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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Golden Power Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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GoldenPower®
GOLDEN POWER GROUP HOLDINGS LIMITED
金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8038)

CONTINUING CONNECTED TRANSACTIONS
MASTER SALES AGREEMENT

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

MESSIS  **大有融資**

MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 40 of this circular.

A notice convening the EGM to be held at 26/F Meeting Room II-III, Hyatt Regency Hong Kong, Sha Tin, 18 Chak Cheung Street, Sha Tin, Hong Kong on Monday, 29 May 2017 at 10:00 a.m. is set out on pages 47 to 48 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the EGM or any adjournment thereof, as the case may be, to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

10 May 2017

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

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

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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	18
Letter from the Independent Financial Adviser	20
Appendix I — General Information	41
Appendix II — Notice of the EGM	47

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2013 Agreement”	the master sales agreement dated 31 December 2013 entered into among the Company, Nan Hua Jin Li and Suenglh for the sale and purchase of the Products
“2017 Rights Issue”	the issue of 80,000,000 new Shares by way of rights issue at the subscription price of HK\$0.4 on the basis of one rights share for every two existing Shares held on the record date, details of which are disclosed in the prospectus of the Company dated 27 March 2017. The 2017 Rights Issue completed on 21 April 2017
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Golden Power Group Holdings Limited (金力集團控股有限公司) (Stock Code: 8038), an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2012
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for, among other things, approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Golden Villa”	Golden Villa Ltd., a limited liability company incorporated in the British Virgin Islands on 24 January 2003, the entire issued share capital of which is owned by Mr. Chu and is one of the controlling shareholders of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie, established to advise the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term
“Independent Shareholders”	the Shareholders other than Golden Villa and its associates
“Latest Practicable Date”	8 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Macau”	the Macau Special Administrative Region of the PRC
“majority-controlled company(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Master Sales Agreement”	the master sales agreement dated 1 February 2017 entered into among the Company, Nan Hua Jin Li and Suenglh for the sale and purchase of the Products
“Mr. Chu”	Mr. Chu King Tien, an executive Director, the chairman of the Group, the ultimate shareholder of the entire issued share capital of Golden Villa and one of the controlling shareholders of the Company
“Mr. Zhu”	Mr. Zhu Chengxian, a nephew of Mr. Chu
“Nan Hua Jin Li”	廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited*), a limited liability company established under the laws of the PRC on 14 May 1998
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Products”	batteries under the “Golden Power” brand and the brands of the private label and OEM customers and other battery-related products
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Suenglh”	Suenglh Corporation Limited (動能(香港)有限公司), a limited liability company incorporated in Hong Kong on 17 May 2012, the entire issued share capital of which is owned by Mr. Zhu
“Term”	a term of three years commencing retrospectively from 1 January 2017 up to 31 December 2019 (both days inclusive)
“%”	per cent

* *For identification purposes only*

GoldenPower®
GOLDEN POWER GROUP HOLDINGS LIMITED
金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8038)

Executive Directors:

Mr. Chu King Tien (*Chairman*)
Ms. Chu Shuk Ching
Mr. Tang Chi Him
Mr. Chu Ho Wa

Registered Office:

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Independent non-executive Directors:

Mr. Hui Kwok Wah
Mr. Ma Sai Yam
Mr. Chow Chun Hin Leslie

*Headquarters and principal place
of business in Hong Kong:*

Flat C, 20/F, Block 1
Tai Ping Industrial Centre
57 Ting Kok Road
Tai Po, New Territories
Hong Kong

10 May 2017

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER SALES AGREEMENT**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 1 February 2017 in relation to the entering of the Master Sales Agreement. On 1 February 2017, the Company entered into the Master Sales Agreement with Nan Hua Jin Li and Suenglh pursuant to which, the Group conditionally agreed to sell and supply, and Nan Hua Jin Li and Suenglh conditionally agreed to purchase, the Products for a term of three years commencing retrospectively from 1 January 2017 and ending on 31 December 2019 (both days inclusive), subject to the conditions precedent and other terms and conditions provided therein.

LETTER FROM THE BOARD

The Master Sales Agreement is an extension of the 2013 Agreement which has expired on 31 December 2016. The terms of the transactions under the Master Sales Agreement were negotiated among the Company, Nan Hua Jin Li and Suenglh shortly before the expiry of the 2013 Agreement on 31 December 2016. Since the time for negotiation and for the internal approval of the Master Sales Agreement took longer than expected, the Master Sales Agreement was not signed until 1 February 2017. In this regard, the management of the Group has reviewed the internal procedures for the negotiation and approval of the continuing connected transactions of the Group to ensure that before expiry of the relevant agreements, the same would be negotiated and signed and, if applicable, approved by the shareholders of the Company. In the future, not less than six months before the expiry of the relevant agreements, the sales department will be responsible for commencing the negotiation for the renewal of the same. The chief executive office of the Group will monitor the process to ensure that the relevant agreements would be negotiated and signed and, if applicable, approved by the shareholders of the Company before the respective expiry dates. The principal terms of the Master Sales Agreement are substantially the same as those of the 2013 Agreement.

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu and 29% by independent third parties. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. As such, Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a majority-controlled company of Mr. Zhu, is therefore a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Given that the maximum annual cap under the Master Sales Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 5%, the Master Sales Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements. The Company will seek the Independent Shareholders' approval for the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

The purposes of this circular are to provide you, among other things, with (a) further details of the Master Sales Agreement and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term; (c) a letter from Messis Capital to the Independent Board Committee and the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term; (d) a notice for convening the EGM; and (e) other information as required under the GEM Listing Rules.

LETTER FROM THE BOARD

II. PRINCIPAL TERMS OF THE MASTER SALES AGREEMENT

(1) Date: 1 February 2017

(2) Parties:

- (i) the Company
- (ii) Nan Hua Jin Li
- (iii) Suenglh

(3) Term:

Three years commencing retrospectively from 1 January 2017 to 31 December 2019 (both days inclusive)

(4) Scope

Sale and supply of the Products in the PRC (excluding Macau and Taiwan) by the Group to Nan Hua Jin Li and Suenglh for the Term, subject to the conditions precedent and other terms and conditions provided therein.

(5) Conditions precedent

The taking effect of the Master Sales Agreement is conditional upon the Independent Shareholders' approval of (i) the Master Sales Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps for the Term at the EGM. If such conditions are fulfilled, the Master Sales Agreement will become effective and shall deem to have commenced retrospectively from 1 January 2017 and shall continue until 31 December 2019. If such conditions are not fulfilled on or before 30 June 2017 (or such later date as may be agreed between the parties), the Master Sales Agreement and all rights and obligations thereunder will be automatically terminated, and no party shall have any claim against the others by reason thereof except in respect of any antecedent breach.

