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GOLDEN POWER GROUP HOLDINGS LIMITED

金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3919)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Recorded a revenue of approximately HK$314.20 million for the year ended 31 December 2019 (the "**Year**") (2018: approximately HK$323.53 million), representing a slightly decrease of approximately 2.88% as compared with the year ended 31 December 2018 (the "**Last Year**").

- Profit attributable to shareholders of the Company for the Year was approximately HK$7.38 million (2018: approximately HK$6.20 million), representing an increase of approximately 19.03%. The increase was mainly attributable to the combined effects of i) profit from operations increased by approximately 75.44% to approximately HK$12.86 million for the Year as compared to approximately HK$7.33 million for the Last Year, which was primarily attributable to the decrease in the cost of sales due to the decrease in cost of material and subcontracting fee; ii) finance costs increased by approximately 69.01% to approximately HK$6.00 million for the Year as compared to approximately HK$3.55 million for the Last Year, which was primarily attributable to increase in the utilisation of the banking facilities; and iii) the increase was partially offset by the fact that the income tax credit decreased by approximately 78.51% to approximately HK$0.52 million credit for the Year as compared to approximately HK$2.42 million for the Last Year, which was primarily attributable to over provision in the Last Year.

- The basic earnings per share for the Year was HK3.08 cents (2018: HK2.58 cents).

- The Directors did not recommend the payment of any dividend for the Year (2018: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the audited consolidated results (the "**Results**") of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Year**") together with the comparative audited figures for the year ended 31 December 2018 (the "**Last Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	*3*	**314,203**	323,529
Cost of sales		**(239,991)**	(258,331)
Gross profit		**74,212**	65,198
Other revenue		**7,624**	9,525
Other (losses)/gains — net		**(527)**	3,285
Selling expenses		**(15,917)**	(16,873)
General and administrative expenses		**(52,531)**	(53,808)
Profit from operations		**12,861**	7,327
Finance costs	*4(a)*	**(6,001)**	(3,547)
Profit before income tax	*4*	**6,860**	3,780
Income tax credit	*5*	**520**	2,415
Profit for the year and attributable to the shareholders of the Company		**7,380**	6,195
Earnings per share (HK cents)			
— Basic	*6*	**3.08**	2.58
— Diluted	*6*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**7,380**	6,195
Other comprehensive loss for the year, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(3,475)**	(1,008)
Total comprehensive income for the year and attributable to the shareholders of the Company	**3,905**	5,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**279,444**	251,415
Investment properties		**108,500**	105,400
Intangible assets		**108**	167
Prepaid land lease payments		**4,568**	4,665
Right-of-use assets		**2,620**	—
Deposits paid for property, plant and equipment	10	**3,782**	3,157
Deferred tax assets		**9,013**	7,758
		408,035	372,562
CURRENT ASSETS			
Inventories	8	**40,077**	57,780
Trade and bills receivables	9	**47,835**	45,662
Deposits, prepayments and other receivables	10	**20,610**	30,635
Prepaid land lease payments		**—**	210
Income tax recoverable		**2,039**	3,209
Cash and bank balances		**18,227**	19,105
		128,788	156,601
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	11	**72,532**	91,524
Other payables and accruals	12	**12,615**	8,336
Contract liabilities	13	**3,133**	4,419
Bank borrowings, secured	14	**140,350**	125,919
Lease liabilities		**2,671**	—
Income tax payable		**194**	125
		231,495	230,323
NET CURRENT LIABILITIES		**(102,707)**	(73,722)

	Notes	**2019** **HK$'000**	2018 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,328**	298,840
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank borrowings, secured	*14*	**47,104**	43,906
Deferred tax liabilities		**3,429**	4,044
		50,533	47,950
NET ASSETS		**254,795**	250,890
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		**2,400**	2,400
Reserves		**252,395**	248,490
TOTAL EQUITY		**254,795**	250,890

NOTES

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 June 2012 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's headquarters and principal place of business in Hong Kong is located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

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

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

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

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

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

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following new and revised HKFRSs:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015–2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group had to change its accounting policies following the adoption of HKFRS 16. For details, please refer to note 2(d). The other amendments listed above did not have material impact on the Group's consolidated financial statements for the current or prior years.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 December 2019 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2019:

HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of a business[1]
Amendments to HKFRS 3	Definition of materials[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)-Int 4, Determining whether an arrangement contains a lease, HK(SIC)-Int 15, Operating leases-incentives, and HK(SIC)-Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.85%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(1) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(2) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments at 31 December 2018	1,753
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(147)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will not exercise the termination options	4,246
	5,852
Less: total future interest expenses	(228)
Total lease liabilities recognised at 1 January 2019	5,624

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	As previously stated at 31 December 2018 *HK$'000*	Adoption of HKFRS 16 *HK$'000*		Restated carrying amount at 1 January 2019 *HK$'000*
Non-current assets:				
Right-of-use assets	—	5,624	(a)	5,624
Prepaid land lease payments	4,665	210	(b)	4,875
Current assets:				
Prepaid land lease payments	210	(210)	(b)	—
Current liabilities:				
Lease liabilities	—	2,866	(a)	2,866
Non-current liabilities:				
Lease liabilities	—	2,758	(a)	2,758

(a) Capitalisation of lease contracts
(b) Reclassification from current to non-current

Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(e) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK$102,707,000 at 31 December 2019. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

(i) At 31 December 2019, the Group had unutilised banking facilities of approximately HK$18,010,000. Subsequent to the end of the reporting period, the Group has been granted additional banking facilities of HK$15,000,000. Accordingly, the Group had the unutilised banking facilities aggregating to approximately HK$33,010,000 as at the date when these consolidated financial statements are authorised for issuance;

(ii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank borrowings with an aggregate principal amount of approximately HK$66,000,000 maturing on or before the date when the consolidated financial statements are authorised for issuance;

(iii) For the borrowings which will be maturing before 31 December 2020, the Group will actively negotiate with the banks before they fall due to secure their renewals so as to ensure the Group will have necessary funds to meet the Group's working capital and financial requirements in the future. The Directors do not expect to experience significant difficulties in renewing these borrowings upon their maturities and there is no indication that its bankers will not renew the existing facilities upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturities;

(iv) Given the Group maintained strong business relationship with its bankers and based on past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire;

(v) The Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary; and

(vi) The outbreak of the new coronavirus pneumonia epidemic ("**Epidemic**") has impact on the global business environment since January 2020 and continues to evolve. The Directors are closely monitoring the development of the Epidemic situation.

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the invoiced value of goods sold to external customers less discounts, rebates and returns, and net of value-added tax and surcharges. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from customers and recognised at a point in time		
Sales of battery products:		
— Disposable batteries	**309,767**	320,755
— Rechargeable batteries	**3,898**	2,664
— Other battery-related products	**538**	110
	314,203	323,529

Segment information

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

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

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

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

Information regarding the Group's reportable segments for the years ended 31 December 2019 and 2018 is set out below:

Segment revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	**170,726**	169,460
— Carbon	**46,460**	53,498
	217,186	222,958
(ii) Micro-button cells		
— Alkaline	**75,169**	75,281
— Other micro-button cells	**17,412**	22,516
	92,581	97,797
	309,767	320,755
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	**3,898**	2,664
(ii) Other battery-related products	**538**	110
	4,436	2,774
	314,203	323,529

Segment results

	2019	2018
	HK$'000	*HK$'000*
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	**39,520**	28,711
— Carbon	**515**	672
	40,035	29,383
(ii) Micro-button cells		
— Alkaline	**23,997**	24,664
— Other micro-button cells	**9,231**	10,376
	33,228	35,040
	73,263	64,423
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	**883**	691
(ii) Other battery-related products	**66**	84
	949	775
	74,212	65,198

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

	2019	2018
	HK$'000	*HK$'000*
Segment results	**74,212**	65,198
Unallocated other revenue	**7,624**	9,525
Unallocated other (losses)/gains — net	**(527)**	3,285
Unallocated corporate expenses	**(68,448)**	(70,681)
Finance costs	**(6,001)**	(3,547)
Profit before income tax	**6,860**	3,780

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2019 and 2018. Segment results represent the gross profit of each type of products. This is the measure reported to the senior executive management for the purposes of resource allocation and performance assessment.

Other segment information

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	**9,669**	8,085
— Micro-button cells	**4,565**	1,309
Segment total	**14,234**	9,394
Unallocated depreciation and amortisation	**5,721**	4,566
	19,955	13,960

Revenue from major customers

During the years ended 31 December 2019 and 2018, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**35,848**	31,357
Customer B	**25,377**	36,531

Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the geographical location of customers is based on the location at which the goods are delivered.

