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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 2021 AND**

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

### **FINANCIAL HIGHLIGHTS**

- The Group recorded a revenue of approximately HK\$347.22 million for the Year (2020: approximately HK\$315.42 million), representing an increase of approximately 10.08% as compared with the Last Year.
- Profit attributable to shareholders of the Company for the Year was approximately HK\$4.71 million (2020: approximately HK\$12.34 million), representing a decrease of approximately 61.83%. The decrease was mainly attributable to the combined effects of (i) profit from operations decreased by approximately 52.02% to approximately HK\$9.75 million for the Year as compared to approximately HK\$20.32 million for the Last Year; (ii) the appreciation in Renminbi (“RMB”) during the year resulting in unfavourable exchange rate in RMB; (iii) the increase in cost of sales as a result of the increase in labour cost and the prices of raw materials and packaging materials, while such increase in cost of sales could not be timely reflected in the prices of the Group’s products; (iv) a drastic increase in freight costs and delay in delivery of the products owing to container shortages, as the selling costs increased by approximately 10.66% to approximately HK\$17.55 million for the Year as compared to approximately HK\$15.86 million for the Last Year; and (v) the other income increased to approximately HK\$3.82 million for the Year as compared to approximately HK\$1.64 million loss for the Last Year.
- The basic earnings per share for the Year was HK1.51 cents (2020: HK4.92 cents restated).
- The Directors did not recommend the payment of any dividend for the Year (2020: Nil).

## RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Golden Power Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2020 (the “**Last Year**”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2021*

	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	347,218	315,415
Cost of sales		<u>(273,731)</u>	<u>(234,591)</u>
Gross profit		73,487	80,824
Other revenue		6,016	6,454
Other gains and (losses)		3,820	(1,643)
Selling expenses		(17,554)	(15,863)
General and administrative expenses		<u>(56,018)</u>	<u>(49,455)</u>
Profit from operations		9,751	20,317
Finance costs	4(a)	<u>(3,953)</u>	<u>(3,792)</u>
Profit before income tax	4	5,798	16,525
Income tax	5	<u>(1,086)</u>	<u>(4,185)</u>
Profit for the year attributable to the equity shareholders of the Company		<u>4,712</u>	<u>12,340</u>
			(restated)
Earnings per share (HK cents)			
— Basic	6	<u>1.51</u>	<u>4.92</u>
— Diluted	6	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>4,712</u>	<u>12,340</u>
Other comprehensive income for the year, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	2,662	4,956
Fair value gain on hedging instrument designated in cash flow hedges	<u>8</u>	<u>—</u>
	<u>2,670</u>	<u>4,956</u>
Total comprehensive income for the year attributable to the equity shareholders of the Company	<u><u>7,382</u></u>	<u><u>17,296</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		343,577	293,655
Investment properties		105,000	104,000
Intangible assets		135	186
Prepaid land lease payments		4,558	4,660
Right-of-use assets		8,811	2,976
Deposits paid for acquisition of property, plant and equipment	10	14,856	10,573
Pledged deposit	10	1,945	—
Deferred tax assets		7,307	4,995
		<u>486,189</u>	<u>421,045</u>
<b>CURRENT ASSETS</b>			
Inventories	8	60,051	59,761
Trade and bills receivables	9	53,702	50,239
Deposits, prepayments and other receivables	10	29,638	26,004
Derivative financial instrument		8	—
Income tax recoverable		1,429	254
Cash and bank balances		36,630	14,452
		<u>181,458</u>	<u>150,710</u>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	11	78,576	90,025
Other payables and accruals	12	31,860	12,618
Contract liabilities	13	2,858	3,416
Bank and other borrowings	14	181,261	144,113
Lease liabilities		4,086	716
Income tax payable		208	1,428
		<u>298,849</u>	<u>252,316</u>
<b>NET CURRENT LIABILITIES</b>		<u>(117,391)</u>	<u>(101,606)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>368,798</b>	<b>319,439</b>
<b>DEDUCT:</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	14	44,911	44,194
Lease liabilities		4,534	1,815
Deferred tax liabilities		4,269	1,339
		<b>53,714</b>	<b>47,348</b>
<b>NET ASSETS</b>		<b>315,084</b>	<b>272,091</b>
<b>REPRESENTING:</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	15	3,600	2,400
Reserves		311,484	269,691
<b>TOTAL EQUITY</b>		<b>315,084</b>	<b>272,091</b>

Approved and authorised for issue by the Board of Directors on 24 March 2022.

