange reserve	(2,114)
Disposal of non-controlling interests	(2,759)
	<u>(756)</u>
Gain on disposal of interests in subsidiaries:	
Carrying amount of net assets disposed of	756
Consideration received	100
Income tax payable in respect of the disposal	(611)
	<u>245</u>
Net cash outflow arising on disposal:	
Cash consideration received	100
Cash and bank balances disposed of	(289)
	<u>(189)</u>

25. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDER OF THE COMPANY

For the purpose of the preparation of the Financial Information, the share capital at 31 December 2013 represents the combined share capital of Golden Pilot Limited (“Golden Pilot”), Pointway Corporation Limited (“Pointway”), Big Power Limited (“Big Power”), Golden Power Properties Limited (“Golden Power Properties”) and the Company.

The share capital at 31 December 2014 represents the share capital of the Company.

Details of the Company’s share capital are set out below.

Share capital

	At 31 December 2013 and 2014 HK\$
Authorised:–	
390,000 shares of HK\$1 each	<u>390,000</u>
Issued and fully paid:–	
1 share of HK\$1 each	<u>1</u>

The Company was incorporated in the Cayman Islands on 7 June 2012 with an authorised share capital of HK\$390,000 divided into 390,000 shares of HK\$1 each. On the same date, the Company issued and allotted 1 share to the subscriber.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group’s overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of net debts (which include bank borrowings, loan from a former subsidiary, amount due to a fellow subsidiary and a director, 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 statements of changes in equity.

(b) The Company

	Retained profits <i>HK\$'000</i>
At 1.1.2013	606
Profit and total comprehensive income for the year	10,788
Dividend declared (<i>Note 12</i>)	<u>(9,300)</u>
At 31.12.2013 and 1.1.2014	2,094
Loss and total comprehensive loss for the year	(5,959)
Dividend declared (<i>Note 12</i>)	<u>(2,000)</u>
At 31.12.2014	<u><u>(5,865)</u></u>

(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.

(iii) Capital reserve

As at 1 January 2013, the capital reserve of HK\$3,000,000 represented the carrying amount of non-voting deferred shares of Golden Power Industries of HK\$1,800,000 and related share premium of HK\$1,200,000, which were held by Mr. Chu (Note 33(a)(ii)). On 4 January, 2013, Best Kind acquired all the non-voting deferred shares of Golden Power Industries at a cash consideration of HK\$1,800,000, resulting in closing balance of HK\$1,200,000 as at 31 December 2013.

During the year ended 31 December 2014, as a part of Reorganisation, the Group acquired equity interest in following companies, of which Mr. Chu was the controlling shareholder before the acquisitions:–

	Acquisition date	Cash consideration HK\$'000	Cash paid during the year ended 31 December 2014 HK\$'000	Unpaid consideration HK\$'000	
(a)	100% equity interest in Big Power	5 June 2014	7,484	7,484	—
(b)	100% equity interest in Golden Pilot	5 September 2014	132	132	—
(c)	100% equity interest in Pointway	8 September 2014	—*	—	—
(d)	100% equity interest in Ample Top Enterprises Limited (“Ample Top”)	17 September 2014	—*	—	—
(e)	(i) 100,000 non-voting deferred shares in Golden Power Properties; and	25 September 2014	—*	—	—
	(ii) 10 ordinary shares (representing 100% of issued ordinary shares) in Golden Power Properties		11,152	1,115	10,037 (Note 34)
			<u>18,768</u>	<u>8,731</u>	<u>10,037 #</u>

* Cash consideration of HK\$1.

The unpaid consideration was subsequently capitalised by crediting the capital reserve pursuant to an agreement dated 5 December 2014 as mentioned in Note 34.

Upon the completion of above acquisitions as a part of Reorganisation during the year ended 31 December 2014, Big Power, Golden Pilot, Pointway, Ample Top and Golden Power Properties 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 above companies of approximately HK\$7,769,000 at respective acquisition dates, which was prepared in accordance with the accounting policies set out in note 2, was dealt with in capital reserve of the Group according to the accounting policy set out in note 2.2(i).

Up to 5 December 2014, a partial settlement of HK\$8,731,000 was made in relation to above Reorganisation. The balance of unpaid consideration of HK\$10,037,002 was capitalised pursuant to an agreement dated 5 December 2014 as mentioned in Note 34.

27. CONTINGENT LIABILITIES

- (a) As at 31 December 2013 and 2014, the Group issued a guarantee of HK\$3,000,000 in respect of an instalment loan granted by a bank to a related company of the Group.

As at 31 December 2013 and 2014, the maximum contingent liabilities of the Group under the guarantee issued is the amount of the instalment loan owed by the related company of the Group which amounted to HK\$2,869,000 and HK\$2,600,000 respectively. The guarantee will be released upon the listing.

- (b) The Group is covered by a cross guarantee arrangement issued by the Group, a fellow subsidiary and a former subsidiary to the banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Group, a fellow subsidiary and a former subsidiary that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

As at 31 December 2014, the directors of the Group do not consider it probable that a claim will be made against the company under any of the guarantees. The banking facilities available to the Group, its fellow subsidiary and a former subsidiary company under the cross guarantee amounted to HK\$35,000,000 and HK\$Nil as at 31 December 2013 and 2014 respectively.

The maximum contingent liability of the Group under the cross guarantee is the amount of the facilities drawn down by its fellow subsidiary and a former subsidiary that are covered by the cross guarantee. As at 31 December 2013 and 2014, no banking facilities were drawn down by its fellow subsidiary and former subsidiary. The guarantee with a fellow subsidiary and a former subsidiary will be released upon the listing.

- (c) Tax dispute

Goldtium (Hong Kong) was involved in dispute with the Hong Kong Inland Revenue Department (the "HKIRD") regarding the assessable profits for the years from 2003 to 2008.

Pursuant to the "Locality of Profits" in Departmental Interpretation and Practice Notes No.21 (Revised) issued by the HKIRD, entities under contract processing arrangement which provides raw materials, technical know-how, management, production skills, design, skilled labour, training and supervision for locally recruited labour and the manufacturing plant and machinery, the PRC entity provides factory premises, land and labour. Entities will be eligible to claim 50:50 apportionment regarding the contract processing arrangement.

Goldtium (Hong Kong) has been submitting its tax returns based on this income tax treatment within the regulatory timeframe. However, the HKIRD has issued queries with respect to the 50:50 apportionments from the years of assessment 2003/04 to 2007/08 and the tax dispute was still pending. Up to the date of this report, the finalised tax payable depends on the HKIRD's final assessment of taxable profit. For prudence purpose, provision for current tax has been made assuming that 50:50 apportionments are not allowed by the HKIRD. Such provision in the consolidated statement of financial position, thus, represents the maximum exposure liable to the Hong Kong Profits Tax. Nevertheless, there is still the possibility that the 50:50 apportionment made with the HKIRD is valid and accepted by Inland Revenue Department irrespective of the fact that Goldtium Hong Kong has fully provided for such 50:50 apportionment tax dispute amounting to HK\$3,347,000 as at 23 July 2013 (date of disposal of Goldtium (Hong Kong)).

