

The logo for GoldenPower, featuring the word "GoldenPower" in a bold, sans-serif font. "Golden" is in a yellow-gold color and "Power" is in a dark green color. A registered trademark symbol (®) is located at the top right of the word "Power".

**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

**INTERIM**  
**REPORT** **2017**

The background of the cover features a large, abstract graphic of a stylized arrow pointing upwards and to the right. The arrow is composed of multiple overlapping, semi-transparent layers in shades of green and yellow-gold, creating a sense of depth and movement. The background is a gradient from light green at the top to a darker green at the bottom, with numerous small, glowing white and yellow particles scattered throughout, giving it a sparkling or starry appearance.

## 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 high 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.

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*This report, for which the directors (collectively 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 of the Stock Exchange (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\$146.22 million for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately HK\$145.68 million), representing an increase of approximately 0.37% over the same period of 2016. The rental income, which contributed towards other revenue of the Group, was HK\$0.75 million during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$0.03 million).
- The unaudited profit attributable to the equity holders of the Company for the six months ended 30 June 2017 was approximately HK\$9.61 million while that for the six months ended 30 June 2016 was approximately HK\$7.66 million, representing an increase of approximately 25.46% over the same period of 2016.
- The basic earnings per share for the six months ended 30 June 2017 was HK4.45 cents (six months ended 30 June 2016: HK3.81 cents).
- The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results (the “**Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”) together with the corresponding comparative figures as follows:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	5	<b>146,220</b>	145,682
Cost of sales		<b>(106,495)</b>	(104,236)
Gross profit		<b>39,725</b>	41,446
Other revenue		<b>1,968</b>	1,060
Other gains/(losses) — net		<b>923</b>	(2,174)
Selling and distribution expenses		<b>(5,995)</b>	(6,828)
Administrative expenses		<b>(22,060)</b>	(21,884)
Finance costs		<b>(1,818)</b>	(1,964)
Profit before income tax	6	<b>12,743</b>	9,656
Income tax expenses	7	<b>(3,129)</b>	(2,001)
<b>Profit for the period attributable to the equity holders of the Company</b>		<b>9,614</b>	7,655

		<b>For the six months ended 30 June</b>	
		<b>2017</b>	2016
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<b>1,856</b>	(1,336)
Items that may not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings upon transfer to investment properties		<b>25,016</b>	27,511
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties		<b>(590)</b>	—
<b>Other comprehensive income</b>		<b>26,282</b>	26,175
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>35,896</b>	33,830
			(Restated)
<b>Earnings per Share (HK cents)</b>	<b>8</b>		
— Basic		<b>4.45</b>	3.81
— Diluted		—	—

## Condensed Consolidated Statement of Financial Position (unaudited)

As at 30 June 2017

	Notes	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	183,021	184,498
Investment properties		59,500	29,500
Intangible assets		261	294
Prepaid land lease payments		5,026	4,964
Deposits paid for property, plant and equipment		2,879	2,786
Deferred tax assets		5,999	5,654
		<b>256,686</b>	227,696
<b>Current assets</b>			
Inventories		48,910	48,206
Trade and bill receivables	11	47,684	32,739
Deposits, prepayments and other receivables		14,888	10,333
Prepaid land lease payments		212	205
Income tax recoverable		151	1,122
Cash and bank balances		20,221	21,797
		<b>132,066</b>	114,402
<b>Current liabilities</b>			
Trade payables	12	67,883	68,674
Receipts in advance, other payables and accruals		16,751	17,109
Bank borrowings, secured		28,945	38,993
Income tax payable		1,094	3,161
		<b>114,673</b>	127,937
<b>Net current assets/ (liabilities)</b>		<b>17,393</b>	(13,535)
<b>Total assets less current liabilities</b>		<b>274,079</b>	214,161

	Notes	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
<b>Non-current liabilities</b>			
Bank borrowings, secured		40,600	48,283
Deferred tax liabilities		4,139	3,452
		<b>44,739</b>	51,735
<b>Net assets</b>			
		<b>229,340</b>	162,426
<b>Capital and reserves</b>			
Share capital	14	2,400	1,600
Reserves		226,940	160,826
<b>Total equity</b>		<b>229,340</b>	162,426