## NOTES

### 1. CORPORATE INFORMATION

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

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

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

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

### 2. BASIS OF PREPARATION

#### (a) Compliance with Hong Kong Financial Reporting Standards

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

**(b) Initial application of HKFRSs**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021, which clarified the costs an entity should include as ‘estimated costs necessary to make the sale’ when determining the net realisable value of inventories.

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

**(c) HKFRSs in issue but not yet effective**

The following HKFRSs in issue at 31 December 2021 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 2021:

HKFRS 17	Insurance Contracts and the Related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKSA 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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) 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\$117,391,000 at 31 December 2021. 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 2021, the Group had unutilised banking facilities of approximately HK\$29,584,000;
- (ii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank borrowings with an aggregate principal amount of approximately HK\$69,000,000 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 2022, 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 continuing coronavirus pneumonia epidemic (“**Epidemic**”) has impact on the global business environment 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.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from customers and recognised at a point in time</b>		
Sales of battery products:		
— Disposable batteries	340,463	308,526
— Rechargeable batteries	6,080	6,311
— Other battery-related products	675	578
	<u>347,218</u>	<u>315,415</u>

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

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

#### Segment information

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

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

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

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

Information regarding the Group's reportable segments for the years ended 31 December 2021 and 2020 is set out below:

**Segment revenue from external customers**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Disposable batteries</b>		
(i) Cylindrical batteries		
— Alkaline	<b>176,449</b>	156,362
— Carbon	<b>65,835</b>	44,989
	<u><b>242,284</b></u>	<u>201,351</u>
 (ii) Micro-button cells		
— Alkaline	<b>68,817</b>	78,637
— Other micro-button cells	<b>29,362</b>	28,538
	<u><b>98,179</b></u>	<u>107,175</u>
	<u><b>340,463</b></u>	<u>308,526</u>
 <b>Rechargeable batteries and other battery-related products</b>		
(i) Rechargeable batteries	<b>6,080</b>	6,311
(ii) Other battery-related products	<b>675</b>	578
	<u><b>6,755</b></u>	<u>6,889</u>
	<u><b>347,218</b></u>	<u>315,415</u>

## Segment results

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Disposable batteries</b>		
(i) Cylindrical batteries		
— Alkaline	33,119	37,836
— Carbon	2,893	3,169
	<u>36,012</u>	<u>41,005</u>
(ii) Micro-button cells		
— Alkaline	21,023	24,571
— Other micro-button cells	14,814	13,908
	<u>35,837</u>	<u>38,479</u>
	<u>71,849</u>	<u>79,484</u>
<b>Rechargeable batteries and other battery-related products</b>		
(i) Rechargeable batteries	1,503	1,253
(ii) Other battery-related products	135	87
	<u>1,638</u>	<u>1,340</u>
	<u>73,487</u>	<u>80,824</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment results	73,487	80,824
Unallocated other revenue	6,016	6,454
Unallocated other gains and losses	3,820	(1,643)
Unallocated corporate expenses	(73,572)	(65,318)
Finance costs	(3,953)	(3,792)
Profit before income tax	<u>5,798</u>	<u>16,525</u>

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2021 and 2020. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Depreciation and amortisation</b>		
Disposable batteries		
— Cylindrical batteries	7,100	12,227
— Micro-button cells	5,729	7,824
	<u>12,829</u>	<u>20,051</u>
Segment total	12,829	20,051
Unallocated depreciation and amortisation	5,547	5,174
	<u>18,376</u>	<u>25,225</u>

## Revenue from major customers

During the years ended 31 December 2021 and 2020, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	39,494	36,940
Customer B	—	30,969
	<u>39,494</u>	<u>67,909</u>

## Geographic information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	113,342	98,179
Hong Kong	42,327	42,347
Asia (except the PRC and Hong Kong)	51,560	49,457
Europe	65,270	62,594
Eastern Europe	16,756	4,669
North America	40,887	32,006
South America	14,762	18,852
Australia	523	5,770
Africa	513	91
Middle East	1,278	1,450
	<u>347,218</u>	<u>315,415</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	297,719	240,855
Hong Kong	172,831	166,082
Macau	8,332	9,113
	<u>478,882</u>	<u>416,050</u>