As the final outcome of the tax dispute is still uncertain, the directors are of the view that except for those which have already been provided for in the Financial Information based on the Group's best estimate, there is no reliable basis for estimating and making additional provision for potential tax

liabilities and the corresponding penalty and interest, if any, as at 23 July 2013, which may arise from tax adjustments made as a result of the above tax dispute. Pursuant to the terms set out in the sale and purchase agreement dated 19 July 2013 in relation to the disposal of entire equity interest in Techway (China), the immediate holding company of Goldtium (Hong Kong), as disclosed in Note 24, at the date of this report, the contingent liabilities attributable to above tax dispute with HKIRD was transferred to the independent third party together with the disposal.

28. COMMITMENTS

Operating lease commitment

As at 31 December 2013 and 2014, the Group had outstanding commitments under non-cancellable operating lease, which falls due as follows:–

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Within one year		
— Plant and machinery	350	161
— Buildings	<u>1,859</u>	<u>847</u>
	<u>2,209</u>	<u>1,008</u>

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

Capital commitment

As at 31 December 2013 and 2014, the Group had outstanding capital commitments as follows:–

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Plant and machinery:–		
Contracted but not provided for	<u>2,664</u>	<u>3,746</u>

29. RELATED PARTY TRANSACTIONS**(a) Related party transactions**

The Group had the following material transactions and balances with related parties during the Relevant Periods:

	Relationship	Year ended 31 December	
		2013 HK\$'000	2014 HK\$'000
Rental income received from:			
GP Rubber	Fellow subsidiary	30	—
Golden Hills Industries Limited (“Golden Hills”)	Fellow subsidiary	<u>90</u>	<u>70</u>
Rental expenses paid to:			
China Scene Limited (“China Scene”)*	Fellow subsidiary	<u>144</u>	<u>144</u>
Service fee income received from:			
GP Rubber	Fellow subsidiary	70	—
Golden Hills	Fellow subsidiary	210	163
China Scene	Fellow subsidiary	<u>—</u>	<u>—</u>
Interest income received from:			
GP Rubber	Fellow subsidiary	<u>492</u>	<u>325</u>

* *These related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.*

Details of the guarantees provided by the Group to banks in respect of the banking facilities granted to the fellow subsidiaries and a related company, are set out in notes 27(a) and 27(b).

Details of the transactions with Mr. Chu in relation to the group reorganisation are set out in note 26(c)(iii).

Details of capitalisation of amount due to a fellow subsidiary, Golden Power Investments, are set out in note 34.

(b) Commitments with related parties

The Group entered into operating lease arrangements as lessee with a company controlled by Mr. Chu for a lease term of 3 years, subject to a one-month termination notice. The total amount of rental expenses for the Relevant Periods is disclosed in note 29(a).

(c) Outstanding balances with related parties

Other than balances with directors, fellow subsidiaries and the ultimate holding company as disclosed in notes 19 and 21 of Section II to the Financial Information, the Group had no other outstanding balances with related parties as at 31 December 2013 and 2014.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the directors as disclosed in Note 8 is as follows:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits in kind	6,714	5,794
Discretionary bonus	462	748
Contributions to defined contribution plan	<u>126</u>	<u>134</u>
	<u><u>7,302</u></u>	<u><u>6,676</u></u>

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 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 summarised the contribution paid or payable by the Group for the above retirement schemes:–

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
MPF Scheme	628	523
Social Insurance Scheme	<u>3,875</u>	<u>4,971</u>
	<u><u>4,503</u></u>	<u><u>5,494</u></u>

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.

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.

Carrying amounts of financial assets as at 31 December 2013 and 2014, which represented the amounts of maximum exposure to credit risk, were as follows:–

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	71,450	66,901
Deposits and other receivables	18,529	9,692
Cash and bank balances	<u>10,175</u>	<u>17,168</u>
	<u>100,154</u>	<u>93,761</u>

In respect of trade receivable, 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. As at 31 December 2013 and 2014, 13% and 19% of the total trade and bills receivables were due from the Group's largest customer; 39% and 37% of the total trade and bills receivables were due from the Group's five largest customers respectively.

The cash and bank balances of the Group denominated in Renminbi amounted to HK\$5,532,000 and HK\$5,750,000 as at 31 December 2013 and 2014, 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 authorized to conduct foreign exchange business.

Except for the financial guarantees given the Group as set out in note 27(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees as at 31 December 2013 and 2014 is disclosed in note 27(a).

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 Group to meet its financial obligations.

The following tables show the remaining contractual maturities at the end of the 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 current at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	At 31 December 2013				
	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	100,332	100,332	100,332	—	—
Other payables and accruals	41,676	41,676	25,676	16,000	—
Bank loans subject to a repayment on demand clause	151,581	151,581	151,581	—	—
Other bank borrowings	<u>15,301</u>	<u>16,019</u>	<u>16,019</u>	<u>—</u>	<u>—</u>
	<u>308,890</u>	<u>309,608</u>	<u>293,608</u>	<u>16,000</u>	<u>—</u>
Financial guarantees issued					
Maximum amount guaranteed (Note 27(a))	<u>—</u>	<u>2,869</u>	<u>2,869</u>	<u>—</u>	<u>—</u>

At 31 December 2014					
	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	In 2 to 5 years	Over 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total amounts of contractual undiscounted obligations:–					
Trade payables	124,212	124,212	124,212	—	—
Other payables and accruals	26,501	26,501	15,501	11,000	—
Bank loans subject to a repayment on demand clause	72,467	72,467	72,467	—	—
Other bank borrowings	83,877	88,569	54,978	28,907	4,684
	<u>307,057</u>	<u>311,749</u>	<u>267,158</u>	<u>39,907</u>	<u>4,684</u>
Financial guarantees issued					
Maximum amount guaranteed (Note 27(a))	—	2,600	2,600	—	—

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in pages I-56 and I-57. Taking into account the Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

At 31 December 2013					
	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	In 2 to 5 years	Over 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans subject to a repayment on demand clause	151,581	156,646	125,474	18,797	12,375

	At 31 December 2014				
	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	In 2 to 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans subject to a repayment on demand clause	72,467	72,989	72,989	—	—

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 as at 31 December 2013 and 2014 exposed to currency risk were as follows:—

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
Financial assets denominated in foreign currencies:—		
Trade and bills receivables	54,084	62,054
Other receivables	746	2,615
Cash and bank balances	2,994	7,338
	<u>57,824</u>	<u>72,007</u>
Financial liabilities denominated in foreign currencies:—		
Trade payables	(13,189)	(13,823)
Other payables	(6,591)	(16,009)
Bank import loans	(39,637)	(33,113)
	<u>(59,417)</u>	<u>(62,945)</u>
Net financial (liabilities)/assets exposed to currency risk	<u>(1,593)</u>	<u>9,062</u>

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

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
United States dollars	(15,504)	(9,624)
Japanese Yen	59	34
Euro	185	(47)
Renminbi	27	1
Other currencies	70	61
	<u>(15,163)</u>	<u>(9,575)</u>

Entities with functional currency in Renminbi

	At 31 December	
	2013	2014
	HK\$'000	HK\$'000
United States dollars	17,322	20,347
Japanese Yen	(2,627)	(1,727)
Hong Kong dollars	(1,125)	17
	<u>13,570</u>	<u>18,637</u>

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.

Our Group's entities in Hong Kong and the PRC adopt Hong Kong dollar and Renminbi as our functional currency respectively. Since Hong Kong dollars is pegged to United States dollars, material fluctuation in the exchange rates 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, other currencies, no sensitivity analysis has been prepared as the exposure is insignificant to our Group.