**Condensed Consolidated Statement of Cash Flows (unaudited)**  
 For the six months ended 30 June 2017

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash (used in)/generated from operating activities	<b>(2,946)</b>	211
Net cash used in investing activities	<b>(11,954)</b>	(12,532)
Net cash generated from financing activities	<b>11,468</b>	4,411
Net decrease in cash and cash equivalents	<b>(3,432)</b>	(7,910)
Cash and cash equivalents as at the beginning of the period	<b>21,797</b>	24,918
Effect of foreign exchange rate changes	<b>1,856</b>	(1,336)
Cash and cash equivalents as at the end of the period	<b>20,221</b>	15,672
Cash and cash equivalents as at the end of the period comprise:		
Cash and bank balances	<b>20,221</b>	15,672



## Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2017

	Share capital	Share premium	Capital reserve	Property revaluation reserve	Statutory reserve	Exchange reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	1,600	59,825	29,819	—	3,940	(2,654)	22,595	115,125
Profit for the period	—	—	—	—	—	—	7,655	7,655
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	(1,336)	—	(1,336)
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	27,511	—	—	—	27,511
Total comprehensive income/(loss) for the period	—	—	—	27,511	—	(1,336)	7,655	33,830
Appropriation to statutory reserve	—	—	—	—	241	—	(241)	—
At 30 June 2016 (unaudited)	1,600	59,825	29,819	27,511	4,181	(3,990)	30,009	148,955
At 1 January 2017 (audited)	1,600	59,825	29,819	27,271	5,078	(6,664)	45,497	162,426
Issue of shares by way of rights issue	800	30,218	—	—	—	—	—	31,018
Profit for the period	—	—	—	—	—	—	9,614	9,614
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	1,856	—	1,856
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	25,016	—	—	—	25,016
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	(590)	—	—	—	(590)
Total comprehensive income for the period	—	—	—	24,426	—	1,856	9,614	35,896
Appropriation to statutory reserve	—	—	—	—	1,166	—	(1,166)	—
At 30 June 2017 (unaudited)	<b>2,400</b>	<b>90,043</b>	<b>29,819</b>	<b>51,697</b>	<b>6,244</b>	<b>(4,808)</b>	<b>53,945</b>	<b>229,340</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

The Company was incorporated in the Cayman Islands on 7 June 2012 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business of the Company in Hong Kong is located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The Company's shares (the "**Share**" or "**Shares**") have been listed and traded on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 "**Listing**"), the Company became the holding company of the Group on 25 September 2014 (the "**Reorganisation**"). Details of the Reorganisation were set out in the section headed "History, Development and Reorganisation — Reorganisation" of the prospectus of the Company dated 29 May 2015 (the "**Prospectus**").

The 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**" or "**China**") and international markets under both its own brand "Golden Power" and the brands of its private label and OEM customers. The products of the Group are mainly categorised into two segments, namely (i) disposable batteries; and (ii) rechargeable batteries and other battery-related products. The disposable batteries are categorised into two sub-segments, namely (i) cylindrical batteries; and (ii) micro-button cells. Other battery-related products include battery chargers, battery power packs and electric fans.

## 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 Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

## 3. Principal accounting policies

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared under the historical cost basis as modified by the revaluation of investment properties. The preparation of the financial statements was in conformity with the requirements of HKAS 34 which requires the use of certain critical accounting estimates. HKAS 34 also requires the Company's management to exercise judgement in the process of applying the Group's accounting policies. The accounting policies adopted in the preparation of the audited consolidated financial statements for the year ended 31 December 2016 of the Company have been consistently applied to the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 except that in the Period, the Group has applied for the first time certain new standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (the "**new HKFRSs**") issued by the HKICPA which are relevant to and effective for the Group for the annual period beginning on 1 January 2017. The adoption of the new HKFRSs has no material impact on the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the Period and prior periods.

The Group has not applied the following new HKFRSs that have been issued at 30 June 2017 but are not yet effective for the annual period beginning on 1 January 2017.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9 (2014)	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfer of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 1, HKAS 28	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of the adoption of the above new HKFRSs upon initial application. As at the date of this report, the Group considered that these new HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

#### 4. Segment information

For the purposes of assessing segment performance and allocating resources, the Group's senior management monitors the results attributable to each reportable segment. Revenue and expenses are allocated to the reportable segments with reference to sales generated by the respective segments and the expenses incurred by the respective segments or which otherwise arise from the depreciation or amortization of assets attributable to the respective 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 management and accordingly, no segmental assets and liabilities information is presented.