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):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs:		
Bank loans interest	5,653	5,834
Interest on import and other loans	751	920
Interest on lease liabilities	347	93
Bank overdraft interest	31	16
	<hr/>	<hr/>
Total interest expense	6,782	6,863
Less: interest expense capitalised into property, plant and equipment ( <i>Note a</i> )	(2,829)	(3,071)
	<hr/>	<hr/>
	<b>3,953</b>	<b>3,792</b>
	<hr/> <hr/>	<hr/> <hr/>
(b) Staff cost (excluding Directors' emoluments) ( <i>Note b</i> ):		
Salaries, wages and other allowances	38,250	38,537
Contributions to defined contribution plans	4,734	1,303
	<hr/>	<hr/>
	<b>42,984</b>	<b>39,840</b>
	<hr/> <hr/>	<hr/> <hr/>
(c) Other items:		
Amortisation of intangible assets	51	85
Amortisation of prepaid lease payments	223	208
Auditors' remuneration		
— Audit services	712	777
— Non-audit services	53	159
Bad debt on trade receivables written off	—	222
Bad debts on other receivables written off	—	162
Cost of inventories recognised as expenses	273,731	234,591
Depreciation		
— Property, plant and equipment	13,632	22,341
— Right-of-use assets	4,470	2,591
Loss on disposals of property, plant and equipment:		
— Proceeds from disposals of property, plant and equipment	(29)	(523)
— Carrying amount of property, plant and equipment	136	2,418
	<hr/>	<hr/>
	107	1,895
Write-down to net realisable value on inventories	128	2,560
Written off of property, plant and equipment	—	96
Short-term lease expenses	83	156
Rental income less outgoings of approximately HK\$245,000 (2020: approximately HK\$434,000)	(1,523)	(2,726)
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) The borrowing costs have been capitalised at a rate of 3.81% and 4.14% per annum for the years ended 31 December 2021 and 2020 respectively.
- (b) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of HK\$2,209,000 was received and net off the staff cost recognised during the year ended 31 December 2020.

## 5. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong profits tax:		
Provision for the year	692	2,035
Over-provision in prior years	(149)	(45)
Current tax — PRC enterprise income tax (“EIT”):		
Provision for the year	—	—
Over-provision in prior years	—	(80)
	<u>543</u>	1,910
Deferred taxation:		
Current year	<u>543</u>	<u>2,275</u>
Income tax expense	<u><u>1,086</u></u>	<u><u>4,185</u></u>

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

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

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

The provision for Hong Kong Profits Tax for 2021 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/2022 subject to a maximum reduction of \$10,000 for each business (2020: a maximum reduction of \$10,000 was granted for the year of assessment 2020/2021).

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 9 November 2017 and 1 December 2020 respectively, Goldtium (Jiangmen) Energy Products Company Limited (“**Goldtium Jiangmen**”) was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2017 and from 1 January 2020 respectively.

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

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax	<u><b>5,798</b></u>	<u>16,525</u>
Tax effect at the Hong Kong profits tax rate of 16.5% (2020: 16.5%)	<b>956</b>	2,726
Tax effect of non-taxable income	<b>(248)</b>	(830)
Tax effect of non-deductible expenses	<b>1,919</b>	1,087
Tax effect of recognition of tax losses previously not recognised	<b>(45)</b>	—
Tax effect of unrecognised tax losses	<b>185</b>	53
Tax effect of utilisation of tax losses	<b>(1,448)</b>	(1,591)
Over-provision in prior years	<b>(149)</b>	(125)
Tax concession	<b>(165)</b>	(165)
Tax rate differential	<u><b>81</b></u>	<u>3,030</u>
Income tax expense	<u><b>1,086</b></u>	<u>4,185</u>

## 6. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Profit for the year attributable to the equity holders of the Company	4,712	12,340
	<i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of calculating basic earnings per Share	<u>312,522</u>	<u>251,009</u>

Diluted earnings per Share has not been disclosed as no dilutive potential equity shares has been in existence for the year ended 31 December 2021 and 2020, respectively.