(6) Payment term

Payment by telegraphic transfer or cheque within 25 days after the 60-day credit period.

According to this payment term, Nan Hua Jin Li and Suenglh are required to pay within the 60-day credit period which commences after the issue of the relevant monthly statement, but in case there are any hiccups in the telegraphic transfer or cheque payment arrangement or if there is any disagreement over the monthly statement, payment within a grace period of 25 days after the expiry of the 60-day credit period is still acceptable to the Group. In determining the availability and extent

LETTER FROM THE BOARD

of the credit period and grace period granted to Nan Hua Jin Li and Suenglh, the Group has gone through internal credit assessment procedures and has taken into account the following criteria in respect of Nan Hua Jin Li and Suenglh:

- (a) credit records;
- (b) length of business relationship with the Group; and
- (c) business volume , such as the historical transaction amount with the Group. In general, higher business volume may have advantage in the credit assessment but subject to the decision of the management of the Group.

As the credit assessment procedures and the criteria that the Group has considered in determining the availability and extent of the credit period and grace period granted to Nan Hua Jin Li and Suenglh are also applicable to other independent third-party purchasers of the Products, the Directors (including the Independent Board Committee after taking into account the advice of Messis Capital) consider that the credit period and the grace period offered to Nan Hua Jin Li and Suenglh are fair and reasonable, and are no less favourable to the Group than those offered to other independent third-party purchasers of the Products.

(7) Annual caps

The annual caps of the transactions under the Master Sales Agreement are stipulated as HK\$26.6 million, HK\$29.3 million and HK\$32.2 million for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

(8) Pricing of the Products

The unit prices of the Products to be supplied and sold by the Group under the Master Sales Agreement are set out in a price list assigned to Nan Hua Jin Li and Suenglh. Such price list shall be based on the RMB quotations in the general price list of the Products adopted by the Group which are generally applicable to all PRC customers of the Group. The Group's general price list is mainly formulated with reference to the following factors:

- (a) the Group's production costs;
- (b) the market prices of the corresponding types of products; and
- (c) any other factors affecting the Products' prices.

The final selling price of a sales order may be affected by factors such as packaging requirements and volume of the sales order.

In such mechanism, the unit prices of the Products to be supplied and sold by the Group under the Master Sales Agreement shall be at terms no more favourable to Nan Hua Jin Li and Suenglh than those offered to other third-party purchasers by the Group.

LETTER FROM THE BOARD

The general price list of the Products as mentioned above are reviewed and if required, updated by the vice general manager of our sales department (the “VGM”) on an as-required basis (in responding to the market changes, such as any relevant changes in raw material costs, currency exchange rates and market prices of the corresponding types of products) and at least annually, subject to the final approval by the chief executive officer of the Group (the “CEO”). The Board considers that the afore-mentioned procedures can ensure timely review and update of the general price list of the Products.

The above-mentioned factors that the Group has taken into account would affect the prices of the Products charged to Nan Hua Jin Li and Suenglh in the following manner:

- (a) the prices charged to Nan Hua Jin Li and Suenglh which are in turn based on the general price list adopted by the Group would reasonably reflect the Group’s production costs, such as the cost of raw material and packaging, direct labour cost at the material time, subcontracting charges and overhead cost;
- (b) the management of the Group will consider the volume of Nan Hua Jin Li’s and Suenglh’s purchases to determine if any discount will be allowed if so requested by them, which shall be consistent with the relevant policy of the Group applicable to its customers;
- (c) any packaging requirements requested by Nan Hua Jin Li and Suenglh that would require additional labour or materials would lead to higher prices charged to them, which shall be consistent with the relevant policy of the Group applicable to its customers;
- (d) the market prices of the corresponding types of the Products would be regularly compared to through the weekly sales meeting as discussed below market comparable rates to ensure competitiveness; and
- (e) other factors that the Group would take into account in determining the prices charged to Nan Hua Jin Li and Suenglh mainly included (i) the applicable currency exchange rate at the material time; and (ii) the changes in the laws, regulations and policies in relation to the battery industry, if applicable, which shall also be consistently applied to the general price list adopted by the Group.

When determining the general price list of the Group, in order to ascertain the market prices of the corresponding types of products, our sales team will try to gather the pricing information as much as possible during their meetings and contacts with our customers and suppliers. During the weekly sales meeting of our sales department at which the sales team, the VGM and the CEO will attend, such pricing information, if any, will be exchanged and discussed. Any relevant pricing information will be assessed by the VGM and the CEO from time to time, and will be one of the factors taken into account by the VGM and the CEO in the review and update of the general price list of

LETTER FROM THE BOARD

the Products with reference to all other factors mentioned above as a whole. There is not necessarily a linear relationship between the pricing information obtained during the weekly sales meeting and the general price list of the Products. Generally, when we note that there is a material deviation between price of the Products in the general price list and the market price of comparable models of batteries in the market, the Company will consider whether it is necessary to adjust the general price list of the Products so as to increase our competitiveness, to maximize our profit, while preserving our relationship with our customers. During the years ended 31 December 2015 and 2016, respectively, market price was only one of the factors being considered in the review of the general price list of the Products, but was not a contributing factor to the adjustment of the general price list of the Products. The Group has adjusted the general price list of the Products due to factors such as change in raw materials costs and introduction of new products in the past two years.

(9) Termination

The Master Sales Agreement may be terminated by either the Company, Nan Hua Jin Li or Suenglh by giving no less than 2-month notice to the other parties.

In relation to the Master Sales Agreement, the Group has gone through its internal procedures for the negotiation and approval of the same. Such internal procedures also apply to the independent third party customers. As mentioned above, when determining the credit period and the grace period that would be made available to Nan Hua Jin Li and Suenglh, the Group has applied the same credit assessment procedures and criteria to the independent third party customers. When determining the prices for the Products charged to Nan Hua Jin Li and Suenglh, the Group would base on the RMB quotations in the general price list of the Products adopted by the Group which are generally applicable to all PRC customers of the Group. The credit policy and pricing policy of the Group are reviewed on an annual basis and whenever the circumstances require. The taking of these measures would ensure that the terms of the Master Sales Agreement are fair and reasonable and would not be less favourable to the Group than those offered to the independent third party customers.

