

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

Third
Quarterly
Report **2015**

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

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*This report, for which the directors (the “**Directors**” or individually a “**Director**”) of Golden Power Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

FINANCIAL HIGHLIGHTS

- Recorded an unaudited revenue of approximately HK\$240.78 million for the nine months ended 30 September 2015 (nine months ended 30 September 2014: approximately HK\$275.13 million), representing a decrease of approximately 12.49% over the same period of the previous year.
- Recorded an unaudited profit attributable to the equity shareholders of the Company of approximately HK\$22,000 for the nine months ended 30 September 2015 (nine months ended 30 September 2014: profit of approximately HK\$3.57 million), such unaudited profit attributable to the equity shareholders for the nine months ended 30 September 2015 included a one-off listing expenses of HK\$10.86 million (nine months ended 30 September 2014: listing expenses of approximately HK\$10.24 million), the operating profit excluding the listing expenses for the nine months ended 30 September 2014 and 2015 were HK\$13.81 million and HK\$10.88 million respectively.
- The basic earnings per share for the nine months ended 30 September 2015 was 0.02 HK cents (nine months ended 30 September 2014: basic earnings per share of 3.43 HK cents).
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: HK\$2.00 million).

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results (the “**Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 30 September 2015 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2014, as follows:

Quarterly Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three and nine months ended 30 September 2015

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	2015	2014
		(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	3	91,425	106,653	240,778	275,128
Cost of sales		(63,857)	(81,983)	(180,879)	(214,338)
Gross profit		27,568	24,670	59,899	60,790
Other revenue		742	1,902	2,461	4,573
Other (loss)/gain		(791)	(1,428)	1,050	(1,983)
Selling and distribution expenses		(3,036)	(3,218)	(9,132)	(9,488)
Administrative expenses		(11,084)	(18,959)	(45,428)	(42,874)
Finance costs		(1,454)	(1,567)	(5,121)	(5,250)
Profit before taxation	4	11,945	1,400	3,729	5,768
Income tax expenses	5	(2,383)	(716)	(3,707)	(2,196)
Profit for the period		9,562	684	22	3,572

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China		(1,937)	1,318	(3,059)	61
Other comprehensive (loss)/income for the period		(1,937)	1,318	(3,059)	61
Total comprehensive income/(loss) attributable to equity shareholders of the Company		7,625	2,002	(3,037)	3,633
Earnings per Share					
Basic (HK cents)	6	5.98	0.66	0.02	3.43

Unaudited Condensed Consolidation Statement of Changes in Equity
For the nine months ended 30 September 2015

	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2013 (audited)	1,400	—	1,200	2,843	4,066	36,969	46,478
Total comprehensive income for the period	—	—	—	—	61	3,572	3,633
Deemed distribution to shareholder	—	—	(10,603)	—	—	3,119	(7,484)
Appropriation to statutory reserve	—	—	—	169	—	(169)	—
Dividend declared by the Company	—	—	—	—	—	(2,000)	(2,000)
Dividend declared and paid by a subsidiary before the completion of group reorganisation	—	—	—	—	—	(20,000)	(20,000)
At 30 September 2014 (unaudited)	1,400	—	(9,403)	3,012	4,127	21,491	20,627
At 31 December 2014 (audited)	—	—	9,819	3,411	2,062	19,725	35,017
Issue of shares	560	75,040	—	—	—	—	75,600
Capitalisation issue	1,040	(1,040)	—	—	—	—	—
Capital injection	—	—	20,000	—	—	—	20,000
Share issuing expenses	—	(13,927)	—	—	—	—	(13,927)
Total comprehensive income for the period	—	—	—	—	(3,059)	22	(3,037)
Appropriation to statutory reserve	—	—	—	393	—	(393)	—
At 30 September 2015 (unaudited)	1,600	60,073	29,819	3,804	(997)	19,354	113,653

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 June 2012. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business in Hong Kong are located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The Company's shares (the "**Share**") have been listed and traded on GEM since 5 June 2015 (the "**Listing Date**").

Pursuant to the reorganisation of the Group in connection with the listing of the Shares on GEM, the Company became the holding company of the Group on 25 September 2014. Details of the reorganisation were set out in the paragraph headed "History, Development and Reorganisation — Reorganisation" of the prospectus of the Company dated 29 May 2015 (the "**Prospectus**").

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to Hong Kong, the People's Republic of China (the "**PRC**") and international markets.