The weighted average number of Share for the year ended 31 December 2021 for the purpose of the calculation of basic earnings per Share has been adjusted after taking into account of the rights issue on the basis of one right Share for every two existing Shares held on the record date, which was completed on 9 June 2021 (“**Right Issue**”). The corresponding weighted average number of ordinary Shares for the year ended 31 December 2020 has been retrospectively adjusted to reflect the Right Issue.

## 7. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2021 and 2020.

## 8. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	18,020	17,839
Work in progress	27,684	31,917
Finished goods	<u>17,287</u>	<u>14,055</u>
	62,991	63,811
Less: Write-down to net realisable value	<u>(2,940)</u>	<u>(4,050)</u>
	<u>60,051</u>	<u>59,761</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	4,050	1,237
Write-down to net realisable value for the year	128	2,560
Written off	(1,325)	—
Exchange adjustments	87	253
	<u>          </u>	<u>          </u>
At 31 December	<u><u>2,940</u></u>	<u><u>4,050</u></u>

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

## 9. TRADE AND BILLS RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	53,377	50,574
Less: Loss allowance	—	(512)
	<u>          </u>	<u>          </u>
Bills receivables	53,377	50,062
	325	177
	<u>          </u>	<u>          </u>
	<u><u>53,702</u></u>	<u><u>50,239</u></u>

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

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	512	479
Written off against trade receivables	(517)	—
Exchange adjustments	5	33
	<u>          </u>	<u>          </u>
At 31 December	<u><u>—</u></u>	<u><u>512</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	26,563	29,963
31–60 days	15,778	11,857
61–90 days	7,229	5,304
91–120 days	2,040	3,013
Over 120 days	2,092	102
	<u>53,702</u>	<u>50,239</u>

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

#### 10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Utilities and other deposits	17,593	11,381
Prepayments	12,865	15,208
Other receivables	2,585	3,554
VAT recoverable	13,396	6,434
	<u>46,439</u>	<u>36,577</u>
Less: Non-current portion		
— Deposits paid for acquisition of property, plant and equipment	(14,856)	(10,573)
— Pledged deposit (Note)	(1,945)	—
	<u>29,638</u>	<u>26,004</u>

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

## 11. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	17,991	33,637
31–90 days	31,522	35,655
91–180 days	22,455	17,983
Over 180 days	6,608	2,750
	<u>78,576</u>	<u>90,025</u>

## 12. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables	24,126	2,506
Accruals	7,388	9,766
Provision for annual leave	346	346
	<u>31,860</u>	<u>12,618</u>

## 13. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	3,416	3,133
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,666)	(2,456)
Increase as a result of billing in advance	2,089	2,699
Exchange adjustments	19	40
At 31 December	<u>2,858</u>	<u>3,416</u>

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

#### 14. BANK AND OTHER BORROWINGS

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank loans		180,822	162,239
Secured bank import loans and other loans		<u>45,350</u>	<u>26,068</u>
Total secured bank and other loans	<i>(a)</i>	<u>226,172</u>	<u>188,307</u>
Less: Amount classified as current liabilities		<u>(181,261)</u>	<u>(144,113)</u>
Amount classified as non-current liabilities		<u>44,911</u>	<u>44,194</u>
The carrying amounts of the above borrowings are repayable*:			
Within one year		166,425	139,342
Within a period of more than one year but not exceeding two years		29,697	19,667
Within a period of more than two years but not exceeding five years		24,041	21,002
Within a period of more than five years		<u>6,009</u>	<u>8,296</u>
		<u>226,172</u>	<u>188,307</u>
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:			
Within one year		181,261	144,113
Within a period of more than one year but not exceeding two years		23,118	15,476
Within a period of more than two years but not exceeding five years		15,784	20,422
Within a period of more than five years		<u>6,009</u>	<u>8,296</u>
		<u>226,172</u>	<u>188,307</u>
Less: Amount due within one year shown under current liabilities		<u>(181,261)</u>	<u>(144,113)</u>
Amount shown under non-current liabilities		<u>44,911</u>	<u>44,194</u>

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

Notes:

(a) The Group had the following banking facilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total banking facilities granted	255,756	237,168
Less: banking facilities utilised by the Group	<u>(226,172)</u>	<u>(188,307)</u>
Unutilised banking facilities	<u><u>29,584</u></u>	<u><u>48,861</u></u>

At 31 December 2021, these banking facilities were secured by:

- (i) bank loans of approximately HK\$73,451,000 (2020: HK\$48,029,000) were guaranteed by unlimited cross corporate guarantee executed by the Company and its subsidiaries;
- (ii) bank loans of approximately HK\$152,721,000 (2020: HK\$140,278,000) were guaranteed by corporate guarantee of approximately HK\$321,089,000 (2020: HK\$309,873,000) executed by the Company; and
- (iii) certain property, plant and machinery, all investment properties and all prepaid land lease payments situated in Hong Kong, the PRC and Macau owned by the Group with aggregate carrying amount of HK\$154,820,000 (2020: HK\$156,188,000).

(b) There was no financial covenant for the banking facilities at 31 December 2021 and 2020.

## 15. SHARE CAPITAL

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

	Number of shares	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:			
At beginning of year	240,000,000	2,400	2,400
Issue of shares ( <i>Note</i> )	<u>120,000,000</u>	<u>1,200</u>	<u>—</u>
At end of year	<u><u>360,000,000</u></u>	<u><u>3,600</u></u>	<u><u>2,400</u></u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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 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 revenue of cylindrical batteries for the Year increased by approximately HK\$40.93 million from approximately HK\$201.35 million for the Last Year to approximately HK\$242.28 million for the Year, which was equivalent to a increase in approximately 20.33% in revenue of cylindrical batteries. Such increase in revenue was mainly due to increase in its general demand in Eastern Europe, China and Asia during the Year.

The revenue of micro-button cells for the Year decreased by approximately HK\$9.00 million from approximately HK\$107.18 million for the Last Year to approximately HK\$98.18 million for the Year, which was equivalent to an decrease of approximately 8.40% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year decreased by approximately HK\$0.13 million from approximately HK\$6.89 million for the Last Year to approximately HK\$6.76 million for the Year, which was equivalent to approximately 1.89% decrease in revenue of rechargeable batteries and other battery-related products. Such decrease in revenue was mainly due to decrease in its general demand except Eastern Europe and PRC market.

Revenue for the Year has increased by approximately 10.08% to approximately HK\$347.22 million from approximately HK\$315.42 million in the Last Year. Profit attributable to the shareholders of the Company (the “**Shareholder(s)**”) was approximately HK\$4.71 million for the Year, as compared to a profit of approximately HK\$12.34 million in the Last Year, representing a decrease of approximately 61.83%. Earnings per share were HK1.51 cents, as compared to the earnings per share of HK4.92 cents (restated) for the Last Year.

## FINANCIAL REVIEW

### Revenue

Revenue for the Year was approximately HK\$347.22 million (2020: approximately HK\$315.42 million) representing an increase of approximately 10.08% as compared to the Last Year. Such increase was mainly attributable to the increase in demand of cylindrical batteries from Eastern Europe, China and Asia but such increase was net off by the decrease of micro-button cell demand except Eastern Europe and PRC market during the Year.

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

	<b>2021</b> <i>HK\$'000</i>	2020 HK\$'000
The PRC	<b>113,342</b>	98,179
Hong Kong	<b>42,327</b>	42,347
Asia (except the PRC and Hong Kong)	<b>51,560</b>	49,457
Europe	<b>65,270</b>	62,594
Eastern Europe	<b>16,756</b>	4,669
North America	<b>40,887</b>	32,006
South America	<b>14,762</b>	18,852
Australia	<b>523</b>	5,770
Africa	<b>513</b>	91
Middle East	<b>1,278</b>	1,450
	<b><u>347,218</u></b>	<u>315,415</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 HK\$'000
Cylindrical batteries	<b>242,284</b>	201,351
Micro-button cells	<b>98,179</b>	107,175
Rechargeable batteries and other battery-related products	<b>6,755</b>	6,889
	<b><u>347,218</u></b>	<u>315,415</u>

## **Gross Profit**

The Group recorded a gross profit for the Year of approximately HK\$73.49 million (2020: approximately HK\$80.82 million), representing a decrease of approximately 9.07% as compared to the Last Year, which was mainly due to the increase in cost of sales by approximately HK\$39.14 million from approximately HK\$234.59 million for the Last Year to approximately HK\$273.73 million for the Year, representing an increase of approximately 16.68%. The increase was mainly attributable to the appreciation in RMB during the year resulting in unfavourable exchange rate in RMB, the increase in cost of sales as a result of the increase in labour cost and the prices of raw materials and packaging materials, while such increase in cost of sales could not be timely reflected in the prices of the Group's products.