	2019	2018
	HK$'000	*HK$'000*
The PRC	**93,505**	104,516
Hong Kong	**58,668**	62,834
Asia (except the PRC and Hong Kong)	**46,389**	60,400
Europe	**43,912**	35,822
Eastern Europe	**7,143**	4,185
North America	**36,164**	33,701
South America	**18,869**	14,594
Australia	**4,475**	3,753
Africa	**386**	146
Middle East	**4,692**	3,578
	314,203	323,529

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**213,394**	171,664
Hong Kong	**175,730**	181,553
Macau	**9,898**	11,587
	399,022	364,804

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

4. PROFIT BEFORE INCOME TAX

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

		2019 *HK$'000*	2018 *HK$'000*
(a)	Finance costs:		
	Bank loans interest	**6,363**	3,077
	Interest on import loans	**624**	486
	Interest on lease liabilities	**168**	—
	Bank overdraft interest	**39**	8
	Total interest expense	**7,194**	3,571
	Less: interest expense capitalised into property, plant and equipment *(Note)*	**(1,193)**	(24)
		6,001	3,547
(b)	Staff cost (excluding Directors' emoluments):		
	Salaries, wages and other allowances	**39,736**	38,574
	Contributions to defined contribution plans	**4,023**	4,070
		43,759	42,644
(c)	Other items:		
	Amortisation of intangible assets	**59**	67
	Amortisation of prepaid land lease payments	**—**	220
	Auditors' remuneration		
	— Audit services	**915**	850
	— Non-audit services	**225**	176
	Bad debts on trade receivables written off	**—**	316
	Bad debts on other receivables written off	**162**	—
	Cost of inventories recognised as expenses	**239,991**	258,331
	Depreciation		
	— Owned assets	**14,568**	13,673
	— Right-of-use assets		
	Leasehold land and buildings	**2,311**	—
	Leasehold properties	**2,806**	—
	Prepaid land lease payments	**211**	—
	Loss on disposals of property, plant and equipment:		
	— Proceeds from disposals of property, plant and equipment	**(637)**	(346)
	— Carrying amount of property, plant and equipment	**1,924**	691
		1,287	345
	Write-down to net realisable value on inventories	**699**	29
	Short-term lease expenses	**331**	—
	Minimum lease payments for leases previously classified as operating leases under HKAS 17:		
	— Plant and machinery	**—**	595
	— Buildings	**—**	3,107
	Rental income less outgoings of approximately HK$393,000 (2018: approximately HK$330,000)	**4,163**	3,375

Note: The borrowing costs have been capitalised at a rate of 4.01% and 3.14% per annum for the years ended 31 December 2019 and 2018 respectively.

5. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax:		
Provision for the year	**883**	1,257
Under/(over)-provision in prior years	**208**	(177)
Current tax — PRC enterprise income tax ("**EIT**"):		
Provision for the year	**82**	—
Under/(over)-provision in prior years	**587**	(1,336)
	1,760	(256)
Deferred taxation:		
Current year	**(2,280)**	(2,159)
	(520)	(2,415)

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

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

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2018.

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 9 November 2017, Goldtium (Jiangmen) Energy Products Company Limited was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2017.

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 28 November 2018, Dongguan Victory Battery Industries Company Limited was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2018.

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

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**6,860**	3,780
Tax effect at the Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**1,132**	624
Tax effect of non-taxable income	**(694)**	(1,712)
Tax effect of non-deductible expenses	**663**	862
Tax effect of recognition of tax losses previously not recognised	**(1,517)**	—
Tax effect of unrecognised tax losses	**(566)**	40
Under/(over)-provision in prior years	**795**	(1,513)
Tax concession	**(165)**	(783)
Tax rate differential	**(168)**	67
Income tax credit	**(520)**	(2,415)

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of approximately HK$7,380,000 (2018: approximately HK$6,195,000) and the weighted average of 240,000,000 (2018: 240,000,000) ordinary shares in issue during the year ended 31 December 2019.

Diluted earnings per share has not been disclosed as no dilutive potential equity shares in existence for the years ended 31 December 2019 and 2018.

7. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2019 and 2018.

8. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**12,176**	22,175
Work in progress	**16,903**	21,871
Finished goods	**12,235**	14,295
	41,314	58,341
Less: Write-down to net realisable value	**(1,237)**	(561)
	40,077	57,780

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

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**561**	561
Write-down to net realisable value for the year	**699**	29
Exchange adjustments	**(23)**	(29)
At 31 December	**1,237**	561

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

9. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**47,934**	45,546
Less: Loss allowance	**(479)**	(489)
	47,455	45,057
Bills receivables	**380**	605
	47,835	45,662

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors of the Group.

Loss allowance in respect of trade receivables is recorded using provision for doubtful debts account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables.

Movements of loss allowance for trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**489**	515
Exchange adjustments	**(10)**	(26)
At 31 December	**479**	489

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**26,661**	37,507
31–60 days	**14,393**	7,402
61–90 days	**5,935**	732
91–120 days	**506**	21
Over 120 days	**340**	—
	47,835	45,662

An ageing analysis of trade and bills receivables which are not considered to be impaired is as follows:

	2019	2018
	HK$'000	*HK$'000*
Not past due	**36,515**	37,996
Past due for less than 3 months	**11,032**	7,666
Past due for 3 to 6 months	**15**	—
Past due for 6 months to 1 year	**273**	—
	47,835	45,662

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Utilities and other deposits	**4,625**	3,973
Prepayments	**7,975**	10,327
Other receivables	**11,792**	19,492
	24,392	33,792
Less: Non-current portion		
Deposits paid for property, plant and equipment	**(3,782)**	(3,157)
Current portion	**20,610**	30,635

11. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**20,141**	25,910
31–90 days	**34,934**	41,278
91–180 days	**13,542**	19,069
Over 180 days	**3,915**	5,267
	72,532	91,524

12. OTHER PAYABLES AND ACCRUALS

		2019	2018
	Note	*HK$'000*	*HK$'000*
Other payables		**5,563**	720
Accruals		**6,372**	6,936
Provision for long service payments	(a)	**334**	334
Provision for annual leave		**346**	346
		12,615	8,336

Note:

(a) Provision for long service payments

Movements of provision for long service payments are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January and 31 December	**334**	334

13. CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**4,419**	3,600
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,269)**	(3,493)
Increase as a result of billing in advance	**1,983**	4,312
At 31 December	**3,133**	4,419

14. BANK BORROWINGS

		2019	2018
	Note	*HK$'000*	*HK$'000*
Secured bank loans		**170,779**	121,929
Secured bank import loans and other loans		**16,675**	47,896
	(a)	**187,454**	169,825
Less: Amount classified as current liabilities		**(140,350)**	(125,919)
Amount classified as non-current liabilities		**47,104**	43,906
The bank loans are repayable as follows:			
Within 1 year			
— short-term loans		**114,166**	121,929
— current portion of long-term loans		**26,184**	3,990
		140,350	125,919
Over 1 year but within 2 years		**14,512**	22,479
Over 2 years but within 5 years		**26,205**	9,825
Over 5 years		**6,387**	11,602
		187,454	169,825

Notes:

(a) The Group had the following banking facilities:

	2019	2018
	HK$'000	*HK$'000*
Total banking facilities granted	**205,464**	252,941
Less: banking facilities utilised by the Group	**(187,454)**	(169,825)
Unutilised banking facilities	**18,010**	83,116

At 31 December 2019, these banking facilities are secured by:

(i) bank loans of approximately HK$40,949,000 were guaranteed by unlimited cross corporate guarantee executed by the Company and its subsidiaries;

(ii) bank loans of approximately HK$146,505,000 were guaranteed by corporate guarantee of approximately HK$278,943,000 executed by the Company; and

(iii) prepaid land lease payments, leasehold buildings, plant and machineries included in the construction in progress and investment properties situated in Hong Kong, the PRC and Macau owned by the Group.

(b) There was no financial covenant for the banking facilities at 31 December 2019 and 2018.

15. EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the Epidemic in January 2020 in the PRC, the Group has taken all necessary internal control measures to prevent the spread of the Epidemic among the staff of the Group. The operation of the production facilities of the Group was temporarily suspended after the 2020 Chinese New Year in compliance with the Epidemic control measures promulgated by the PRC government. The operation of the production facilities of the Group had resumed in mid-February 2020.

The Group would continue to comply with the relevant laws and regulations and closely monitor the impact of Epidemic among logistics, material suppliers as well as overall the economic situation.