The following table indicates the approximate change in our Group's profit after tax and retained profits in response to reasonably possible changes in United States dollars against Renminbi, Renminbi against Japanese Yen and Renminbi against Hong Kong dollars, to which our Group has significant exposure:—

	Year ended 31 December 2013		Year ended 31 December 2014	
	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits <i>HK\$'000</i>	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits <i>HK\$'000</i>
United States dollars/Renminbi	2% (2%)	346 (346)	2% (2%)	407 (407)
Japanese Yen/ Renminbi	10% (10%)	(263) 263	10% (10%)	(173) 173
Hong Kong dollars/Renminbi	2% (2%)	(23) 23	2% (2%)	— —

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of our Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by our Group which expose our Group to foreign currency risk as at the end of each of the Relevant Periods 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 loans. 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 as at 31 December 2013 and 2014:—

	Effective interest rate	At 31 December 2013
	%	<i>HK\$'000</i>
Fixed rate financial assets		
Amount due from a fellow subsidiary		
— GP Rubber	5%	9,780
Variable rate financial assets		
Bank balances	0.00%–0.35%	6,859
Variable rate financial liabilities		
Secured bank loans	2.21%–7.86%	(108,898)
Secured bank loans under factoring arrangement	2.17%	(3,887)
Secured bank import loans and other loans	2.25%–7.56%	<u>(54,097)</u>
		<u>(150,243)</u>
	Effective interest rate	At 31 December 2014
	%	<i>HK\$'000</i>
Variable rate financial assets		
Bank balances	0.00%–0.35%	12,029
Variable rate financial liabilities		
Secured bank loans	2.22%–7.38%	(100,856)
Secured bank import loans and other loans	2.23%–7.56%	<u>(55,488)</u>
		<u>(144,315)</u>

As at 31 December 2013 and 2014, except for amount due from a fellow subsidiary which was earning fixed interests all bank balances earning variable interests and all secured bank borrowings bearing variable interests were exposed to interest rate risk.

The following table summarises the effect on the consolidated financial statements if interest rates had been increased by 25 basis points with all other variables held constant:—

	At 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in net profit and retained profits for the year	<u>(323)</u>	<u>(294)</u>

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

The 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 as at 31 December 2013 and 2014 except for the non-current portion of other payables, for which the fair values (measured using Level 3 input) were HK\$13,699,000 and HK\$9,789,000 respectively.

The fair values of the non-current portion of other payables are estimated as being present values of future cash flows, discounted at appropriate market rates estimated by the directors with reference to the Group's interest rates on bank borrowings at the end of each reporting period.

32. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	At 31 December	
		2013 HK\$'000	2014 HK\$'000
NON-CURRENT ASSET			
Investment in subsidiaries	33	—	—
CURRENT ASSETS			
Prepayments		1,683	3,848
Amounts due from subsidiaries	33(b)	3,917	—
Cash at bank		87	56
		<u>5,687</u>	<u>3,904</u>
DEDUCT:—			
CURRENT LIABILITIES			
Other payables and accruals	32(a)	3,593	947
Amounts due to subsidiaries	33(b)	—	8,822
		<u>3,593</u>	<u>9,769</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,094</u>	<u>(5,865)</u>
NET ASSETS/(LIABILITIES)		<u>2,094</u>	<u>(5,865)</u>
REPRESENTING:—			
CAPITAL AND RESERVES			
Share capital	25	—	—
Reserves	26(b)	2,094	(5,865)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		<u>2,094</u>	<u>(5,865)</u>

(a) Other payables and accruals

	At 31 December	
	2013 HK\$'000	2014 HK\$'000
Accruals	593	947
Dividend payable to the ultimate holding company	3,000	—
	<u>3,593</u>	<u>947</u>

Dividend payable to the ultimate holding company was non-trade nature, interest-free, unsecured and repayable on demand.

33. INVESTMENT IN SUBSIDIARIES, AMOUNTS DUE FROM/TO SUBSIDIARIES AND NON-CONTROLLING INTERESTS

	At 31 December	
	2013 HK\$	2014 HK\$
Unlisted shares, at cost	<u>8</u>	<u>8</u>

(a) 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			Principal activities
				2012	2013	2014	
Best Kind	BVI	Limited liability company	USD1	100%	100%	100%	Investment holding
Golden Power Corporation	Hong Kong	Limited liability company	HK\$1,000,000	100%	100%	100%	Trading of batteries and battery-related products
Golden Power Industries	Hong Kong	Limited liability company	Ordinary shares HK\$100 Deferred non- voting shares HK\$1,800,000 (Note ii)	100%	100%	100%	General trading and investment
Dongguan Victory Battery Industries Company Limited (“Dongguan Victory Battery”) (“東莞勝利電池實業有限公司”)	PRC	Wholly-owned foreign enterprise	USD500,000	100%	100%	100%	Manufacture and sale of batteries
Dongguan Golden Power Battery Industries Company Limited (“Dongguan Golden Power”) (“東莞金力電池實業有限公司”)	PRC	Wholly-owned foreign enterprise	HK\$12,000,000	100%	100%	100%	Manufacture and sale of batteries
Gain Smart Limited (“Gain Smart”)	BVI	Limited liability company	USD1	100%	100%	100%	Investment holding
Techway (China) (Note i)	Hong Kong	Limited liability company	HK\$10,000	100%	N/A	N/A	Investment holding
Champ Profit Development Limited (“Champ Profit”)	Hong Kong	Limited liability company	HK\$1	100%	100%	100%	Investment holding
Giant Moral	Hong Kong	Limited liability company	HK\$1	100%	100%	100%	General trading and investment
Goldtium (Jiangmen) Battery (Note i) (“江門金剛電池有限公司”)	PRC	Sino-foreign equity joint venture	RMB10,000,000	70%	N/A	N/A	Manufacture of batteries
Goldtium (Jiangmen) Energy Products Company Limited (“Goldtium (Jiangmen) Energy”) (“江門金剛電源製品有限公司”)	PRC	Wholly-owned foreign enterprise	HK\$10,000,000	100%	100%	100%	Manufacture of batteries
Goldtium (Hong Kong) (Note i)	Hong Kong	Limited liability company	HK\$1,000,000	100%	N/A	N/A	Manufacture and sale of batteries
Big Power	Hong Kong	Limited liability company	HK\$1	N/A	N/A	100%	Investment holding
Golden Pilot	BVI	Limited liability company	USD50,000	N/A	N/A	100%	Holding intellectual property
Pointway	Hong Kong	Limited liability company	HK\$10,000	N/A	N/A	100%	Holding intellectual property
Ample Top	BVI	Limited liability company	USD1	N/A	N/A	100%	Investment holding
Golden Power Properties	Hong Kong	Limited liability company	Ordinary shares HK\$100 Deferred non- voting shares HK\$1,000,000 (Note ii)	N/A	N/A	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.

Notes:

- (i) On 23 July 2013, the Group disposed entire equity interest in Techway (China) and thus, Techway (China) and its subsidiaries, Goldtium (Jiangmen) Battery and Goldtium (Hong Kong), ceased to be the subsidiaries of the Group.

- (ii) 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.