2. Basis of preparation

The Results have not been audited by the Company's auditor but have been reviewed by the Company's audit committee. The Results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (collectively the "**HKFRSs**") and the disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis. The principal accounting policies used in the preparation of the Results are consistent with those applied in the accountants' report included in the Prospectus for the year ended 31 December 2014, except for the adoption of the new and revised HKFRSs. The adoption of these new and revised HKFRSs has no material effect on the Results.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

When preparing the Results, the Group's ability to continue as a going concern has been assessed. As at 30 September 2015, the Group had net current liabilities of HK\$21.40 million. The Results have been prepared on a going concern basis due to the reasons that (i) as at 30 September 2015, the Group had unutilised banking facilities of HK\$84.05 million; and (ii) the Directors expect that the Group is able to renew all the banking facilities when expire.

After taking into consideration of the banking facilities already in place as at 30 September 2015, 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 Results 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.

3. Turnover

Geographical information

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (unaudited) <i>HK\$'000</i>	2014 (unaudited) <i>HK\$'000</i>	2015 (unaudited) <i>HK\$'000</i>	2014 (unaudited) <i>HK\$'000</i>
Africa	1,136	495	2,999	2,287
Hong Kong	18,898	14,264	56,138	45,520
Asia (except the PRC and Hong Kong)	4,791	5,803	17,309	16,925
Australia	17,699	5,295	30,691	13,856
PRC	24,792	35,653	66,264	100,628
Europe (except East Europe)	10,429	23,019	29,621	45,896
East Europe	505	3,997	8,047	12,416
Middle East	—	290	1,904	398
North America	7,832	12,386	15,647	26,243
South America	5,343	5,451	12,158	10,959
	91,425	106,653	240,778	275,128

4. Profit before taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (unaudited) <i>HK\$'000</i>	2014 (unaudited) <i>HK\$'000</i>	2015 (unaudited) <i>HK\$'000</i>	2014 (unaudited) <i>HK\$'000</i>
Profit before taxation is arrived after charging:				
Finance costs				
Bank loans interest	1,358	1,430	4,512	4,667
Interest on import loans	93	132	606	573
Bank overdraft interest	3	5	3	27
Total interest expense	1,454	1,567	5,121	5,267
Less: interest expense capitalised into property, plant and equipment	—	—	—	(17)
	1,454	1,567	5,121	5,250
Other items				
Depreciation of property, plant and equipment	3,614	3,240	10,188	10,642
Cost of inventories sold	63,857	81,983	180,879	214,338
Listing expenses	—	8,167	10,855	10,243

5. Income tax expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Current tax — Hong Kong profits tax:				
Provision for the period	1,299	867	2,613	2,299
Current tax — PRC enterprise income tax ("EIT"):				
Provision for the period	807	(116)	923	336
Under-provision for prior period	212	—	212	—
Deferred taxation:				
Current period	65	(35)	(41)	(439)
Total income tax expense	2,383	716	3,707	2,196

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for the nine months ended 30 September 2014 and 2015, respectively.

The PRC subsidiaries of the Group are subjected to EIT at the rate of 25%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands for the nine months ended 30 September 2014 and 2015, respectively.

6. Earnings per share

The calculation of the basic earnings per Share attributable to the equity shareholders of the Company is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period attributable to equity shareholders of the Company	9,562	684	22	3,572
	'000	'000	'000	'000
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	160,000	104,000	128,205	104,000

Diluted earnings per Share has not been disclosed as no dilutive potential equity shares in existence for the nine months ended 30 September 2014 and 2015, respectively.

7. Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: HK\$2.00 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the manufacture and sale of a broad range of batteries. The products are mainly categorised into two segments (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorised into two sub-segments namely (i) cylindrical batteries; and (ii) micro-button cells. Other battery-related products include battery chargers, battery power packs and electric fans.

The turnover on cylindrical batteries for the Period has dropped by approximately HK\$40.77 million as compared to the same period of 2014, which was equivalent to approximately 23% decrease of cylindrical batteries. Such drop in turnover was mainly due to a slow down of the demand in Europe and the PRC since May 2015.

The turnover on micro-button cells and rechargeable batteries and other batteries related products for the Period was increased by approximately HK\$6.41 million as compared to the same period of 2014 which was equivalent to approximately 9.45% increase in turnover of micro-button cells and rechargeable batteries and other batteries related products. The contribution was mainly generated from Alkaline and Lithium OEM button cell batteries business.

Looking forward, with the challenging environment in the PRC, the Group will continue to adopt stringent cost control, employ appropriate strategies to enhance its operation efficiency and explore new business opportunities in the PRC market.

FINANCIAL REVIEW

Revenue

Revenue for the Period was approximately HK\$240.78 million, representing a decrease of approximately 12.49% as compared to the same period of 2014. Profit attributable to equity shareholders of the Company for the Period was approximately HK\$22,000 whilst for the same period in 2014, the profit

attributable to equity shareholders of the Company was approximately HK\$3.57 million. The profit for the Period was mainly due to the implementation of cost control on staff cost and selling expenses.