As at the date of this announcement, the Group expected that the Epidemic would have temporary impact on the Group's operation but the degree of impact would depend on the development of the Epidemic and the time when the Epidemic prevention and control policies would be lifted.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The revenue of cylindrical batteries for the Year decreased by approximately HK$5.77 million from approximately HK$222.96 million for the Last Year to approximately HK$217.19 million for the Year, which was equivalent to a decrease in approximately 2.59% in revenue of cylindrical batteries. Such decrease in revenue was mainly due to decrease of the demand in PRC during the Year.

The revenue of micro-button cells for the Year decreased by approximately HK$5.22 million from approximately HK$97.80 million for the Last Year to approximately HK$92.58 million for the Year which was equivalent to a decrease in approximately 5.34% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year increased by approximately HK$1.67 million from approximately HK$2.77 million for the Last Year to approximately HK$4.44 million for the Year which was equivalent to approximately 60.29% increase in revenue of rechargeable batteries and other battery-related products. Such increase in revenue was mainly from Europe and North America market.

Revenue for the Year has decreased slightly by approximately 2.88% to approximately HK$314.2 million from approximately HK$323.53 million in the Last Year. Profit attributable to the shareholders of the Company was approximately HK$7.38 million for the Year as compared to a profit of approximately HK$6.20 million in the Last Year, representing an increase of approximately 19.03%. Earnings per share were HK3.08 cents, as compared to the earnings per share of HK2.58 cents for the Last Year.

FINANCIAL REVIEW

Revenue

Revenue for the Year was approximately HK$314.20 million (2018: approximately HK$323.53 million) representing a slightly decrease of approximately 2.88% as compared to the Last Year. Such decrease was mainly attributable to the decrease in demand from PRC, which caused the decrease in revenue of cylindrical batteries, but such decrease was net off by the increase of demand in Europe (including Eastern Europe), Middle East, North and South America during the Year.

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**93,505**	104,516
Hong Kong	**58,668**	62,834
Asia (except the PRC and Hong Kong)	**46,389**	60,400
Europe	**43,912**	35,822
Eastern Europe	**7,143**	4,185
North America	**36,164**	33,701
South America	**18,869**	14,594
Australia	**4,475**	3,753
Africa	**386**	146
Middle East	**4,692**	3,578
	314,203	323,529

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

	2019	2018
	HK$'000	*HK$'000*
Cylindrical batteries	**217,186**	222,958
Micro-button cells	**92,581**	97,797
Rechargeable batteries and other battery-related products	**4,436**	2,774
	314,203	323,529

Gross Profit

The Group recorded a gross profit for the Year of approximately HK$74.21 million (2018: approximately HK$65.20 million), representing an increase of approximately 13.82% as compared to the Last Year, which was mainly due to the decrease in cost of sales by approximately HK$18.34 million from approximately HK$258.33 million for the Last Year to approximately HK$239.99 million for the Year, representing a decrease of approximately 7.10%. The decrease was mainly attributable to the decrease in sub-contracting fees and material costs, including steel, zinc, copper and packaging materials, as a whole.

Expenses

During the Year, the selling expenses of the Group decreased by approximately 5.63% to approximately HK$15.92 million as compared to approximately HK$16.87 million in the Last Year. The decrease was mainly due to the decrease in the distribution, marketing and promotion expenses. The Group's general and administrative expenses decreased by approximately HK$1.28 million to approximately HK$52.53 million as compared to approximately HK$53.81 million for the Last Year. The decrease in general and administrative expenses was mainly due to the decrease in professional fees and sundry expenses.

Finance Costs

The finance costs of the Group has increased by approximately 69.01% to approximately HK$6.00 million for the Year as compared to approximately HK$3.55 million in the Last Year. The increase was mainly due to the increase in financial costs on the higher level of utilisation of banking facilities.

Income Tax

The income tax credit of the Group has decreased by approximately HK$1.90 million to approximately HK$0.52 million credit for the Year as compared to approximately HK$2.42 million for the Last Year. The decrease was mainly from over provision in the Last Year.