For the six months ended 30 June 2017 (unaudited)	Cylindrical batteries <i>HK\$'000</i>	Micro-button cells <i>HK\$'000</i>	Rechargeable batteries and other battery- related products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>	99,608	43,845	2,767	146,220
<b>Segment results</b>	20,541	18,489	695	39,725
Unallocated other revenue				1,968
Unallocated other gains — net				923
Unallocated corporate expenses				(28,055)
Finance costs				(1,818)
<b>Profit before income tax</b>				<b>12,743</b>
Income tax expense				(3,129)
<b>Profit for the period</b>				<b>9,614</b>

For the six months ended 30 June 2016 (unaudited)	Cylindrical batteries <i>HK\$'000</i>	Micro-button cells <i>HK\$'000</i>	Rechargeable batteries and other battery- related products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>	101,600	37,438	6,644	145,682
<b>Segment results</b>	23,954	15,167	2,325	41,446
Unallocated other revenue				1,060
Unallocated other losses — net				(2,174)
Unallocated corporate expenses				(28,712)
Finance costs				(1,964)
<b>Profit before income tax</b>				<b>9,656</b>
Income tax expense				(2,001)
<b>Profit for the period</b>				<b>7,655</b>

## 5. Revenue

### Geographical information

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Africa	976	503
Hong Kong	33,826	35,482
Asia (except the PRC and Hong Kong)	13,569	12,669
Australia	4,729	9,002
PRC	46,196	35,406
Europe (except East Europe)	14,997	18,158
East Europe	2,510	2,083
Middle East	1,766	1,194
North America	19,327	23,758
South America	8,324	7,427
	<b>146,220</b>	<b>145,682</b>

## 6. Profit before income tax

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before income tax is arrived at after charging:		
<b>Finance costs</b>		
Bank loans interest	1,579	1,669
Interest on import loans	239	292
Bank overdraft interest	—	3
<b>Total interest expenses</b>	<b>1,818</b>	<b>1,964</b>
<b>Other items</b>		
Depreciation of property, plant and equipment	6,049	5,377
Cost of inventories recognised as expenses	106,495	104,236

## 7. Income tax expenses

	For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
<b>Current tax — Hong Kong profits tax</b>		
Provision for the period	1,509	204
<b>Current tax — PRC enterprise income tax ("EIT")</b>		
Provision for the period	1,782	1,378
	<b>3,291</b>	1,582
<b>Deferred taxation</b>	<b>(162)</b>	419
<b>Total income tax expenses</b>	<b>3,129</b>	2,001

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2016 and 2017, 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 six months ended 30 June 2016 and 2017, respectively.

## 8. Earnings per Share

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period attributable to equity holders of the Company	<b>9,614</b>	7,655
	<b>'000</b>	'000
		(Restated)
<b>Weighted average number of Shares for the purpose of calculating basic earnings per Share</b>	<b>216,284</b>	200,976

Diluted earnings per Share has not been disclosed as no dilutive potential equity shares has been in existence for the six months ended 30 June 2017 and 2016, respectively.

The weighted average number of Shares for the six months ended 30 June 2016 for the purpose of the calculation of basic earnings per Share has been adjusted and restated after taking into account of the Rights Issue which was completed on 21 April 2017.

## 9. Dividends

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## 10. Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired approximately HK\$6.97 million (six months ended 30 June 2016: approximately HK\$10.51 million) property, plant and machinery to expand production capacity and improve production efficiency.



## 11. Trade and bill receivables

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

	<b>At 30 June 2017</b>	At 31 December 2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<b>Trade and bill receivables</b>		
0–30 days	<b>29,954</b>	18,600
31–60 days	<b>10,714</b>	8,697
61–90 days	<b>5,323</b>	3,383
91–120 days	<b>1,523</b>	1,307
Over 120 days	<b>170</b>	752
<b>Total</b>	<b>47,684</b>	32,739

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.

## 12. Trade payables

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

	<b>At 30 June 2017</b>	At 31 December 2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<b>Trade payables</b>		
0–30 days	<b>30,689</b>	19,043
31–90 days	<b>28,961</b>	31,021
91–180 days	<b>5,262</b>	13,638
Over 180 days	<b>2,971</b>	4,972
<b>Total</b>	<b>67,883</b>	68,674

The Group is generally given credit terms from 60 days after monthly statement (“AMS”) to 150 days AMS.