The subsidiaries that have statutory audited financial statements during the Relevant Periods and the name of the auditors are as follows:–

Company name	Financial years ended	Name of statutory auditor
Golden Power Corporation	31 December 2013 and 2014	PKF
Golden Power Industries	31 December 2013 and 2014	PKF
Gain Smart	31 December 2013 and 2014	PKF
Techway (China)	31 December 2013	PKF
Giant Moral	31 December 2013 and 2014	PKF
Goldtium (Hong Kong)	31 December 2013	PKF
Big Power	31 December 2013 31 December 2014	GDT CPA Limited PKF
Golden Pilot	31 December 2013 31 December 2014	GDT CPA Limited PKF
Pointway	31 December 2013 31 December 2014	GDT CPA Limited PKF
Ample Top	31 December 2013 31 December 2014	GDT CPA Limited PKF
Golden Power Properties	31 December 2013 31 December 2014	GDT CPA Limited PKF

Company name	Financial years ended	Name of statutory auditor
Champ Profit	31 December 2013 and 2014	PKF
Dongguan Victory Battery	31 December 2013 and 2014	廣州粵科會計師事務所
Dongguan Golden Power	31 December 2013 and 2014	廣州粵科會計師事務所
Goldtium (Jiangmen) Battery	31 December 2013 and 2014	廣東天健會計師事務所有限公司
Goldtium (Jiangmen) Energy	31 December 2013 and 2014	廣東天健會計師事務所有限公司

No audited financial statements were issued for Best Kind since its incorporation as it was not subject to any statutory requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) Amounts due from/to subsidiaries

The amounts were interest-free, unsecured and repayable on demand.

(c) Non-controlling interests

The summarised financial information of Goldtium (Jiangmen) Battery that has non-controlling interests that are material to the Group are set out below. The summarised financial information presented below represents the amounts before any inter-company elimination.

Summarised statements of financial position

	At 23 July 2013 HK\$'000
Current	
Assets	25,771
Liabilities	<u>(3,800)</u>
Total current net assets and net assets	<u><u>21,971</u></u>

Goldtium (Jiangmen) Battery was disposed on 23 July 2013 and thus no summarised statement of financial position is presented as at 31 December 2013 and 2014.

Summarised statements of profit or loss

	Period from 1 January 2013 to 23 July 2013
	<i>HK\$'000</i>
Revenue	6,995
Profit before income tax	6,710
Income tax expense	<u>(1,664)</u>
Profit for the period	<u>5,046</u>
Profit allocated to non-controlling interests	<u>1,514</u>

Goldtium (Jiangmen) Battery was disposed on 23 July 2013 and thus the summarised statements of profit or loss of Goldtium (Jiangmen) Battery in 2013 is presented for the period from 1 January 2013 to 23 July 2013.

Summarised statements of cash flows

	Period from 1 January 2013 to 23 July 2013
	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities and net (decrease)/increase in cash and cash equivalents	98
Effects of foreign exchange rate changes, net of tax	2
Cash and cash equivalent at the beginning of the period	<u>47</u>
Cash and cash equivalent at the end of the period	<u>147</u>

Goldtium (Jiangmen) Battery was disposed on 23 July 2013 and thus the summarised statement of cash flows is presented for the period from 1 January 2013 to 23 July 2013.

34. MAJOR NON-CASH TRANSACTIONS

On 5 September 2014, the Group acquired (i) 100,000 non-voting deferred shares in Golden Power Properties at a nominal consideration of HK\$1; and (ii) 10 ordinary shares (representing 100% of issued ordinary shares) in Golden Power Properties at a cash consideration of HK\$11,152,000, from a fellow subsidiary, Golden Power Investments. On 3 December 2014, the Group paid HK\$1,115,000 and the remaining balance of HK\$10,037,000 ("Outstanding Consideration") was included in amount due to Golden Power Investments.

As at 5 December 2014, the amount due to Golden Power Investments was approximately HK\$19,618,000 which consisted of funds advanced to the Group of HK\$9,581,000 and Outstanding Consideration of HK\$10,037,000 (Note 26(c)(iii)). Pursuant to an agreement dated 5 December 2014, the Group capitalised the amount due to Golden Power Investments by crediting the capital reserve.

35. SUBSEQUENT EVENTS

- (a) Pursuant to an agreement dated 5 December 2014, Mr. Chu agreed to inject HK\$20,000,000 into the Group prior to the Listing. Such amount will be capitalised by crediting the capital reserve.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2014 and up to the date of this report.

Yours faithfully,

PKF

Certified Public Accountants

Hong Kong

The information set out in this Appendix II is included herein for illustrative purposes only and does not form part of the accountants' report from PKF, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 December 2014.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Placing been completed as at 31 December 2014 or at any further date.

	Audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2014	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2014	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$1.25 per Share	35,017	48,863	83,880	0.52
Based on the Placing Price of HK\$1.35 per Share	35,017	54,211	89,228	0.56

Notes:

1. The audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2014 is based on the audited consolidated net assets of the Group extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$1.25 and HK\$1.35 per Share, after deduction of the underwriting fees and related expenses payable by the Company of approximately HK\$35.19 million and approximately HK\$35.44 million respectively (excluding approximately HK\$14.05 million listing expenses which have been accounted for prior to 31 December 2014).

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 160,000,000 Shares are in issue assuming that the Placing and the Capitalisation Issue have been completed on 31 December 2014, but takes no account of any shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company does not take into account the capital injection of HK\$20,000,000 made by Mr. Chu in May 2015. Had the capital injection been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company as at 31 December 2014 would be HK\$103,880,000 (assuming a Placing Price of HK\$1.25 per Share) and HK\$109,228,000 (assuming a Placing Price of HK\$1.35 per Share, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.65 (assuming a Placing Price of HK\$1.25 per Share) and HK\$0.68 (assuming a Placing Price of HK\$1.35 per Share), respectively.
5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants PKF, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

大信梁學濂 (香港) 會計師事務所

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

29 May 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**TO THE DIRECTORS OF GOLDEN POWER GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Golden Power Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 in Appendix II of the Company's prospectus (the "Prospectus") dated 29 May 2015. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed listing of the ordinary shares (the "Placing") of the Company on the Group's financial position as at 31 December 2014 as if the proposed Placing had taken place at 31 December 2014. As part of this process, information about the Group's financial position as at 31 December 2014 has been extracted by the Directors from the Group's financial information included in the Accountants' Report as set out in Appendix I of the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

Yours faithfully,

PKF

Certified Public Accountants

Hong Kong

The list of material properties, prepared for the purpose of incorporation into this prospectus, which was received from Vigers Appraisal and Consulting Limited, an independent valuer and consultant, is set out below.

Material Properties

No.	Owner	Property Name and Address	GFA (sq.m.)		Usage	Owned/Leased (Lease Term)	Nature of Land Use Rights/ Expiry Date
			Land	Building			
1.	Goldtium (Jiangmen) Energy Products Company Limited 江門金剛電源 製品有限 公司	No.83 Yong Sheng Road, Peng Jiang District, Jiang Men City, Guangdong Province	8,996	23,701.81	office, factory and ancillary	Owned	Granted land: 9 December 2042
2.	Goldtium (Jiangmen) Energy Products Company Limited 江門金剛電源 製品有限 公司	No.30 Gong Ye Road, Xi Qu, Peng Jiang District, Jiang Men City, Guangdong Province	13,803	5,216.40	workshop and ancillary	Owned	Granted land: 24 May 2042
Total			<u>22,799</u>	<u>28,918.21</u>			

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 June 2012 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 May 2015. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of our Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical

signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. Our Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with our Company or with any of its subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition

to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be

subject to re-election at such meeting. 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 our Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of the Board;

- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability

or obligation of our Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of capital

Our Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles),

and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of our Company must be called by at least 21 days' notice in writing, and a general meeting of our Company, other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by our Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of our Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring; (dd) the appointment of auditors;
- (dd) the fixing of the remuneration of the Directors and of the auditors;
- (ee) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and
- (ff) the granting of any mandate or authority to the Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(I) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or

at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to

be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and
- (iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 7 June 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender

of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If our Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of twenty years from 10 September 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court. The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where our Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court

will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 June 2012.