## **Expenses**

During the Year, the selling expenses of the Group increased by approximately 10.66% to approximately HK\$17.55 million as compared to approximately HK\$15.86 million in the Last Year. The increase was mainly due to the increase in the staff costs and logistic expenses. The Group's general and administrative expenses increased by approximately HK\$6.56 million to approximately HK\$56.02 million as compared to approximately HK\$49.46 million for the Last Year. The increase in general and administrative expenses was mainly due to the increase in salaries, rental and sundry expenses.

## **Finance Costs**

The finance costs of the Group has increased by approximately 4.22% to approximately HK\$3.95 million for the Year as compared to approximately HK\$3.79 million in the Last Year. The increase was mainly due to the increment in interest on lease liabilities.

## **Income Tax**

The income tax expense of the Group has decreased by approximately HK\$3.10 million to approximately HK\$1.09 million tax expense for the Year as compared to approximately HK\$4.19 million for the Last Year. The decrease was in line with the drop of the Group's profit in the Year.

## **Profit attributable to the Shareholders**

Profit attributable to Shareholders for the Year was approximately HK\$4.71 million (2020: approximately HK\$12.34 million), representing an decrease of approximately 61.83%. The decrease was mainly attributable to the combined effects of (i) profit from operations decreased by approximately 52.02% to approximately HK\$9.75 million for the Year as compared to approximately HK\$20.32 million for the Last Year; (ii) the appreciation in RMB during the year resulting in unfavourable exchange rate in RMB; (iii) the increase in cost of sales as a result of the increase in labour cost and the prices of raw materials and packaging materials, while such increase in cost of sales could not

be timely reflected in the prices of the Group's products; (iv) a drastic increase in freight costs and delay in delivery of the products owing to container shortages, as the selling costs increased by approximately 10.66% to approximately HK\$17.55 million for the Year as compared to approximately HK\$15.86 million for the Last Year; and (v) the other income increased to approximately HK\$3.82 million for the Year as compared to approximately HK\$1.64 million loss for the Last Year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

As at 31 December 2021, the cash and bank balances were approximately HK\$36.63 million, which was approximately HK\$22.18 million more than HK\$14.45 million as at 31 December 2020.

As at 31 December 2021, the Group has utilised banking facilities of approximately HK\$226.17 million, which was approximately 88.43% of the total banking facilities available, as compared to the utilised amount of approximately HK\$188.31 million as at 31 December 2020 which was approximately 79.40% of the total banking facilities available, which represents an increase by approximately HK\$37.86 million in the utilised banking facilities as at 31 December 2021 over 31 December 2020. The increase in the banking facilities was used for the new production lines and assets acquisition. The Directors believe that the utilisation rate of the banking facilities has been maintained at a reasonable level. During the year, the Group reviewed the types of banking facilities and opted for a different type of banking facilities, which resulted in the increase in finance costs incurred during the year. The Directors also believe that the existing banking facilities are at a safe level to support the Group's operating needs.

## **CHARGES ON ASSETS**

The Group's bank borrowing facilities were secured mainly by certain property, plant and equipment, all investment properties and all prepaid land lease payment of the Group with carrying value of approximately HK\$154.82 million as at 31 December 2021 (2020: approximately HK\$156.19 million).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

As at 31 December 2021, the Group has entered into the foreign exchange future contracts to hedge against the fluctuation in exchange rates between RMB and Hong Kong Dollar for the forecast purchase transactions, which had a total contract value of RMB10 million, and the Group did not enter into any other foreign currency borrowing contracts or hedging instruments.

## FINANCIAL KEY PERFORMANCE INDICATORS

	2021	2020
Gross profit margin	21.16%	25.62%
Net profit margin	1.36%	3.91%
Gearing ratio	<u>0.86</u>	<u>0.76</u>

### *Gross Profit Margin*

The gross profit margin decreased by approximately 4.46% from approximately 25.62% for the Last Year to approximately 21.16% for the Year. It was mainly due to the appreciation in RMB during the year resulting in unfavourable exchange rate in RMB, the increase in cost of sales as a result of the increase in labour cost and the prices of raw materials and packaging materials, while such increase in cost of sales could not be timely reflected in the prices of the Group's products.