The Master Sales Agreement was entered into in the ordinary and usual course of business of the Group. The Directors (including the Independent Board Committee after taking into account the advice of Messis Capital) consider that the transactions under the Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS

The historical sales amounts by the Group to Nan Hua Jin Lin and Suenglh under the 2013 Agreement are as follows:

	For the financial year ended 31 December 2014 HK\$	For the financial year ended 31 December 2015 HK\$	For the financial year ended 31 December 2016 HK\$	Average HK\$
Sale and supply of the Products	<u>26,566,000</u>	<u>25,692,000</u>	<u>17,490,000</u>	<u>23,249,333</u>

The Directors expected that the sales amount by the Group to Nan Hua Jin Li and Suenglh in relation to the sale and supply of the Products during the period since the expiry of the 2013 Agreement up to the date of the EGM may exceed HK\$3 million. These transactions will be covered by the Master Sales Agreement upon it becomes effective with retrospective effect.

The transactions with Nan Hua Jin Li and Suenglh since the expiry of the 2013 Agreement up to the Latest Practicable Date were governed by the terms of the 2013 Agreement. The major terms of the 2013 Agreement were set out under the section headed “Connected Transactions” in the prospectus of the Company dated 29 May 2015. As disclosed therein, the Directors considered that the transactions under the 2013 Agreement would be on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Hence, the transactions with Nan Hua Jin Li and Suenglh since the expiry of the 2013 Agreement up to the Latest Practicable Date were governed by the terms of the 2013 Agreement to ensure that these transactions were fair and reasonable and were not less favourable to the Group than those offered to the independent third party customers.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the Master Sales Agreement for each of the financial years of the Company ending 31 December 2017, 31 December 2018 and 31 December 2019 and the respective percentage change are as follows:

	Average of the historical transaction amounts for the three years ended 31 December 2016 HK\$	For the financial year ending 31 December 2017 HK\$	For the financial year ending 31 December 2018 HK\$	For the financial year ending 31 December 2019 HK\$
Sale and supply of the Products	<u>23,249,333</u>	<u>26,600,000</u>	<u>29,300,000</u>	<u>32,200,000</u>
Percentage change (approximate)	<u>—</u>	<u>+ 14.4%</u>	<u>+ 10%</u>	<u>+ 10%</u>

Given that the maximum annual cap under the Master Sales Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 5%, the Master Sales Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the Master Sales Agreement for the Term are determined by reference to:

- the historical transaction prices, volume and amounts among the Group, Nan Hua Jin Li and Suenglh for the financial years ended 31 December 2014, 2015 and 2016;
- the prevailing RMB quotations in the general price list of the Products adopted by the Group at the time of entering into the Master Sales Agreement, which have been compiled with reference to various factors as more particularly described in the paragraph headed "Pricing of the Products" above and the possible increment of the prices of the Products due to increasing production costs, labour costs and packaging costs;
- the potential growth of demand that may be derived from the possible future business growth of Nan Hua Jin Li and Suenglh;

LETTER FROM THE BOARD

- (d) the estimated business growth of the Group; and
- (e) a buffer (the “**Buffer**”) for unforeseeable circumstances such as inflation, unexpected growth in the sales of the Products etc.

In considering the factors mentioned above when determining the proposed annual caps, references were made to:

- (i) the historical transaction data, including transaction prices and volume and the resulting transaction amounts as mentioned in (a) above, in respect of the transactions with Nan Hua Jin Li and Suenglh for the financial years ended 31 December 2014, 2015 and 2016. The Directors consider that the historical transaction amount in the year ended 31 December 2016 solely does not reflect the normal transaction volume between the Group and Nan Hua Jin Li. This is because the Group reconfigured all of its production line to produce battery products that are free from heavy metal chemicals in 2016 and affected its production capacity. Hence, Nan Hua Jin Li placed less orders with the Group in 2016. Therefore, the average of the historical transaction amounts of these past three financial years ended 31 December 2016, being HK\$23,249,333, was applied to estimate the annual caps for the next three financial years ending 31 December 2019;
- (ii) the prevailing RMB quotations in the general price list of the Products and the possible increment of the prices of the Products as mentioned in (b) above, as the basis of estimating the prices charged to Nan Hua Jin Li and Suenglh for the Products in the next three financial years ending 31 December 2019;
- (iii) the expected future potential growth of demand from Nan Hua Jin Li and Suenglh and business growth of the Group as mentioned in (c) and (d) above, respectively, for estimating the annual growth rate applicable to Nan Hua Jin Li and Suenglh for each of the three financial years ending 31 December 2019. When determining the proposed annual caps, the factor (c) was taken into account to estimate the future trend of business transactions with Nan Hua Jin Li and Suenglh. In this regard, the CEO has discussed with the management of Nan Hua Jin Li and Suenglh about their business plan for the next three financial years ending 31 December 2019 and was advised by Nan Hua Jin Li that it aims to achieve higher sales target of the Products in 2017 through (i) expanding their sales network in some regions in the PRC; (ii) arranging marketing campaigns for promoting the Products to more customers; and (iii) expecting the new production line of the Company can cater to their potential growth of demand. Taking into account (i) the potential growth of demand of Nan Hua Jin Li and Suenglh as mentioned above; (ii) their sales forecast for the year of 2017 in respect of the Products; and (iii) the increasing production capacity of the Group as mentioned below to cater to the potential growth of demand, the Group expected that the sales transactions to Nan Hua Jin Li and Suenglh for the next three financial years

LETTER FROM THE BOARD

ending 31 December 2019 would be on an upward trend. For factor (d), the Group was expecting a business growth upon considering primarily of its increasing production capacity in the coming years after the purchase of new production lines in 2015 and 2016. The production line acquired in 2015 has commenced production in the third quarter of 2016, and it is therefore expected that the production capacities and sales will increase in 2017 and the production capacity of the Group is able to cater for higher demand for its products in the market; and

- (iv) for the Buffer as mentioned in (e) above, the Company considers that the adoption of the Buffer is appropriate that the Buffer allows the Company to reserve a degree of flexibility to respond to the unforeseeable circumstances that the Group may encounter in the future.

After considering the above factors comprising a mix of historical, prevailing and estimated data, the proposed annual caps for the Term were set on the basis of the average historical sales amounts and a moderate annual increment of 10% to 14.4%. Such moderate increment is estimated by the Board after considering factors (b), (c), (d) and (e) above. As both the expected future potential growth of demand from Nan Hua Jin Li and Suenglh and the business growth of the Group are estimated to be on an upward trend, the Board determined that to cater for these potential growth, the proposed annual caps for each year during the Term shall reflect a moderate increment. Taking into account all the factors mentioned above, the Group then determined that an approximate 14.4% increment to the annual cap for the first year during the Term and an approximate 10% increment to the annual cap for each of the second and third years would in the circumstances constitute moderate increment for the Term.