Our Company has been registered as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 22 July 2013 and our principal place of business in Hong Kong is Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. In connection with such registration, we have appointed Mr. Chu of House No. 16, 27th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong as the authorised representative of our Company for the acceptance of service of process and notices on behalf of us in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was HK\$390,000 divided into 390,000 Shares with a par value of HK\$1 each. On the same date, one Share was allotted and issued for cash at par to Offshore Incorporations (Cayman) Limited, which subsequently transferred the said one Share to Golden Villa.
- (b) On 15 May 2015, our sole Shareholder resolved that (i) each Share of HK\$1 was subdivided into 100 Shares of HK\$0.01 each; and (ii) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,961,000,000 Shares.
- (c) On 15 May 2015, our sole Shareholder resolved that conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Placing Shares pursuant to the Placing, our Directors were authorised to capitalise an amount of HK\$1,039,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 103,999,900 Shares for allotment and issue to Golden Villa.

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the authorised share

capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, of which 160,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 1,840,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “6. Written resolutions of the sole Shareholder passed on 15 May 2015” and “7. Repurchase of our Shares” under this appendix and the exercise of the options which may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus.

4. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Further information about our Group’s PRC subsidiaries

We have interest in the registered capital of the following PRC subsidiaries. A summary of the corporate information of such PRC subsidiaries of our Group as at the Latest Practicable Date is set out as follows:

- | | |
|------------------------------------|---|
| 1. Dongguan Victory Battery | |
| (i) Name of the enterprise: | 東莞勝力電池實業有限公司
(Dongguan Victory Battery Industries
Company Limited*) |
| (ii) Date of establishment: | 11 September 2009 |
| (iii) Nature: | Limited liability company |
| (iv) Registered owner: | Golden Power Industries |
| (v) Total investment: | US\$700,000 |
| (vi) Registered capital: | US\$500,000 |

- | | | |
|--------|-------------------------------------|---|
| (vii) | Attributable interest to our Group: | 100% |
| (viii) | Term of operation: | From 11 September 2009 to 11 September 2019 |
| (ix) | Legal representative | Mr. Chu |

2. Dongguan Golden Power

- | | | |
|--------|-------------------------------------|---|
| (i) | Name of the enterprise: | 東莞金力電池實業有限公司
(Dongguan Golden Power Battery Industries Company Limited*) |
| (ii) | Date of establishment: | 18 June 2008 |
| (iii) | Nature: | Limited liability company |
| (iv) | Registered owner: | Golden Power Industries |
| (v) | Total investment: | HK\$12 million |
| (vi) | Registered capital: | HK\$12 million |
| (vii) | Attributable interest to our Group: | 100% |
| (viii) | Term of operation: | From 18 June 2008 to 18 June 2023 |
| (ix) | Legal representative | Mr. Chu |

3. Goldtium (Jiangmen) Energy

- | | | |
|--------|-------------------------------------|--|
| (i) | Name of the enterprise: | 江門金剛電源製品有限公司
(Goldtium (Jiangmen) Energy Products Company Limited*) |
| (ii) | Date of establishment: | 20 May 2008 |
| (iii) | Nature: | Limited liability company |
| (iv) | Registered owner: | Giant Moral |
| (v) | Total investment: | HK\$10 million |
| (vi) | Registered capital: | HK\$10 million |
| (vii) | Attributable interest to our Group: | 100% |
| (viii) | Term of operation: | From 20 May 2008 to 18 May 2023 |
| (ix) | Legal representative | Mr. Chu |

6. Written resolutions of the sole Shareholder passed on 15 May 2015

Written resolutions of the sole Shareholder were passed on 15 May 2015 approving, amongst others, the following:

- (a) the Memorandum and the Articles were adopted as our memorandum and articles of association;
- (b) each Share of HK\$1 in the share capital of our Company was subdivided into 100 Shares of HK\$0.01 each;

- (c) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of additional 1,961,000,000 Shares, which rank pari passu in all respects with the Shares in issue as at 15 May 2015; and
- (d) conditional on (aa) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be allotted and issued as mentioned in this prospectus including our Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme; (bb) the Placing Price having been duly determined and the execution and delivery of the Underwriting Agreement on the date as specified in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Lead Manager (for itself and on behalf of the other Underwriter) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
- (i) the Placing was approved and our Directors were authorised to (aa) allot and issue the Placing Shares pursuant to the Placing on and subject to the terms and conditions stated in this prospectus; (bb) implement the Placing and the Listing; and (cc) do all things and execute all documents in connection with or incidental to the Placing and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to allot and issue a total of 103,999,900 Shares credited as fully paid at par to Golden Villa by way of capitalisation of the sum of HK\$1,039,999 standing to the credit of the share premium account of our Company and our Shares to be allotted and issued pursuant to this sub-paragraph shall rank pari passu in all respects with the then existing issued Shares;
- (iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of

subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the Capitalisation Issue and the Placing and any options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate of the nominal amount of the share capital of our Company in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and

- (vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

7. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the sole Shareholder passed on 15 May 2015, a general unconditional mandate to repurchase our securities (the “**Repurchase Mandate**”) was given to our Directors, the details of which are set out in the paragraph headed “A. Further information about our Group — 6. Written resolutions of the sole Shareholder passed on 15 May 2015” in this appendix.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules, and the Companies Law. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of our Company's share premium account before or at the time our Shares are repurchased, or, subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, a company is prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of us and our Shareholders for our Directors to have a general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Share Capital

Exercise in full of the Repurchase Mandate, on the basis of 160,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing but without taking into account any Shares which may be issued and allotted upon any exercise of any options that have been or may be granted pursuant to the Share Option Scheme, could accordingly result in up to 16,000,000 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed “A. Further information about our Group — 6. Written resolutions of the sole Shareholder passed on 15 May 2015” in this appendix.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder’s proportionate interest in our voting rights increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders’ interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

We have not made any repurchases of our own securities since its incorporation.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) an agreement for sale and purchase of the entire issued share capital of Techway (China) entered into between Gain Smart and Mr. Chan Wah Hee dated 19 July 2013;
- (b) an agreement for sale and purchase of one ordinary share in Big Power entered into between Golden Power Investments and Best Kind dated 3 June 2014;
- (c) a memorandum of agreement for sale and purchase of 50,000 ordinary shares in Golden Pilot entered into between Golden Power Investments and Best Kind dated 5 September 2014;
- (d) a memorandum of agreement for sale and purchase of 10,000 ordinary shares in Pointway entered into between Golden Power Investments and Best Kind dated 5 September 2014;
- (e) a memorandum of agreement for sale and purchase of one ordinary share in Ample Top entered into between Golden Power Investments and Best Kind dated 17 September 2014;
- (f) a memorandum of agreement for sale and purchase of 100,000 non-voting deferred shares and nine ordinary shares in Golden Power Properties entered into between Golden Power Investments and Ample Top dated 18 September 2014;
- (g) a memorandum of agreement for sale and purchase of one ordinary share in Golden Power Properties entered into between Golden Villa and Ample Top dated 18 September 2014;
- (h) a repayment agreement entered into among Gain Smart, Champ Profit, Mr. Chan Wah Hee, Goldtium (Hong Kong) and Techway (China) dated 8 September 2014;