### *Net Profit Margin*

The net profit margin decreased by approximately 2.55% to approximately 1.36% for the Year as compared to approximately 3.91% for the Last Year. The decrease in the net profit margin was mainly attributable to the combined effects of the increase in the cost of sales, selling expenses and general and administrative expenses and other income.

### *Gearing Ratio*

The gearing ratio increased by 0.09 to 0.86 for the Year as compared to 0.76 for the Last Year. The increase was mainly due to the increase in the total borrowings during the Year. Gearing ratio is defined as the total other payables and accruals, contract liabilities, bank borrowings and lease liabilities divided by total equity.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

## **CAPITAL STRUCTURE**

Save for the Rights Issue completed on 9 June 2021 for the issue of an aggregate of 120,000,000 rights shares, there has been no change in the issued share capital of the Company during the Year. For further information on the rights issue, please refer to the paragraph headed “Rights Issue” below. 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\$315.08 million as at 31 December 2021 (2020: approximately HK\$272.09 million).

## **DIVIDEND**

The Directors did not recommend the payment of any dividend for the Year (2020: nil).

## **CAPITAL COMMITMENT**

As at 31 December 2021, the Group had capital expenditures contracted for approximately HK\$9.02 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**

As at 31 December 2021, the Group had the following significant investments: (i) the Company’s investment in various subsidiaries; (ii) the investment in two investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories (the “**Tai Ping Properties**”), which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) for leasing purpose and (iii) Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong (the “**Fortune Plaza Shop**”), which is held by China Scene Limited (an indirect wholly-owned subsidiary of the Company) and was leased to an independent third party under two-year term tenancy agreement entered into on 18 June 2020 for commercial purpose at market rent.

Both leases for Tai Ping Properties had expired as at 31 December 2021 and were open to let.

Save as the above, the Group did not hold any other significant investments as at 31 December 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET**

The Group has from time to time been exploring investment opportunities that would benefit the Shareholders as a whole. The Group had capital expenditures contracted for approximately HK\$9.02 million for the acquisition of a newly designed and automatic production line and auxiliary and other machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical and micro-button cells batteries. Except for those disclosed in this annual announcement, the Group did not have any specific plans for material investment or capital asset as at 31 December 2021.

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

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

- (i) The Group's business and operation may be seriously affected by the Pandemic or other public health incidents which may cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere;
- (ii) 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;
- (iii) 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;
- (iv) The Group's revenue is denominated in RMB, Hong Kong dollars and US dollars and the cost of sales is primarily denominated in RMB and the remaining is denominated in Hong Kong dollars, US dollars and Euros. The value of RMB against Hong Kong dollars and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in the PRC;

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

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

#### **EMPLOYEES AND REMUNERATION POLICY**

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

As at 31 December 2021, the Group had a total of 490 employees (2020: 525 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$53.35 million in the Year (2020: approximately HK\$48.69 million) representing an increase of approximately 9.57% for the Year. Directors' remuneration for the Year amounted to approximately HK\$10.36 million (2020: approximately HK\$8.85 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK\$0.49 million (2020: approximately HK\$0.46 million).

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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

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

## **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

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

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

During the Year, the Board is of the opinion that the Company has complied with all the applicable code provisions set out in the CG Codes. For further information, please refer to the Corporate Governance Report in the annual report of the Company for the Year, which will be published according to Listing Rules by April 2022.

## **MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the required standards for securities transactions by Directors. The Company has made specific enquiries to each of the Director and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors’ securities transactions throughout the Year.

## **KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

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

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

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

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

## **FUTURE DEVELOPMENT**

The Group will continue to invest in its production facilities and upgrade the production lines in order to enhance the production capacity and efficiency in 2022. A newly designed automatic production line acquired in 2018 for producing HAB has commenced trial-run in the third quarter of 2021. It will improve the production efficiency and product quality to meet the Group's plan in future expansion for the Health Care device market. In January 2022, with our expertise and experience in developing new models of micro-button cells, we successfully obtained one invention patent and one utility model patent granted in PRC in relation to the production of micro-button cells.