Profit attributable to the shareholders of the Company

Profit attributable to shareholders of the Company for the Year was approximately HK$7.38 million (2018: approximately HK$6.20 million), representing an increase of approximately 19.03%. The increase was mainly attributable to the combined effects of i) profit from operations increased by approximately 75.44% to approximately HK$12.86 million for the Year as compared to approximately HK$7.33 million for the Last Year, which was primarily attributable to the decrease in the cost of sales due to the decrease in cost of material and subcontracting fee; ii) finance costs increased by approximately 69.01% to approximately HK$6.00 million for the Year as compared to approximately HK$3.55 million for the Last Year, which was primarily attributable to the increase in the utilisation of the banking facilities; and iii) the increase was partially offset by the fact that the income tax credit decreased by approximately 78.51% to approximately HK$0.52 million credit for the Year as compared to approximately HK$2.42 million for the Last Year, which was primarily attributable to over provision in the Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

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

The cash and bank balances were approximately HK$18.23 million, which was approximately HK$0.88 million lower than the Last Year (2018: approximately HK$19.11 million).

As at 31 December 2019, the Group has utilised banking facilities of approximately HK$187.45 million, which was equivalent to approximately 91.23% of the total banking facilities available for the Year as compared to the utilised amount of approximately HK$169.83 million in the Last Year which was equivalent to approximately 67.14% of the total banking facilities available for the Last Year, which represents an increase in approximately HK$17.62 million in the utilised banking facilities as at 31 December 2019 over 31 December 2018. The increase in the banking facilities was used for the new production line and assets acquisition. The Directors believe that the utilisation rate of the banking facilities has been maintained at a reasonable level. The Directors also believe that the existing banking facilities are at a safe level to support the Group's operating needs.

CHARGES ON ASSETS

The Group's bank borrowing facilities were secured mainly by the Group's plant and office building (including investment properties) with carrying value of approximately HK$152.45 million as at 31 December 2019 (2018: approximately HK$140.82 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The assets, liabilities and transactions of the Group are mainly denominated in Hong Kong dollars, Renminbi and US dollars. Each of the Group's operating entities borrowed in local currencies (Hong Kong dollars for the Hong Kong entities, Renminbi for the PRC entities) and US dollars where necessary in order to minimise currency risk.

As at 31 December 2019, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments.

FINANCIAL KEY PERFORMANCE INDICATORS

	2019	2018
Gross profit margin	**23.62%**	20.15%
Net profit margin	**2.35%**	1.91%
Gearing ratio	**0.81**	0.80

Gross Profit Margin

The gross profit margin increased by approximately 3.47% from approximately 20.15% for the Last Year to approximately 23.62% for the Year. It was mainly due to the decrease in cost of production, including the cost in raw materials and production overhead throughout the Year.

Net Profit Margin

The net profit margin increased by approximately 0.44% to approximately 2.35% for the Year as compared to approximately 1.91% for the Last Year. The increase in the net profit margin was mainly caused by the decrease in the cost of sales, selling expenses and general and administrative expenses.

Gearing Ratio

The gearing ratio increased by 0.01 to 0.81 for the Year as compared to 0.80 for the Last Year. The increase was mainly due to the increase in the total debt during the Year.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: nil).

CAPITAL STRUCTURE

There has been no change in the issued share capital of the Company during the Year. The capital structure of the Group consists of bank borrowings, net of bank balances and cash and equity attributable to shareholders of the Group comprising issued share capital and reserves. The issued share capital of the Group comprises ordinary Shares only. Total equity of the Group amounted to approximately HK$254.80 million as at 31 December 2019 (2018: approximately HK$250.89 million).

DIVIDEND

The Directors did not recommend the payment of any dividend for the Year (2018: nil).

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital expenditures contracted for approximately HK$6.54 million on a newly designed and automatic production line and others auxiliary machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries, micro button cells and Hearing Aid Battery ("**HAB**").

SIGNIFICANT INVESTMENTS HELD

Except for (i) the Company's investment in various subsidiaries; (ii) the investment in two investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories, which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) and respectively leased to two separate independent third parties under two-year term tenancy agreements entered on 23 May 2018 and on 17 July 2019, with monthly rentals at market rate and (iii) Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong, which is held by China Scene Limited (an indirect wholly-owned subsidiary of the Company), was leased to an independent third party under three-year term tenancy agreements entered into on 24 October 2018 for commercial purpose with monthly rental at market rate. On 23 October 2019, the tenant surrendered the lease and the property was then open to let in the remaining period in 2019.