- (i) a tenancy agreement entered into between Golden Power Corporation and China Scene dated 1 March 2015;
- (j) the master sales agreement entered into among our Company, Nan Hua Jin Li and Suenglh dated 31 December 2013;
- (k) a supplemental agreement entered into among our Company, Nan Hua Jin Li and Suenglh dated 15 September 2014;
- (l) the Deed of Indemnity;
- (m) the Deed of Non-Competition; and
- (n) the Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks


- (i) As at the Latest Practicable Date, we have registered the following trademarks which are, in the opinion of our Directors, material to our business:

No.	Trademark	Class	Place of registration	Trademark number	Expiry date
1		9	Hong Kong	199407340	8 April 2024
2	GREENERGY	9	Hong Kong	1995B09786	17 August 2024
3	ECOTOTAL Ecototal ecototal	9	Hong Kong	301567981	21 March 2020
4	GoldenPower®	9	Hong Kong	301514060	30 December 2019
5		9	Hong Kong	301737603	14 October 2020
6		9	Hong Kong	301737595	14 October 2020
7	ECOTOTAL	9	USA	3,929,990	8 March 2021
8	GREENERGY	9	UK	1545174	17 August 2020
9	GoldenPower®	9	European community	008794281	5 January 2020

No.	Trademark	Class	Place of registration	Trademark number	Expiry date
10	ECOTOTAL	9	European Community	008949208	12 March 2020
11		9	China	256333	19 July 2016
12	GoldenPower [®]	9	China	7983094	20 September 2022
13		9	USA	4,254,471	4 December 2022
14	GoldenPower [®]	9	Japan	5543287	14 December 2022
15		9	European Community	009455007	18 October 2020
16		9	China	8754283	27 October 2021
17		9	China	8754282	27 October 2021
18	ECOTOTAL	9	China	8141948	6 April 2021
19	GREENERGY	9	Germany	30470257	10 December 2024
20		9	Taiwan	197544	15 November 2022
21	金力电池	9	China	11180374	27 January 2024
22	金力电池 GoldenPower	9	China	11180375	27 January 2024
23	GoldenPower [®]	9	USA	4,418,827	15 October 2023
24	GoldenPower [®]	9	Russia	496963	27 June 2022
25	GoldenPower [®]	9	South Korea	40-1038697	22 May 2024
26	golden power	9	China	535640	29 November 2020
27		9	China	256332	19 July 2016
28		9	China	3941370	27 February 2019

No.	Trademark	Class	Place of registration	Trademark number	Expiry date
29	GoldenPower [®]	9	Argentina	2.611.800	28 November 2023
30	GoldenPower [®]	9	Malaysia	2013008188	13 June 2023

(ii) As at the Latest Practicable Date, we have applied for registration of the following trademarks which are, in the opinion of our Directors, material to our business:

No.	Trademark	Class	Place of registration	Application number	Application date
1	GoldenPower [®]	9	Canada	1583777	26 June 2012
2	GoldenPower [®]	9	Brazil	840184590	5 July 2012
3		9	European Community	009455296	18 October 2010
4	GoldenPower [®]	9	Angola	37461/13	9 October 2013

(b) Patents

As at the Latest Practicable Date, our Group owns the following patents which are, in the opinion of our Directors, material to our business:

No.	Patent type	Patent name	Patent number	Patent owner	Date of application	Date of publication	Period of validity
1	Utility model	Anode disc assembling equipment in silver oxide micro-button cell	ZL201220217878.7	Goldtium (Jiangmen) Energy	14 May 2012	5 December 2012	10 years from the date of application
2	Utility model	Electrolyte filling equipment in carbon cylindrical battery production line	ZL201220217931.3	Goldtium (Jiangmen) Energy	14 May 2012	5 December 2012	10 years from the date of application
3	Utility model	Equipment for separator adhesive process in alkaline cylindrical battery	ZL201220217966.7	Goldtium (Jiangmen) Energy	14 May 2012	5 December 2012	10 years from the date of application
4	Utility model	Mixing equipment for cathode mix handling in silver oxide micro-button cell	ZL201220217928.1	Goldtium (Jiangmen) Energy	14 May 2012	19 December 2012	10 years from the date of application
5	Utility model	Equipment for shrinking tube hole punching in carbon cylindrical battery production line	ZL201220217974.1	Goldtium (Jiangmen) Energy	14 May 2012	19 December 2012	10 years from the date of application
6	Utility model	Anti-rusting preventive equipment in alkaline cylindrical battery production line	ZL201220217854.1	Goldtium (Jiangmen) Energy	14 May 2012	26 December 2012	10 years from the date of application
7	Utility model	Equipment for carbon mix additive mixing in mercury-free carbon cylindrical battery	ZL201220217893.1	Goldtium (Jiangmen) Energy	14 May 2012	13 February 2013	10 years from the date of application
8	Utility model	Equipment for anode cap degreasing in alkaline cylindrical battery	ZL201220217948.9	Goldtium (Jiangmen) Energy	14 May 2012	3 April 2013	10 years from the date of application

No.	Patent type	Patent name	Patent number	Patent owner	Date of application	Date of publication	Period of validity
9	Utility model	Automatic loading machine for cylindrical battery on plastic tray	ZL201220217904.6	Goldtium (Jiangmen) Energy	14 May 2012	3 April 2013	10 years from the date of application
10	Invention	Design for 0% Hg alkaline micro-button cell	ZL200910118816.3	Pointway	2 March 2009	9 April 2014	20 years from the date of application
11	Utility model	Metal jacket formation for carbon cylindrical battery	ZL201320681827.4	Goldtium (Jiangmen) Energy	1 November 2013	16 April 2014	10 years from the date of application
12	Utility model	New formulation for longer service life in alkaline cylindrical battery	ZL201320683684.0	Goldtium (Jiangmen) Energy	1 November 2013	16 April 2014	10 years from the date of application
13	Utility model	Safety design for alkaline cylindrical battery gasket	ZL201320683539.2	Goldtium (Jiangmen) Energy	1 November 2013	16 April 2014	10 years from the date of application
14	Utility model	Safety design for carbon cylindrical battery	ZL201320683163.5	Goldtium (Jiangmen) Energy	1 November 2013	7 May 2014	10 years from the date of application
15	Utility model	High drain performance enhancement for alkaline cylindrical battery	ZL201320683636.1	Goldtium (Jiangmen) Energy	1 November 2013	7 May 2014	10 years from the date of application
16	Utility model	Design for silver oxide micro-button cell	ZL201320683666.2	Goldtium (Jiangmen) Energy	1 November 2013	7 May 2014	10 years from the date of application
17	Utility model	New conducting film formulation for alkaline cylindrical battery	ZL201320683729.4	Goldtium (Jiangmen) Energy	1 November 2013	7 May 2014	10 years from the date of application
18	Utility model	High leaking proof in silver oxide micro-button cell	ZL201320757932.1	Goldtium (Jiangmen) Energy	27 November 2013	7 May 2014	10 years from the date of application
19	Utility model	New formulation for cathode ring making in alkaline cylindrical battery	ZL201320757776.9	Goldtium (Jiangmen) Energy	27 November 2013	7 May 2014	10 years from the date of application
20	Utility model	New design for alkaline cylindrical battery gasket	ZL201320757860.0	Goldtium (Jiangmen) Energy	27 November 2013	7 May 2014	10 years from the date of application
21	Invention	Mercury-free alkaline button cell	HK 1143455	Pointway	2 March 2009	8 August 2014	20 years from the date of application
22	Utility model	Anti-leakage cathode cap for button cell	ZL201520009671.4	Goldtium (Jiangmen) Energy	8 January 2015	13 May 2015	10 years from the date of application
23	Utility model	Acidic cylindrical battery with hollow carbon rod	ZL201520009965.7	Goldtium (Jiangmen) Energy	8 January 2015	13 May 2015	10 years from the date of application