### 13. Related party transactions

The Group had the following material transactions and balances with related parties during the relevant periods:

	Relationship	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Rental expenses paid to:</b>			
China Scene Limited	Fellow subsidiary	88	88

Remuneration for the key management personnel, including amounts paid to the Directors and certain of the highest paid employees, are as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries, allowances and other benefits in kind	3,446	3,193
Discretionary bonuses	507	470
Contributions to defined contribution plans	72	72
	<b>4,025</b>	<b>3,735</b>

### 14. Share capital

On 20 February 2017, the Company announced that it proposed to raise approximately HK\$32 million, before expenses, by issuing 80,000,000 rights shares (the "Rights Shares") by way of rights issue (the "Rights Issue") at the subscription price of HK\$0.4 per Rights Share, on the basis of one Rights Share for every two existing Shares held on the record date.

Completion of the Rights Issue took place on 21 April 2017, where an aggregate of 80,000,000 Rights Shares, representing approximately 33.33% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued. The aggregate nominal amount of the Rights Shares is HK\$800,000.

For more details of the Rights Issue, please refer to the Rights Issue prospectus dated 27 March 2017 (the "Rights Issue Prospectus") and the announcement of the Company dated 20 April 2017 in relation to the results of the Rights Issue. Other than the Rights Issue, there was no change in the share capital of the Company during the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group is principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to the PRC, Hong Kong and international markets both under its own brand “Golden Power” and the brands of its private label and OEM customers. The products of the Group 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 revenue of cylindrical batteries for the Period has dropped by approximately HK\$1.99 million as compared to the same period of 2016, representing an approximately 1.96% decrease. The decrease in such revenue was mainly due to the weak Renminbi (“**RMB**”) exchange rate against Hong Kong dollar (“**HKD**”) during the Period.

The revenue of micro-button cells and rechargeable batteries and other battery-related products for the Period increased by approximately HK\$2.53 million as compared to the same period of 2016, representing an approximately 5.74% increase. The increase in such revenue was mainly due to increase in sales in North America.

Looking forward, the Group will continue to adopt stringent cost control and employ appropriate strategies to enhance its operation efficiency. Sales of cylindrical and micro-button cell batteries are expected to increase in the second half of 2017 based on sales orders on hand. For the micro-button cells, the demand in Europe and North America are increasing based on the orders on hand which were placed by new customers. The Group will continue to put more effort on promoting the sales of disposable batteries by exploring new sales platform, and continue to control the production overheads.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

### Business strategies and objectives as stated in the Prospectus

### Actual progress up to 30 June 2017

Expand the 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 the Group's market share

The Group has acquired a production line in 2015 and the commercial production has commenced in the third quarter of 2016.

The Group has acquired a newly designed and automatic production line in 2016 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries. It is expected that this production line will be delivered to the Group in the fourth quarter of 2017 and the expected commencement date for commercial production will be in second quarter of 2018.

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

The Group has been exploring opportunities for expansion and diversification of its product portfolio.


Explore new sales platform

The Group has been exploring new electronic sales platform and has entered into the PRC retail market for products bearing its own brand "Golden Power" and other private label.

## FINANCIAL REVIEW

### Revenue and Profit attributable to equity holders

Revenue for the Period was approximately HK\$146.22 million, representing an increase of approximately 0.37% as compared to the same period of 2016. The rental income, which contributed towards other revenue of the Group, was HK\$0.75 million during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$0.03 million).



Profit attributable to equity holders of the Company for the Period was approximately HK\$9.61 million while for the same period of 2016, the profit attributable to equity holders of the Company was approximately HK\$7.66 million, representing an increase of approximately 25.46% over the same period of 2016.

### **Gross Profit**

The Group recorded a gross profit of approximately HK\$39.73 million for the Period (six months ended 30 June 2016: approximately HK\$41.45 million), representing a decrease of approximately 4.15%. The decrease in gross profit for the Period was mainly due to the higher purchasing price on raw materials and packaging materials during the Period.

### **Expenses**

During the Period, the selling and distribution expenses of the Group has decreased by 12.15% to approximately HK\$6.00 million, as compared to approximately HK\$6.83 million for the corresponding period in 2016. The decrease in selling and distribution expenses was mainly due to the reduction of marketing and promotion expenses. The Group's administrative expenses has increased by approximately HK\$0.18 million to approximately HK\$22.06 million during the Period as compared to approximately HK\$21.88 million for the same period of 2016. The increase in administrative expenses was mainly due to the increase in professional fees of HK\$1.30 million despite the savings on office utilities, travelling and miscellaneous expenses, etc. during the Period.