Gross Profit

The Group recorded a gross profit for the Period of approximately HK\$59.90 million (nine months ended 30 September 2014: approximately HK\$60.79 million), representing a decrease of approximately 1.46% due to the turnover decrease of approximately 12.49%.

Expenses

During the Period, the selling and distribution expenses of the Group has dropped by 3.75% to approximately HK\$9.13 million, as compared to approximately HK\$9.49 million in the corresponding period in 2014. The Group's administrative expenses has increased by approximately HK\$2.55 million to approximately HK\$45.43 million as compared to approximately HK\$42.87 million for the same period of 2014. The increase in administrative expenses was mainly due to a donation of HK\$0.65 million, listing expenses of HK\$0.61 million, staff welfare of HK\$0.2 million, Directors' remuneration of HK\$0.52 million (including remuneration of the independent non-executive Directors') and sundry expenses of HK\$0.4 million.

Liquidity and Financial Resources

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

The bank borrowings are repayable as follows:

	30 September 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Within 1 year		
— Short-term loans	52,692	116,987
— Current portion of long-term loans	11,571	8,708
	64,263	125,695
1–2 years	11,823	6,519
2–5 years	24,043	19,743
Over 5 years	3,606	4,387
	103,735	156,344

As at 30 September 2015, the Group had borrowings of approximately HK\$103.74 million (as at 31 December 2014: HK\$156.34 million). The debt ratio, calculated as total liabilities over total assets of the Group as at 30 September 2015 was approximately 0.67 (as at 31 December 2014: approximately 0.90).

As at 30 September 2015, the Group had cash and cash equivalents (the “**Liquidity Resources**”) of approximately HK\$29.23 million (as at 31 December 2014: HK\$17.17 million) which were mainly denominated in Hong Kong dollars and Renminbi.

Save as disclosed in the Results, the Group has no material capital expenditure commitments as at 30 September 2015.

Capital Structure

The Shares were successfully listed on GEM on 5 June 2015, and there has been no material change in the capital structure of the Company since its listing. The capital of the Company comprises only ordinary Shares. Total equity of the Company amounted to approximately HK\$113.65 million as at 30 September 2015 (as at 31 December 2014: approximately HK\$35 million).

Significant Investments Held

Except for investments in subsidiaries, the Group did not hold any significant investment as at 30 September 2015.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material capital commitments, material investments and capital assets.

Employees and Remuneration Policies

The Directors believe that the quality of its employees is an important factor in sustaining the Group's growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme and the share option scheme.

As at 30 September 2015, the Group had a total of 561 employees (as at 30 September 2014: 727 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$30.57 million during the Period (nine months ended 30 September 2014: approximately HK\$38.34 million).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name	Nature of interest	Total number of the Shares held	Approximate percentage of shareholding
Chu King Tien ("Mr. Chu")	Interest in a controlled corporation (Note 1)	104,000,000 ordinary Shares	65%

Note 1

These Shares are held by Golden Villa Ltd., which is wholly and beneficially owned by Mr. Chu.

Save as disclosed above, as at 30 September 2015, none of the Directors nor the chief executive of the Company has registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be

entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as at 30 September 2015, the following persons (other than Directors or the chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long positions in the Shares

Name	Nature of interest	Total number of the Shares held	Approximate percentage of shareholding
Golden Villa Ltd.	Beneficial owner	104,000,000 ordinary shares	65%
Ms. Mo Yuk Ling	Interest of spouse (Note 1)	104,000,000 ordinary shares	65%

Note 1:

Ms. Mo Yuk Ling is the spouse of Mr. Chu. Under the SFO, Ms. Mo Yuk Ling is deemed to be interested in all the Shares in which Mr. Chu is interested.

Save as disclosed above, as at 30 September 2015, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 15 May 2015 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. During the Period, no option was granted, exercised or lapsed under the Share Option Scheme.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all the Directors, the Company was not aware of any non-compliance with the required standards of dealings and its code of conduct regarding securities transactions by the Directors throughout the period from the Listing Date to 30 September 2015.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The Company has complied with the Code throughout the period from the Listing Date to 30 September 2015.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

COMPETING BUSINESS

For the Period, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 25 September 2014, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group (including options or rights to subscribe for such securities) as at 30 September 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Audit Committee**”) on 15 May 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Corporate Governance Code. The duties of the Audit Committee are to review relationship with the Company’s external auditors, review the Company’s financial information, oversee the Company’s financial reporting system and internal control procedures and oversee the Company’s continuing connected transactions. The Audit Committee comprises three independent non-executive Directors namely, Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie. Mr. Hui Kwok Wah currently serves as the chairman of the Audit Committee. The Results have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 11 November 2015

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