(c) Domain name

As at the Latest Practicable Date, we have registered the following domain name which is, in the opinion of our Directors, material to our business:

Domain name	Registered owner	Expiry date
www.goldenpower.com	Golden Power Corporation	5 January 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in our Shares, underlying Shares or debentures of our Company which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, will be as follows:

Name of Director/chief executive	Capacity/nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Chu (Note 2)	Interest in a controlled corporation	104,000,000(L)	65%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to 65% by Golden Villa immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). Golden Villa is wholly and beneficially owned by Mr. Chu. Under the SFO, Mr. Chu is deemed to be interested in the same number of Shares held by Golden Villa.

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), so far as our Directors are aware, save as disclosed in the table below, the following persons (not being our Directors or a chief executive of us) will have an interest or short position in the Shares or underlying Shares which will have to be notified to us and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO,

or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/nature of interest	Number of the Shares (<i>Note 1</i>)	Approximate percentage of shareholding
Golden Villa (<i>Note 2</i>)	Beneficial owner	104,000,000 (L)	65%
Ms. Mo Yuk Ling (<i>Note 3</i>)	Interest of a spouse	104,000,000 (L)	65%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to 65% by Golden Villa immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). Golden Villa is wholly and beneficially owned by Mr. Chu. Under the SFO, Mr. Chu is deemed to be interested in the same number of Shares held by Golden Villa.
3. Ms. Mo Yuk Ling is the spouse of Mr. Chu. Under the SFO, Ms. Mo Yuk Ling is deemed to be interested in the same number of Shares in which Mr. Chu is interested.

(b) Negative statement regarding interests in securities

None of our Directors or our chief executive will immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have any discloseable interests (as referred to in (a) above), other than as disclosed at (a) above.

Our Directors are not aware of any person who will immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (a) above.

2. Particulars of Directors' service agreements and appointment letters*(a) Executive Directors*

Each of our executive Directors has entered into a service agreement with us for an initial fixed term of three years commencing from the Listing Date.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

During each of FY2013 and FY2014, the aggregate emoluments paid and benefits in kind granted by us to our Directors were approximately HK\$4.23 million and HK\$3.75 million, respectively.

During each of FY2013 and FY2014, the aggregate of contributions to pension schemes for our Directors were approximately HK\$52,000 and HK\$67,000, respectively.

During each of FY2013 and FY2014, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately HK\$290,000 and HK\$535,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by us to and benefits in kind receivable by our Directors (excluding discretionary bonus) for the year ending 31 December 2015 are expected to be approximately HK\$4.47 million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for each of FY2013 and FY2014 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of FY2013 and FY2014.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK\$
Executive Directors	
Mr. Chu King Tien	1,560,000
Ms. Chu Shuk Ching	1,560,000
Mr. Tang Chi Him	845,000
Mr. Chu Ho Wa	455,000
Independent non-executive Directors	
Mr. Hui Kwok Wah	180,000
Mr. Ma Sai Yim	120,000
Mr. Chow Chun Hin, Leslie	120,000

Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations.

Save as disclosed in this prospectus, no other emolument has been paid or is payable, in respect of each of FY2013 and FY2014 by us to our Directors.

4. Related Party Transactions

Details of the related party transactions are set out under Note 29 to the Accountants' Report set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive has any interest or short position in any of our Shares, underlying Shares or debentures of us or any of our associated corporation (within the meaning of Part XV of the SFO), immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be

entered in the register as referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, in each case once our Shares are listed;

- (b) our Directors are not aware of any person (other than our Directors or chief executive) who will, immediately after the completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) has an interest or short position in the Shares or underlying Shares which will have to be notified us and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors or the experts under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor the experts named under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; and
- (e) none of the experts named under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME**1. Summary of terms of the Share Option Scheme***(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to grant options to eligible persons as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”). As at the Latest Practicable Date, there are no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

(b) Who may join

Subject to the provisions in the Share Option Scheme, our 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 Share Option 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 our Company, our subsidiaries and any Invested Entity;
- (ii) any directors (including any non-executive directors and independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of our Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 16,000,000 Shares (the “**General Scheme Limit**”).
- (iii) Our Company may seek approval of the Shareholders in general meeting for refreshing the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of the approval of the refreshment of the General Scheme Limit, and options previously granted under the Share Option Scheme or any other share option scheme of our Group (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or any other share option scheme of our Group) will not be counted for the purpose of calculating the limit as “refreshed”.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the GEM Listing Rules must be sent to the Shareholders.

- (iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the General Scheme Limit, or if applicable, the extended limit referred to in paragraph (iii) above to eligible persons provided that the eligible persons must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of the Shareholders, our Company must send a circular to the Shareholders containing the information required under the GEM Listing Rules.

(d) *Maximum entitlement of each eligible person*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each eligible person in any 12-month period shall not exceed 1% of the

issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by our Shareholders in general meeting with such eligible person and his close associates or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

- (i) The grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates requires the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option).
- (ii) Where any grant of options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.10% of the Shares in issue; and (2) having an aggregate value (based on the closing price of our Shares on the Stock Exchange on the date of each grant) in excess of HK\$5 million, such further grant of options must be approved by the Shareholders in general meeting and the grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.
- (iii) Where any change is to be made to the terms of any option granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders in general meeting.

(f) Time of acceptance and exercise of an option

An offer of the grant of the option may be accepted by an eligible person within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee thereof, which period may commence on the date upon which the offer for the grant of option is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of option to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(g) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to achieve any performance targets before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be at the discretion of our Directors, and shall not be less than the highest of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the date which must be a Business Day on which an offer is made to an eligible person (the "**Offer Date**"); (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

(i) Ranking of Shares

Our Shares to be allotted and issued upon the exercise of an option shall be subject to the Articles for the time being in force and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(j) Restrictions on the time of grant of options

For so long as our Shares are listed on the Stock Exchange, no option shall be granted after inside information has come to our Company's knowledge until such inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's result for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish

announcements of its results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(k) Period of the Share Option Scheme

Subject to earlier termination by an ordinary resolution in general meeting of our Company, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which no further option shall be granted. All options granted prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(l) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an eligible employee by any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in sub-paragraph (u)(iii) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine. The date of such cessation or termination shall be his last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death

Where the grantee (being an eligible employee) of an outstanding option dies before exercising the option in full or at all, the option may be exercised in whole or in part (to the extent not already exercised) by his personal representative(s) within 12 months following the date of cessation of employment which date shall be the last day on which the relevant grantee is at work with our Company or the relevant subsidiary or the relevant Invested Entity whether the salary is paid in lieu of notice or not.