Save as the above, the Group did not hold any significant Investments as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group has from time to time been exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed in this announcement, the Group does not have any specific plans for material investment or capital asset as at 31 December 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

As at 31 December 2019, the Group had a total of 532 employees (2018: 560 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK$50.63 million in the Year (2018: approximately HK$49.25 million) representing an increase of approximately 2.80% for the Year. Directors' remuneration for the Year amounted to approximately HK$6.87 million (2018: approximately HK$6.61 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK$0.46 million (2018: approximately HK$0.46 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

The Group has also appointed Mr. Liang Tao, the general manager of Goldtium Jiangmen, an indirect wholly-owned subsidiary of the Company, and one of the senior management members, to supervise and monitor compliance with statutory regulations and our internal standard in respect of environmental matters.

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

For more information in our environmental policies, please refer to our ESG Report in the 2019 annual report of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC for the business operations of the Group in all material respects.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

During the Year, the Board is of the opinion that the Company has complied with all the applicable code provisions set out in the CG Codes.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

USE OF PROCEEDS FROM LISTING AND THE RIGHTS ISSUE

The net proceeds from the Listing, after deducting related expenses, amounted to approximately HK$40.16 million. After the Listing, the net proceeds have been fully applied in accordance with the section headed "Future Plans and Use of Proceeds" as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing up to 31 December 2019 is set out below:

	Planned use of the net proceeds as stated in the Prospectus up to 31 December 2019	Actual use of the net proceeds up to 31 December 2019
	HK$'million	*HK$'million*
Repayment of bank loans	36.14	36.14
General working capital	4.02	4.02
	40.16	40.16

All net proceeds from the Listing have been used up as at 31 December 2015 according to our implementation plans disclosed in the Prospectus.

The net proceeds from the Rights Issue, after deducting related expenses, amounted to approximately HK$31 million. During the financial year ended 31 December 2017, the net proceeds of the Rights Issue have been fully applied in accordance with the intended use of proceeds as set out in the prospectus of the Rights Issue dated 27 March 2017.

FUTURE DEVELOPMENT

The Group will continue to invest in its production facilities and upgrade the production lines in order to enhance the production capacity and efficiency in 2020. A newly designed automatic production line has been acquired in 2018 for producing HAB. It will improve the production efficiency and product quality to meet the Group's plan in future expansion.

The Group is developing the retail markets for products bearing our own brand "Golden Power" and other private label business. We have started entering into the global retail markets and will continue to expand our global market shares through our co-operation with some well-developed chain stores, e-commerce, online marketplace and distribution network over the world.

To maintain our market competition, the Group will undertake restructuring as to the subsidiaries in the PRC in the financial year 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.

EVENT AFTER REPORTING PERIOD

Reference is made to the announcement of the Company dated 3 February 2020 in relation to the outbreak of the new coronavirus pneumonia epidemic (the "**Epidemic**"). Since the outbreak of the Epidemic in January 2020 in the PRC, the Group has taken all necessary internal control measures to prevent the spread of the Epidemic among the staff of the Group. The operation of the production facilities of the Group was temporarily suspended after the 2020 Chinese New Year in compliance with the Epidemic control measures promulgated by the PRC government. The operation of the production facilities of the Group had resumed in mid-February 2020.

The Group would continue to comply with the relevant laws and regulations and closely monitor the impact of Epidemic among logistics, material suppliers as well as overall the economic situation.

As at the date of this announcement, the Group expected that the Epidemic would have temporary impact on the Group's operation but the degree of impact would depend on the development of the Epidemic and the time when the Epidemic prevention and control policies would be lifted.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the "**Audit Committee**") on 15 May 2015 with written terms of reference in compliance with the Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Hui Kwok Wah (who act as the chairman of the Audit Committee), Mr. Ma Sai Yam and Mr. Chow Chun Hin, Leslie.

All members of the Audit Committee possess appropriate knowledge and financial experience to perform their duties. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee, among other things, are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and requirements under the Listing Rules and oversee the independence and qualifications of the external auditors and objectivity and the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee has reviewed the consolidated financial statements for the Year and the Audit Committee is of the opinion that the audited financial statements of the Group of the Year comply with the applicable accounting standards and the Listing Rules and adequate disclosures have been made.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 21 May 2020 (the "**2020 AGM**"). A notice convening the 2020 AGM will be published and despatched to the shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the identity of the shareholders of the Company who will be eligible to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020 both dates inclusive, the period during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 15 May 2020.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PKF Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2020 AGM.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary annual results announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.goldenpower.com and the website of the Stock Exchange at www.hkexnews.hk. The 2019 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites according to the Listing Rules.

APPRECIATION

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

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

Hong Kong, 20 March 2020

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