The Directors (including the Independent Board Committee after taking into account the advice of Messis Capital) consider that the proposed annual caps under the Master Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the proposed annual caps under the Master Sales Agreement are expected to be exceeded, the Company will comply with the applicable requirements under the GEM Listing Rules before the annual caps under the Master Sales Agreement are exceeded.

INTERNAL CONTROL MEASURES RELATING TO THE PRICING

Subject to the general principles set out in the Master Sales Agreement as disclosed above, the pricing of the Products will be supervised and monitored by the VGM and CEO to ensure that the Master Sales Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The VGM, who is responsible for the daily operation of the sales transactions of the Group, will review and approve each sales transactions with Nan Hua Jin Li and Suenglh to ensure that (i) the prices offered are in accordance with the prices applicable to Nan Hua Jin Li and Suenglh (which are based on the RMB

LETTER FROM THE BOARD

quotations in the general price list of the Products adopted by the Group which are generally applicable to all PRC customers of the Group); (ii) the applicable annual caps will not be exceeded; and (iii) the terms, such as the payment terms, as set out in the sale orders received from Nan Hua Jin Li and Suenglh are in accordance with the Master Sales Agreement. The VGM will report the workdone to the CEO in this regard. As mentioned in the paragraph headed “Pricing of the Products” above, the general price list of the Products will be reviewed and if required, updated by the VGM on an as-required basis and at least annually, subject to the final approval by the CEO. The VGM will also conduct regular monthly checks of the monthly statements in respect of the sales transactions with Nan Hua Jin Li and Suenglh to review and assess whether the transactions contemplated under the Master Sales Agreement are conducted in accordance with the terms and the proposed annual caps of the Master Sales Agreement. Results of the regular checks will be reviewed by the CEO. The independent non-executive directors of the Company (the “INEDs”) will take various measures in monitoring the Master Sales Agreement and the transactions contemplated thereunder. First, prior to entering into the Master Sales Agreement, it has been reviewed and approved by the Directors including the INEDs. Further, the INEDs will conduct annual review of the transactions contemplated under the Master Sales Agreement to see if the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Master Sales Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In conducting such annual review, the INEDs will (i) review the continuing connected transactions, such as sample checking the transaction documents conducted under the Master Sales Agreement, to ensure that the terms and conditions under such transactions are at terms no more favorable to Nan Hua Jin Li and Suenglh than those offered to other independent third party customers of the Group; (ii) discuss with the management of the Company in relation to the terms of the continuing connected transactions of the Group; (iii) monitor the internal control measures as disclosed in this circular; (iv) discuss with the auditor of the Group to consider whether the transactions under the Master Sales Agreement are conducted on arm’s length basis; (v) consider the annual transaction amounts of Nan Hua Jin Li and Suenglh with the Group; and (vi) consider the auditor’s report on the transactions under the Master Sales Agreement about the pricing terms and annual caps as mentioned below. The auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof and report on its findings. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Master Sales Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALES AGREEMENT

The Company, Nan Hua Jin Li and Suenglh have entered into the 2013 Agreement pursuant to which the Group has provided and supplied the Products to Nan Hua Jin Li and Suenglh during the period from 1 January 2014 to 31 December 2016. The 2013

LETTER FROM THE BOARD

Agreement has expired on 31 December 2016. The Directors consider that (a) Nan Hua Jin Li and Suenglh are stable and important customers; (b) Suenglh has been a long-term customer of the Group for over 10 years with good credit records and has enabled the Group to explore the PRC disposable battery industry and market; and (c) the sales network of Nan Hua Jin Li and Suenglh have assisted the Group to develop the PRC market over the years, and thus it is in the Group's interest to continue the business cooperation among the Group, Nan Hua Jin Li and Suenglh. As a result, the Company entered into the Master Sales Agreement, which is an extension of the 2013 Agreement for continuing the sale and supply of the Products by the Group to Nan Hua Jin Li and Suenglh. The Directors consider that there is no disadvantage of the transactions contemplated under the Master Sales Agreement to the Group.

Nan Hua Jin Li and Suenglh, being the purchasers under the Master Sales Agreement, are the majority-controlled companies of Mr. Zhu. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. As such, Mr. Chu is considered to have a material interest in the Master Sales Agreement and has abstained from voting on the Board resolutions approving the Master Sales Agreement. Mr. Chu Ho Wa, an executive Director and being the son and an associate of Mr. Chu, has also abstained from so voting. Save as disclosed above, no Director has a material interest in the Master Sales Agreement.

INFORMATION ON NAN HUA JIN LI

Nan Hua Jin Li is a limited liability company established under the laws of the PRC on 14 May 1998, and is principally engaged in the trading of batteries products in the PRC.

INFORMATION ON SUENGLH

Suenglh is a limited liability company incorporated in Hong Kong on 17 May 2012, and is principally engaged in the trading of batteries products in the PRC.

INFORMATION ON THE GROUP

The Company is an investment holding company, whose subsidiaries are 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 the "Golden Power" brand and the brands of the private label and OEM customers.

GEM LISTING RULES IMPLICATIONS

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu and 29% by independent third parties. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. As such, Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a

LETTER FROM THE BOARD

connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a majority-controlled company of Mr. Zhu, is therefore a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Given that the maximum annual cap under the Master Sales Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 5%, the Master Sales Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements. The Company will seek the Independent Shareholders' approval for the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

III. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 26/F Meeting Room II-III, Hyatt Regency Hong Kong, Sha Tin, 18 Chak Cheung Street, Sha Tin, Hong Kong on Monday, 29 May 2017 at 10:00 a.m. for the Independent Shareholders to consider and if thought fit, approve the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term.

The notice of the EGM is set out on pages 47 to 48 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the EGM or any adjournment thereof, as the case may be, to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Any shareholder with a material interest in the Master Sales Agreement, and its/his associates will abstain from voting on the resolution approving the Master Sales Agreement, the transaction contemplated thereunder and the proposed annual caps for the term at the EGM. As at the Latest Practicable Date, Golden Villa is interested in 126,000,000 Shares, representing approximately 52.5% of the total issued share capital of the Company, and will abstain from voting on the ordinary resolution approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM accordingly. To the best knowledge, information and belief of the Directors, no Shareholder (other than Golden Villa and its associates) are required to abstain from voting on the ordinary resolution approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

LETTER FROM THE BOARD

For the purpose of ascertaining the Shareholders' rights of attending and voting at the EGM, the register of shareholders of the Company will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 23 May 2017.