(n) Rights on a general offer

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our shareholders. If such offer becomes or is declared unconditional, or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be.

(o) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(p) Rights on compromise or arrangement between our Company and its creditors

In the event of a compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as we give notice of the meeting to our Shareholders or creditors of our Company to consider such a scheme or arrangement, and thereupon any grantee (or his personal representative(s)) may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

(q) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, whether by way of capitalisation issue, rights issue, consolidation or subdivision of the Shares or reduction of the share capital of our Company, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (so far as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (1) no such adjustment shall be made in respect of an issue of Shares or other securities by our Group as consideration in a transaction;
- (2) any such adjustment must be made so that each grantee is given the same proportion of the issued share capital of our Company as that to which he was previously entitled prior to such adjustment;
- (3) no such adjustment shall be made which would result in a Share to be issued at less than its nominal value;
- (4) any such adjustment shall be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time; and
- (5) any adjustment, save those made on a Capitalisation Issue, shall be confirmed by an independent financial adviser or the auditors in writing to our Directors as satisfying the requirements of the relevant provisions of the GEM Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(r) Cancellation of options

Our Company may cancel an option granted but not exercised with prior written consent of the relevant grantee and the approval of our Board.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(iii) or (c)(iv) above.

(s) Termination of the Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(t) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(u) Lapse of option

The right to exercise an option (to the extent not already exercised) shall automatically terminate upon the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods as referred to in sub-paragraphs (l), (m), (n), (o) and (p) above respectively;
- (iii) the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds of persistent or serious misconduct, or that he has committed an act of bankruptcy or has

become insolvent or has made any arrangement or composition with his creditors generally, or he has been convicted of any criminal offence;

- (iv) the date on which our Directors shall exercise our Company's right to cancel the option by reason of sub-paragraph (t) above.

(v) *Alterations to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect to the extent allowed by the GEM Listing Rules by resolution of our Board except that the following alterations must be approved by a resolution of the Shareholders in general meeting:
 - (1) any change(s) to the definitions of eligible person, grantee, option period and termination date;
 - (2) the provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules;
 - (3) any alteration(s) to the terms and conditions of the Share Option Scheme which are of a material nature; and
 - (4) any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(w) *Conditions*

The Share Option Scheme is conditional upon:

- (i) the Stock Exchange granting the listing of, and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of any option granted under the Share Option Scheme; and
- (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution of our Shareholders.

2. Present status of the Share Option Scheme

(a) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme, the principal terms of which are set out above, were approved and adopted by the sole Shareholder on 15 May 2015. The provisions of the Share Option Scheme comply with Chapter 23 of the GEM Listing Rules in all material respects.

(b) Application for approval

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in our Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 16,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange unless our Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit mentioned above.

(c) Grant of option

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(d) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no option has been granted, certain variables are not available for calculating the value of options which may be granted under the Share Option Scheme. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a Deed of Indemnity as referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the date on which the Placing becomes unconditional.
- (b) all costs incurred, suffered or accrued, directly or indirectly, by any member of our Group as a result of:
 - (i) any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong and the PRC on or before the date on which the Placing becomes unconditional by any member of our Group; and
 - (ii) any irregularities in relation to any corporate documents of any member of our Group.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the Placing becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings/litigation

To the best knowledge of our Directors, save as disclosed in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to our Directors pending or threatened by or against us, that would have a material adverse effect on the results of operations or financial condition of our Group.

3. Application for listing of Shares

We have applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing as mentioned herein (including the additional Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed RaffAello Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$22,000 and are payable by us.

6. Promoter

We do not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
RaffAello Capital Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO
Appleby	Legal advisers to our Company as to Cayman Islands law
Yuan Tai Law Office	Legal advisers to our Company as to PRC law
Nixon Peabody LLP	Legal advisers to our Company as to U.S. law
Graf von Westphalen	Legal advisers to our Company as to European Union law
PKF Hong Kong	Certified Public Accountants
PKF Business Advisory Limited	Internal control consultant
PKF Tax and Business Consultants Limited	Tax adviser
Vigers Appraisal and Consulting Limited	Property valuer
Ipsos Hong Kong Limited	Industry consultant
JFU Consultants (Hong Kong) Limited	Tax adviser on transfer pricing
Mr. Cheng, Henry H.G.	a barrister-at-law in Hong Kong

8. Consents of experts

Each of RaffAello Capital Limited, Appleby, Yuan Tai Law Office, Nixon Peabody LLP, Graf von Westphalen, PKF Hong Kong, PKF Business Advisory Limited, PKF Tax and Business Consultants Limited, Vigers Appraisal and Consulting Limited, Ipsos Hong Kong Limited, JFU Consultants (Hong Kong) Limited and Mr. Cheng, Henry H.G. has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report, letter, summary of valuations and/or legal opinion (as the case may be) and the references to their respective names included in the form and context in which it respectively appears.

9. Fees of Sole Sponsor

The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK\$6.5 million in relation to the Listing and will be reimbursed for its expenses.

10. Independence of the Sole Sponsor

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the sole sponsor of the Listing; and
- (b) by way of the compliance advisory fee to be paid to RaffAello Capital Limited as our Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group. The Sole Sponsor is independent from our Group under Rule 6A.07 of the GEM Listing Rules.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Share register

The register of members of our Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and our branch register of members will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our

Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

13. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in Shares or exercising any right(s) attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Placing shall accept responsibility for any tax effect on, or liabilities of, intending holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercising any right(s) attaching to them.

14. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been allotted and issued, has been agreed to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

- (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred share of our Company has been allotted and issued or agreed to be allotted and issued.
- (b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus; and
- (d) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

15. Bilingual prospectus

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents as referred to in the paragraph headed “Statutory and General Information — E. Other information — 7. Qualifications of experts” in Appendix V to this prospectus and copies of the material contracts as referred to in the paragraph headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountants’ Report from PKF Hong Kong, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of our Group during the Track Record Period;
4. the report from PKF Hong Kong on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
5. the list of material properties prepared by Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix III to this prospectus;
6. the Ipsos Report;
7. the benchmarking report on certain intra-group transactions during the 3 years ended 31 December 2014 among certain subsidiaries of our Group dated 29 May 2015 prepared by JFU Consultants (Hong Kong) Limited;
8. the PRC legal opinion dated 29 May 2015 issued by Yuan Tai Law Office, our PRC Legal Advisers;
9. the letter of advice dated 29 May 2015 prepared by Appleby summarising certain aspects of the Companies Law as referred to in Appendix IV to this prospectus;
10. the letter of advice dated 29 May 2015 prepared by the Legal Counsel;
11. the legal opinion dated 29 May 2015 prepared by Nixon Peabody LLP in respect of certain aspects of U.S. law;

12. the legal opinion dated 29 May 2015 prepared by Graf von Westphalen in respect of certain aspects of European Union law;
13. the Companies Law;
14. the rules of the Share Option Scheme;
15. the material contracts as referred to in the paragraph headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
16. the service agreements and letters of appointment as referred to in the paragraph headed “Statutory and General Information — C. Further information about our Directors and substantial shareholders — 2. Particulars of Directors’ service agreements and appointment letters” in Appendix V to this prospectus; and
17. the written consents as referred to in the paragraph headed “Statutory and General Information — E. Other information — 7. Qualifications of experts” in Appendix V to this prospectus.

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