### **Net Current Assets/(Liabilities)**

Net current liabilities as at 31 December 2016 was approximately HK\$13.54 million. After the repayment of the bank loans, restructuring of the short-term banking facilities and the completion of the Rights Issue, the net current liabilities turned to net current assets of approximately HK\$17.39 million as at 30 June 2017.

## 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 follow:

	<b>At 30 June 2017</b>	At 31 December 2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Within 1 year		
— Shot-term loans	<b>12,500</b>	22,163
— Current portion of long-term loans	<b>16,445</b>	16,830
	<b>28,945</b>	38,993
Over 1 year but within 2 years	<b>15,455</b>	20,224
Over 2 years but within 5 years	<b>23,439</b>	25,799
Over 5 years	<b>1,706</b>	2,260
	<b>69,545</b>	87,276

As at 30 June 2017, the Group had borrowings of approximately HK\$69.55 million (as at 31 December 2016: approximately HK\$87.28 million). The debt ratio, calculated as total liabilities over total assets, of the Group as at 30 June 2017 was approximately 0.41 (as at 31 December 2016: approximately 0.52).

As at 30 June 2017, the Group had cash and cash equivalents (the "**Liquidity Resources**") of approximately HK\$20.22 million (as at 31 December 2016: approximately HK\$21.80 million) which were mainly denominated in HKD and RMB.

The Group had capital expenditures contracted for approximately HK\$10.88 million for the acquisition of a newly designed and automatic production line and other machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries. Save as disclosed, the Group had no material capital expenditure commitments as at 30 June 2017.

## **CAPITAL STRUCTURE**

The Shares were successfully listed on GEM on 5 June 2015, and the Rights Issue was completed on 21 April 2017. Other than the Rights Issue, there has been no material change in the capital structure of the Company since its listing. The share capital of the Company comprises only the Shares. Total equity of the Group amounted to approximately HK\$229.34 million as at 30 June 2017 (as at 31 December 2016: approximately HK\$162.43 million).

## **GEARING RATIO**

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. As at 30 June 2017, the Group's gearing ratio was approximately 0.38 (as at 31 December 2016: approximately 0.64).

## **CHARGE OF ASSETS**

The Group's bank borrowing facilities were secured mainly by the Group's plant and office building (including investment properties) with carrying value of approximately HK\$89.90 million as at 30 June 2017.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2017 (as at 31 December 2016: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

Except for (i) the Company's investment in various subsidiaries; and (ii) the investment in two investment properties located at Flat B and Flat D, respectively, of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories, which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) and leased to two separate independent third parties under two-year term tenancy agreements entered on 20 June 2016 for warehouse purpose and 9 June 2017 for office and warehouse purpose, respectively, with monthly rentals at market rate, the Group did not hold any significant investments as at 30 June 2017.



## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the 2016 annual report of the Company and this report, the Group did not have any plans for material investments or capital assets as at 30 June 2017.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Directors believe that the quality of the 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 June 2017, the Group had a total of 509 employees (as at 30 June 2016: 510 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$19.82 million during the Period (six months ended 30 June 2016: approximately HK\$17.70 million).





## PRINCIPAL RISKS AND UNCERTAINTIES

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


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

The demand for disposable batteries in general and alkaline cylindrical batteries depends on the need for such disposable batteries to operate various electronic devices, the demand for which is in turn affected by technological advances and consumer preferences. Further, technological advances and increasing environmental awareness may cause consumer demand to shift from alkaline cylindrical batteries to other disposable batteries, from disposable batteries to rechargeable batteries as a substitute or even to other forms of electronic products or energy which do not require the use of batteries.

The Group's revenue was denominated in RMB, HKD and US dollars and the cost of sales was primarily denominated in RMB and the remaining denominated in HKD, US dollars and Euros. The value of RMB against HKD and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in the PRC.

The Group's business is subject to seasonality, so that the first quarter of a year may record relatively lower revenue. In particular, the revenue generated during the month of Chinese New Year may be significantly lower than the average revenue generated during a year.

The Group manufactures some of the products on a made-to-stock basis (that is the Group manufactures before the customers place orders with it) with reference to the sales forecast prepared in the light of the customers' historical buying pattern, particularly batteries to be sold to the customers under the Group's branded business which adopt its original design and specifications. If the sales forecast turns out to be inaccurate and the customers do not place



orders with the Group in the volumes as expected, the products produced may not be absorbed by other customers, and the Group's business, results of operations and financial condition may be adversely affected.