IV. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Master Sales Agreement. Your attention is also drawn to the letter from Messis Capital set out on pages 20 to 40 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master Sales Agreement, and the principal factors and reasons taken into account by it in arriving at its opinion. You are advised to read the letter from the Independent Board Committee and the letter from Messis Capital as set out in this circular before deciding how to vote on the ordinary resolution to be approved at the EGM.

As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having considered the terms of the Master Sales Agreement and taken into account the advice of Messis Capital and the principal factors and reasons taken into consideration by it in arriving at its opinion, consider that the Master Sales Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are in the ordinary and usual course of business of the Group, and the terms and conditions of the Master Sales Agreement including the proposed annual caps thereof are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the members of the Independent Board Committee after taking into account the advice of Messis Capital) recommends the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term.

V. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendix I to this circular and the notice of the EGM in Appendix II.

Yours Faithfully,
For an on behalf of
Golden Power Group Holdings Limited
Chu King Tien
Chairman and Executive Director

GoldenPower[®]
GOLDEN POWER GROUP HOLDINGS LIMITED
金力集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8038)

10 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER SALES AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps relating thereto, details of which are set out in the “Letter from the Board” to the circular to the Shareholders dated 10 May 2017 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meaning when used in this letter unless otherwise requires.

Messis Capital has been appointed as the Independent Financial Adviser to advise us on the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term. The letter from Messis Capital is set out on pages 20 to 40 of this circular.

Having considered the terms and conditions of the Master Sales Agreement, the advice given by Messis Capital and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term are in the ordinary and usual course of business of the Group, and the terms and conditions of the Master Sales Agreement including the proposed annual caps for the Term are on normal commercial terms, fair and reasonable and in the interests of the Company and the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term.

Yours faithfully,

Independent Board Committee

Mr. Hui Kwok Wah
*Independent non-executive
Director*

Mr. Ma Sai Yam
*Independent non-executive
Director*

Mr. Chow Chun Hin Leslie
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



10 May 2017

*To: the Independent Board Committee and
the Independent Shareholders
of Golden Power Group Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS MASTER SALES AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term. Details of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term are contained in the “**Letter from the Board**” as set out in the circular of the Company dated 10 May 2017 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 February 2017 (after trading hours), the Company entered into the Master Sales Agreement with Nan Hua Jin Li and Suenglh pursuant to which, Nan Hua Jin Li and Suenglh conditionally agreed to purchase, and the Group conditionally agreed to sell and supply, the batteries under the “**Golden Power**” brand and the brand of the private label and OEM customers and other battery-related products (the “**Products**”) (the “**Sales and Supply Transactions**”), subject to the terms and conditions provided therein for the period retrospectively from 1 January 2017 to 31 December 2019. The proposed annual caps for the Sales and Supply Transactions shall not be more than the amounts prescribed pursuant to the Master Sales Agreement.

The Master Sales Agreement is an extension of the 2013 Agreement which has expired on 31 December 2016. The terms of the transactions under the Master Sales Agreement were negotiated among the Company, Nan Hua Jin Li and Suenglh shortly before the expiry of the 2013 Agreement on 31 December 2016. Since the time for negotiation and for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the internal approval of the Master Sales Agreement took longer than expected, the Master Sales Agreement was not signed until 1 February 2017. The principal terms of the Master Sales Agreement are substantially the same as those of the 2013 Agreement.

The Directors expected that the sales amount by the Group to Nan Hua Jin Li and Suenglh in relation to the sale and supply of the Products during the period since the expiry of the 2013 Agreement up to the date of the EGM may exceed HK\$3 million. These transactions will be covered by the Master Sales Agreement upon it becomes effective with retrospective effect.

As at the date of this letter, Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu, a nephew of Mr. Chu (the executive Director, the chairman of the Group and a controlling shareholder of the Company) and 29% by independent third parties not connected with the Company and its connected persons (the “**Independent Third Parties**”). Mr. Zhu is a connected person under Rule 20.19(1)(a) of the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person under Rule 20.19(1)(b) of the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a majority-controlled company of Mr. Zhu, is therefore a connected person under Rule 20.19(1)(b) of the GEM Listing Rules.

Accordingly, the Sales and Supply Transactions under the Master Sales Agreement will constitute continuing connected transactions on the part of the Company pursuant to Chapter 20 of the GEM Listing Rules. Given that the maximum annual cap under the Master Sales Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 5%, the Master Sales Agreement is subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements. The Company will seek the Independent Shareholders’ approval for the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

As at the Latest Practicable Date, Mr. Chu and its wholly-owned company, Golden Villa, are interested in 126,000,000 Shares, representing approximately 52.5% of the total issued share capital of the Company. Golden Villa will abstain from voting on the ordinary resolution approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM. To the best knowledge, information and belief of the Directors, no Shareholder (other than Golden Villa and its associates) are required to abstain from voting on the ordinary resolution approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

The Independent Board Committee

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term. As confirmed by the Company, the Independent Board Committee does not have a material interest in the Group and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sales and Supply Transactions. We, Messis Capital, have been appointed to give independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Master Sales Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the terms and conditions under the Master Sales Agreement are on normal commercial terms, and the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favor of the approval of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company pursuant to Rule 17.96 of the GEM Listing Rules. We are not aware of the existence of or change in any circumstances that would affect our independence. Apart from our appointment as the Independent Financial Adviser, we were not aware of any other relationships or interests, directly or indirectly, between Messis Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Messis Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fees and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Group.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular as well as the information, facts and representations provided by, opinions expressed by, and statements made by the Directors, the Company and its management. We have assumed that all information, facts, representations, opinions and statements made or referred to in the Circular were true, accurate and complete in all material aspects as at the Latest Practicable Date and will remain so up to the date of the EGM, and the Company will notify the Shareholders and the general public of any material changes to such information, facts, representations, opinions and statements as soon as possible. In addition, we have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on such information. We, however, have not conducted any independent investigation or audit into the businesses, affairs, financial position or the future prospects of any members of the Group and the related subject of, and parties to, the Master Sales Agreement, nor have we carried out any independent verification of the information supplied. Our opinion is necessarily based on the financial,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion stated hereinunder.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders which is solely for their consideration of whether to approve the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term, and save for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in relation to the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term, we have taken into account the principal factors and reasons as set out below:

1. Principal activities and Background of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2012, whose subsidiaries are 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 the “Golden Power” brand and the brands of the private label and OEM customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the financial results of the Group for the financial years of 2014, 2015 and 2016, as extracted from the annual reports of the Company for the year ended 31 December 2015 and 31 December 2016.