The Group is developing batteries to be used in the IoT markets which bear the Group's own brand "Golden Power" and other private label brands. The Group started entering into the global IoT battery markets and will continue to expand its global market shares through its co-operation with some well-developed chain stores, e-commerce sales platform, online marketplace, distribution network and major market players over the world.

In order to maintain its market competitiveness, the Group will continue to streamline its corporate structure in the PRC in 2022.

## **RIGHTS ISSUE**

On 9 April 2021, the Company announced that it proposed to raise approximately HK\$39.60 million, before expenses of HK\$3,989,000, by issuing 120,000,000 rights shares (the "**Rights Share(s)**"), which after fully-paid would rank pari passu with the ordinary Shares, by way of Rights Issue at the subscription price of HK\$0.33 per Rights Share, on the basis of one Rights Share for every two existing Shares held on the record date by the Shareholders.

Completion of the Rights Issue took place on 9 June 2021, where an aggregate of 120,000,000 Rights Shares, representing approximately 33.3% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), were issued. The aggregate nominal amount of the Rights Shares is HK\$1,200,000. The subscription price of the Right Share represents a discount of approximately 16.2% to the closing price of HK\$0.394 per Share as quoted on the Stock Exchange on the date of announcement of the Rights Issue on 9 April 2021. The net Subscription Price is approximately HK\$0.29 per Rights Share. The reasons for the Rights Issue were to raise funds for (i) repayment of bank loan; (ii) upgrade equipment and machines; and (iii) general working capital. For details of the use of proceeds, please refer to the paragraph headed "Use of Proceeds from the Rights Issue" below in this announcement.

For more details of the Rights Issue, please refer to the Company's announcement dated 9 April 2021, the Rights Issue Prospectus dated 14 May 2021 (the "**Rights Issue Prospectus**") and the announcement of the Company dated 7 June 2021 in relation to the results of the Rights Issue.

## USE OF PROCEEDS FROM THE RIGHTS ISSUE

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

From the completion of the Rights Issue to 31 December 2021, the net proceeds from the Rights Issue of the Company had been applied as follows:

	<b>Planned use of proceeds as stated in the Rights Issue Prospectus HK\$'million</b>	<b>Actual use of proceeds up to 31 December 2021 HK\$'million</b>	<b>Remaining proceeds as at 31 December 2021 HK\$'million</b>	<b>Intended timeline for the use of the proceeds</b>
Repayment of bank loan	20.0	20	—	—
Upgrade equipment and machines	11.9	3.6	8.3	before 31 December 2022
General working capital	<u>3.6</u>	<u>3.6</u>	<u>—</u>	—
	<u>35.5</u>	<u>27.2</u>	<u>8.3</u>	

The net proceeds from the Rights Issue have been and will be applied in the manner set out in the disclosure in the Rights Issue Prospectus. There have been a delay in use of the net proceeds from the Rights Issue in relation to upgrade of equipment and machines, since there is a postponement in the upgrading schedule and, for some of the machineries and equipment, the Group has placed orders but, under the relevant contracts, the Group has yet to make full payment under the agreed payment schedule.

## 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

The Group had no material events for disclosure subsequent to 31 December 2021 and up to the date of this announcement.

## **REVIEW BY AUDIT COMMITTEE**

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the Year comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on Friday, 27 May 2022 (the “**2022 AGM**”). A notice convening the 2022 AGM will be published and despatched to the Shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

## **CLOSURE OF REGISTER OF MEMBERS**

For ascertaining the identity of the Shareholders who will be eligible to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 23 May 2022 to Friday, 27 May 2022 (both dates inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 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, 20 May 2022.

## **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 2022 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2022 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 2021 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](http://www.goldenpower.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 annual report of the Company will be despatched to the Shareholders and available on the above websites according to the Listing Rules by April 2022.

## **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.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Board proposes to amend the existing articles of association of the Company (“**Articles**”) in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles (“**Proposed Amendments**”) are summarised below:

1. to specify that the Company shall hold an annual general meeting within six months after the end of the Company's financial year;
2. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;
3. to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more Shareholders holding not less than one tenth (1/10th) of the paid up capital of the Company having the right of voting at general meetings, such Shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;
4. to provide that the branch register of Shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and
5. to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the Listing Rules.

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2022 AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the 2022 AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

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

Hong Kong, 24 March 2022

*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.*