For more details about the general risks and uncertainties in relation to the Group, please refer to the Prospectus.

## **FOREIGN CURRENCY RISK**

The reporting currencies of the Group is HKD.

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2017, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB and HKD.

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.

## **USE OF PROCEEDS FROM LISTING**

The net proceeds from the Listing, after deducting related expenses, amounted to approximately HK\$40.16 million. After the Listing, the net proceeds have been applied in accordance with the future plans and use of proceeds as set out in the Prospectus. All net proceeds from the Listing have been used up as at 31 December 2015 according to the Group's implementation plans disclosed in the Prospectus. For details of such application, please refer to the 2016 annual report of the Company.

## **USE OF PROCEEDS FROM RIGHTS ISSUE**

The net proceeds from the Rights Issue, after deducting related expenses, amounted to approximately HK\$31 million. Since the completion of the Rights Issue and up to 30 June 2017, the net proceeds of HK\$27.43 million have been applied in accordance with the planned use as set out in the Right Issue Prospectus. The remaining net proceeds of approximately HK\$3.57 million have not been applied yet up to the date of this report. For details, please refer to the Rights Issue Prospectus.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### Interests in the Company

As at 30 June 2017, the interests or short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the GEM Listing Rules, were as follows:

### Long positions in the Shares

<b>Name</b>	<b>Nature of interest</b>	<b>Total number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Chu King Tien	Interest in a controlled corporation (Note)	126,000,000 Shares	52.50%

Note:

These Shares are held by Golden Villa Ltd., which is wholly and beneficially owned by Mr. Chu King Tien. By virtue of the SFO, Mr. Chu King Tien is deemed to be interested in all the Shares held by Golden Villa Ltd. in the Company.

## Interests in associated corporations of the Company

As at 30 June 2017, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in, were as follows:

### Long positions in the shares of the associated corporations

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Number of shares (long position)</b>	<b>Approximate percentage of shareholding</b>
Mr. Chu King Tien	Golden Villa Ltd.	Beneficial owner	50,000	100%

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the 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 June 2017, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

### Long positions in the Shares

<b>Name</b>	<b>Nature of interest</b>	<b>Total number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Golden Villa Ltd.	Beneficial owner	126,000,000 Shares	52.50%
Ms. Mo Yuk Ling	Interest of spouse (Note)	126,000,000 Shares	52.50%

Note:

Ms. Mo Yuk Ling is the spouse of Mr. Chu King Tien. Under the SFO, Ms. Mo Yuk Ling is deemed to be interested in the same number of shares in which Mr. Chu King Tien is interested.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

## IMPORTANT EVENTS AFTER THE PERIOD

PKF (大信梁學濂 (香港) 會計師事務所) tendered its resignation as the auditor of the Company on 9 August 2017 due to its reorganisation and subsequent change in entity status from a partnership to a limited company. At a board meeting of the Company held on 9 August 2017, PKF Hong Kong Limited (大信梁學濂 (香港) 會計師事務所有限公司) was appointed as the new auditor of the Company. For details, please refer to the Company's announcement dated 9 August 2017.

Save as disclosed above, there are no important events subsequent to the end of the Period and up to the date of this report.

## 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

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the Company's sole shareholder passed on 15 May 2015. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Scheme are summarised in the section headed "D. Share Option Scheme" in Appendix V of the Prospectus. As of the date of this report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the 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 of 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.



## CORPORATE GOVERNANCE CODE

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

## DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

On 20 February 2017, Golden Villa Ltd., which is wholly-owned by Mr. Chu King Tien (the executive Director and chairman of the Group), signed an irrevocable undertaking in favour of the Company to subscribe for 42,000,000 Rights Shares under the Rights Issue. Such Rights Shares were issued and allotted to Golden Villa Ltd. on 21 April 2017.

Save as disclosed above or in the Prospectus, the Rights Issue Prospectus or in this report, no Director had any material interests 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 close 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 Shares of the Company or any member of the Group (including options

or rights to subscribe for such securities) as at 30 June 2017 or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has established 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 CG Code. The duties of the Audit Committee are to, among other things, review relationship with the Company’s external auditors, review the Company’s financial information, oversee the Company’s financial reporting, risk management and internal control systems 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 not been audited by the Company’s auditor but 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**  
*Chairman and Executive Director*

Hong Kong, 9 August 2017

*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.*