	For the financial year ended 31 December 2014	For the financial year ended 31 December 2015	For the financial year ended 31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	384,752	311,500	303,197
Gross profit	88,306	76,446	96,115
Profit for the year & attributable to the shareholders of the Company	11,693	3,399	24,040

2. Principal activities and Background of Nan Hua Jin Li and Suenglh

Nan Hua Jin Li is a limited liability company established under the laws of PRC on 14 May 1998, and is principally engaged in the trading of batteries products in the PRC. As at the Latest Practicable Date, Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu and 29% by the Independent Third Parties. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. Nan Hua Jin Li is a majority-controlled company of Mr. Zhu.

Suenglh is a limited liability company incorporated in Hong Kong on 17 May 2012, and is principally engaged in the trading of batteries products in the PRC. As at the Latest Practicable Date, Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh is a majority-controlled company of Mr. Zhu.

3. Principal Terms of the Master Sales Agreement

(1) **Date:** 1 February 2017

(2) **Parties:**

- (i) the Company
- (ii) Nan Hua Jin Li
- (iii) Suenglh

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Term:

Three years commencing retrospectively from 1 January 2017 to 31 December 2019 (both days inclusive)

(4) Scope:

Sale and supply of the Products in the PRC (excluding Macau and Taiwan) by the Group to Nan Hua Jin Li and Suenglh for the Term, subject to the conditions precedent and other terms and conditions provided therein.

(5) Conditions precedent:

The taking effect of the Master Sales Agreement is conditional upon the Independent Shareholders' approval of (i) the Master Sales Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps for the Term at the EGM. If such conditions are fulfilled, the Master Sales Agreement will become effective and shall deem to have commenced retrospectively from 1 January 2017 and shall continue until 31 December 2019. If such conditions are not fulfilled on or before 30 June 2017 (or such later date as may be agreed between the parties), the Master Sales Agreement and all rights and obligations thereunder will be automatically terminated, and no party shall have any claim against the others by reason thereof except in respect of any antecedent breach.

(6) Payment terms:

Payment by telegraphic transfer or cheque within 25 days after the 60-day credit period.

According to this payment term, Nan Hua Jin Li and Suenglh are required to pay within the 60-day credit period which commences after the issue of the relevant monthly statement, but in case there are any hiccups in the telegraphic transfer or cheque payment arrangement or if there is any disagreement over the monthly statement, payment within a grace period of 25 days after the expiry of the 60-day credit period is still acceptable to the Group. In determining the availability and extent of credit period and grace period granted to Nan Hua Jin Li and Suenglh, the Group has gone through internal credit assessment procedures and has taken into account the following criteria in respect of Nan Hua Jin Li and Suenglh:

- (a) credit records;
- (b) length of business relationship with the Group; and
- (c) business volume, such as the historical transaction amount with the Group. As advised by the management of the Company, in general, higher business volume may have advantage in the credit assessment but subject to the decision of the management of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the credit assessment procedures and the criteria that the Group has considered in determining the availability and extent of the credit period and grace period granted to Nan Hua Jin Li and Suenglh are also applicable to other independent third-party purchasers of the Products, the Directors consider that the credit period and grace period offered to Nan Hua Jin Li and Suenglh are fair and reasonable, and are no less favourable to the Group than those offered to other independent third-party purchasers of the Products.

(7) Annual caps:

The annual caps of the transactions under the Master Sales Agreement are stipulated as HK\$26.6 million, HK\$29.3 million and HK\$32.2 million for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

(8) Pricing of the Products:

The unit prices of the Products to be supplied and sold by the Group under the Master Sales Agreement are set out in a price list assigned to Nan Hua Jin Li and Suenglh. Such price list shall be based on the RMB quotations in the general price list of the Products adopted by the Group which are generally applicable to all PRC customers of the Group. The Group's general price list is mainly formulated with reference to the following factors:

- (a) the Group's production costs;
- (b) the market prices of the corresponding types of products; and
- (c) any other factors affecting the Products' prices.

The final selling price of a sales order may be affected by factors such as packaging requirements and volume of the sales order.

In such mechanism, the unit prices of the Products to be supplied and sold by the Group under the Master Sales Agreement shall be at terms no more favourable to Nan Hua Jin Li and Suenglh than those offered to other third-party purchasers by the Group.

As advised by the management of the Company, when determining the general price list of the Group, in order to ascertain the market prices of the corresponding types of products, sales team of the Company will try to gather the pricing information as much as possible during their meetings and contacts with customers and suppliers. During the weekly sales meeting of the sales department at which the sales team, the vice general manager of the sales department (the "VGM") and the chief executive officer of the Group (the "CEO") will attend, such pricing information, if any, will be exchanged and discussed. Any relevant pricing information will be assessed by the VGM and the CEO from time to time,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and will be one of the factors taken into account by the VGM and the CEO in the review and update of the general price list of the Products with reference to all other factors mentioned above as a whole.

The general price list of the Products are reviewed and if required, updated by the VGM on an as-required basis (in responding to market changes, such as any relevant changes in raw material costs, currency exchange rates and market prices of the corresponding types of products) and at least annually, subject to the final approval by the CEO. We have reviewed the meeting notes of the weekly sales meetings and relevant email correspondence regarding the adjustments of general price list of Products for the two years ended 31 December 2016, and we noted that the Group has adjusted the general price list of the Products during the two years ended 31 December 2016 due to factors such as change in raw material costs and introduction of new products. As advised by the management of the Company, market price was one of the factors assessed in the review of general price list of the Products, but was not a contributing factor to the adjustments of general price list of the Products during the two years ended 31 December 2016. Any updates of the general price list of the Products are generally applicable to all customers of the Company, including Nan Hua Jin Li and Suenglh. We noted that relevant factors had been duly reviewed and assessed for the review of the general price list of the Products, and the weekly holding of the meetings allows timely responses to such factors, as such, we consider that the afore-mentioned procedures are effective and can ensure timely review and update of the general price list of the Products.

The RMB quotations in the general price list of the Products adopted by the Group are generally applicable to Nan Hua Jin Li and Suenglh as well as other PRC customers of the Company, which we consider a consistent adoption of the Group's internal sales policy.

The above-mentioned factors that the Group has taken into account would affect the prices of the Products charged to Nan Hua Jin Li and Suenglh in the following manner:

- (a) the prices charged to Nan Hua Jin Li and Suenglh which are in turn based on the general price list adopted by the Group would reasonably reflect the Group's production costs such as the cost of raw materials and packaging, direct labour cost, subcontracting charges and overhead cost;
- (b) the management of the Group will consider the volume of Nan Hua Jin Li's and Suenglh's purchases to determine if any discount will be allowed if so requested by them, which shall be consistent with the relevant policy of the Group applicable to its customers;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) any packaging requirements requested by Nan Hua Jin Li and Suenglh that would require additional labour or materials would lead to higher prices charged to them, which shall be consistent with the relevant policy of the Group applicable to its customers;
- (d) the market prices of the corresponding types of the Products, would be regularly compared to through the weekly sales meeting as discussed above market comparable rates to ensure competitiveness; and
- (e) other factors that the Group would take into account in determining the prices charged to Nan Hua Jin Li and Suenglh mainly included (i) the applicable currency exchange rate at the material time; and (ii) the changes in the laws, regulations and policies in relation to the battery industry, if applicable, which shall also be consistently applied to the general price list adopted by the Group.

(9) Termination:

The Master Sales Agreement may be terminated by either the Company, Nan Hua Jin Li or Suenglh by giving no less than 2-month prior notice to the other parties.

In relation to the Master Sales Agreement, the Group has gone through its internal procedures for the negotiation and approval of the same. Such internal procedures also apply to the independent third party customers. As mentioned above, when determining the credit period and grace period that would be made available to Nan Hua Jin Li and Suenglh, the Group has applied the same credit assessment procedures and criteria that also apply to the independent third party customers. When determining the prices for the Products charged to Nan Hua Jin Li and Suenglh, the Group would base on the RMB quotations in the general price list of the Products adopted by the Group which are generally applicable to all PRC customers of the Group. The credit policy and pricing policy of the Group are reviewed on an annual basis and whenever the circumstances require. The taking of these measures would ensure that the terms of the Master Sales Agreement are fair and reasonable and would not be less favourable to the Group than those offered to the independent third party customers.

The Master Sales Agreement was entered into in the ordinary and usual course of business of the Group. The Company considered that the transactions under the Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having reviewed the principal business of the Group and that of each of Nan Hua Jin Li and Suenglh, we concur with the view of the Company that the transactions under the Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Historical Transaction Amounts and Proposed Annual Caps for the Term

Below is a table setting out the historical sales amounts by the Group to Nan Hua Jin Lin and Suenglh for each of the three financial years ended 31 December 2016 under the 2013 Agreement:

	For the financial year ended 31 December 2014 HK\$	For the financial year ended 31 December 2015 HK\$	For the financial year ended 31 December 2016 HK\$	Average HK\$
Transaction with Nan Hua Jin Li	26,566,000	22,488,000	17,490,000	22,181,333
Transaction with Suenglh	—	3,204,000	—	1,068,000
Historical transaction amount	<u>26,566,000</u>	<u>25,692,000</u>	<u>17,490,000</u>	<u>23,249,333</u>
Proportion of total revenue of the Group	6.90%	8.25%	5.77%	6.98%

It was noted that there was no transaction between the Company and Suenglh in 2014 and 2016. As advised by the management of the Company, such situation just merely reflected the commercial consideration of each company and no specific reason led to such result. According to the annual report of the Company for the year ended 31 December 2016, the sales in Hong Kong increased from approximately HK\$71.5 million for the year ended 31 December 2015 to approximately HK\$75.9 million for the year ended 31 December 2016, representing an increase of approximately HK\$4.4 million or 6.2%. Since Suenglh is principally engaged in the trading of batteries products and incorporated in Hong Kong, the Company will continue the business relationship with Suenglh to explore the opportunities to increase its market share in the local market. Also, as advised by the management of the Company, Nan Hua Jin Li, which is engaged in the trading of batteries products in the PRC, would refer sales to Suenglh when its customers require the delivery of products in Hong Kong. It is noted that (i) the place of delivery of products is generally decided by the customers of Nan Hua Jin Li, and (ii) the sales to Suenglh for the year ended 31 December 2015 was mainly contributed by the abovementioned sales referral from Nan Hua Jin Li due to customers' delivery requirement, therefore, we are of view that delivery requirement of customers is beyond the control of Nan Hua Jin Li and it is probable that the abovementioned sales referral will continue for the three years ending 31 December 2019 in case if the customers of Nan Hua Jin Li require the delivery of products in Hong Kong. As such, we are of view that no transaction with Suenglh in 2014 and 2016 did not affect the fairness and reasonableness to enter transaction with Suenglh.

Notwithstanding that there was no transaction with Suenglh in 2014 and 2016, the management of the Company considers the average of the total historical transaction amount for the three years ended 31 December 2016 as a benchmark to determine the annual caps for the three years ending 31 December 2019. As mentioned above, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

sales to Suengh for the year ended 31 December 2015 was mainly contributed by the sales referral from Nan Hua Jin Li, which is generally depending on the place of delivery of products decided by the customers of Nan Hua Jin Li, which is beyond the control of Nan Hua Jin Li, hence, we are of view that it is prudent to use the average of historical transaction amount for the three years ended 31 December 2016 as a benchmark to determine the annual caps for the three years ending 31 December 2019, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proposed annual caps for the transactions contemplated under the Master Sales Agreement for each of the financial years of the Company ending 31 December 2017, 31 December 2018 and 31 December 2019 in terms of annual growth rate are as follows:

	Average of the historical transaction amounts for the three years ended 31 December 2016 HK\$	For the financial year ending 31 December 2017 HK\$	For the financial year ending 31 December 2018 HK\$	For the financial year ending 31 December 2019 HK\$
Sale and supply of the Products	23,249,333	26,600,000	29,300,000	32,200,000
Percentage change (approximate)	—	+ 14.4%	+ 10%	+ 10%

Given that the maximum annual cap under the Master Sales Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios calculated in accordance with the GEM Listing Rules exceed 5%, the Master Sales Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

The proposed annual caps for the Sales and Supply Transactions for the period from 1 January 2017 to 31 December 2019 are determined by reference to (a) the historical transaction prices, volume and amounts among the Group, Nan Hua Jin Li and Suengh for the financial years ended 31 December 2014, 2015 and 2016; (b) the prevailing RMB quotations in the general price list of the Products adopted by the Group at the time of entering into the Master Sales Agreement, which have been compiled with reference to various factors as more particularly described in the paragraph headed "Pricing of the Products" above and the possible increment of the prices of the Products due to increasing production costs and packaging costs; (c) the potential growth of demand that may be derived from the possible future business growth of Nan Hua Jin Li and Suengh; (d) the estimated business growth of the Group; and (e) a buffer for unforeseeable circumstances such as inflation, unexpected growth in the sales of the Products etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In considering the factors mentioned above when determining the proposed annual caps, references were made to:

- (i) the historical transaction data, including transaction prices and volume and the resulting transaction amounts as mentioned in (a) above, in respect of the transactions with Nan Hua Jin Li and Suenglh for the financial years ended 31 December 2014, 2015 and 2016. The Directors consider that the historical transaction amount in the year ended 31 December 2016 solely does not reflect the normal transaction volume between the Group and Nan Hua Jin Li. This is because the Group reconfigured all of its production line to produce battery products that are free from heavy metal chemicals in 2016 and affected its production capacity. Hence, Nan Hua Jin Li placed less orders with the Group in 2016. Therefore, the average of the historical transaction amounts of these past three financial years ended 31 December 2016, being HK\$23,249,333, was applied to estimate the annual caps for the next three financial years ending 31 December 2019;
- (ii) the prevailing RMB quotations in the general price list of the Products and the possible increment of the prices of the Products as mentioned in (b) above, as the basis of estimating the prices charged to Nan Hua Jin Li and Suenglh for the Products in the next three financial years ending 31 December 2019; and
- (iii) the expected future potential growth of demand from Nan Hua Jin Li and Suenglh and business growth of the Group as mentioned in (c) and (d) above, respectively, for estimating the annual growth rate applicable to Nan Hua Jin Li and Suenglh for each of the three financial years ending 31 December 2019.

After considering the above factors comprising a mix of historical, prevailing and estimated data, the proposed annual caps for the Term were set on the basis of the average historical sales amounts and a moderate annual increment of 10% to 14.4%. Such moderate increment is estimated by the Board after considering factors (b), (c), (d) and (e) above.

For the above factors, we have further understood from the Company as to how such factors contribute to the proposed annual caps and have performed analysis as follows.

- (a) It is expected that possible increment of the price of the Products due to increasing labour costs could contribute to about 1% increment to annual cap for the year ending 31 December 2017. In respect of increasing labour costs, based on the management figures provided by the Company, we noted that labour costs represented around 7% of the cost of sales of the Group for the year ended 31 December 2016, having regard to the increase in average minimum wage rate of labour in China of around 11% for the year ended 31 December 2016 with reference to the figures released by the Ministry of Human Resources and Social Security of the PRC, the Board estimated that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the increasing labour costs may lead to an increase of as much as 1% in the cost of sales of the Group for the year ending 31 December 2017. Assuming the Group may transfer the increased cost to its customers, as a result, the sales of the Group may increase by the same amount. Therefore, we consider that such 1% increment to the annual cap due to increasing labour costs is reasonable;

- (b) It is expected that possible increment of the price of the Products due to increasing packaging costs could contribute to about 1% increment to annual cap for the year ending 31 December 2017. In respect of increasing packaging costs, based on the management figures provided by the Company, we noted that packaging costs represented around 8% of the cost of sales of the Group for the year ended 31 December 2016, having regard to the increase in price of paperboard used for packaging in the PRC of approximately 5% for the six months ended 31 March 2017 with reference to the “Producer Price Index by Commodity for Paper and Allied Products” released by National Bureau of Statistics of China, the Board estimated the increase in price of paperboard may lead to an increase of as much as 1% in the cost of sales of the Group for the year ending 31 December 2017. Assuming the Group may transfer the increased cost to its customers, as a result, the sales of the Group may increase by the same amount. Therefore, we consider that such 1% increment to annual cap due to increasing packaging costs is reasonable;
- (c) It is expected that the potential growth of demand from Nan Hua Jin Li and Suenglh could contribute to about 3% increment to annual cap for the year ending 31 December 2017 (excluding the effect of higher sales target facilitated by the additional production capacity of the Group as discussed in paragraph (d) below). In respect of the potential growth of demand from Nan Hua Jin Li and Suenglh, Nan Hua Jin Li aimed to achieve higher sales target of the Products in 2017 through (i) expanding their sales network in China; and (ii) arranging marketing campaigns for promoting the Products to more customers, bringing an estimated sales growth of about 3% for the year ending 31 December 2017. We have discussed with the management of the Nan Hua Jin Li for better understanding of the business plan of Nan Hua Jin Li for the year ending 31 December 2017. As advised by the management of Nan Hua Jin Li, Nan Hua Jin Li had registered to participate in an international consumer electronics exhibition in June 2017 and planned to participate in another consumer electronics exhibition in July 2017, while Nan Hua Jin Li did not participate in similar exhibitions in the past two years. Also, as advised by the management of Nan Hua Jin Li, their sales team had arranged a marketing campaign for promoting the Products to its customers in March 2017 and Nan Hua Jin Li has planned to arrange at least two more marketing campaigns in 2017, comparing to around one to two marketing campaign(s) in 2016. Based on the above, the management of Nan Hua Jin Li is of view that their participation in consumer electronics exhibitions and arrangement of more marketing campaigns for promoting the Products may expand their sales network and further develop the brand

name of the Group in China. Both the management of the Company and the management of Nan Hua Jin Li are of view the abovementioned potential annual growth rate of the sales to Nan Hua Jin Li and Suenglh for the year ending 31 December 2017 is reasonable and achievable. Therefore, we consider that such increment of about 3% to annual cap due to the potential growth of demand from Nan Hua Jin Li and Suenglh is reasonable;

- (d) As confirmed by the management of the Company, the Group acquired a production line in 2015 and it commenced commercial production in third quarter of 2016, therefore the production capacities and sales will increase in 2017 and the production capacity of the Group is able to cater for higher demand for its products in the market. Another production line was also acquired by the Group in 2016. In addition, refer to the prospectus of the Company dated 27 March 2017 regarding the proposed issue of 80,000,000 new Shares by way of rights issue at the subscription price of HK\$0.4 on the basis of one rights share for every two existing Shares held on the record date (the “**2017 Rights Issue**”), among the approximately HK\$13 million of the net proceeds from the Rights Issue set aside for working capital of the Group, the Company plans to apply (i) approximately HK\$2 million for upgrading and renovating of Group’s production facilities, (ii) approximately HK\$3 million for marketing activities for developing its own brand “Golden Power” and other private label brands, (iii) approximately HK\$3.5 million for research and development and testing of new materials. Accordingly, the future production capacities and sales will be benefited from the enhanced working capital of the Company after the 2017 Rights Issue. As confirmed by the management of the Company, the Company intends to allocate part of the additional production capacity from the new production line that commenced commercial production in the third quarter of 2016 to Nan Hua Jin Li, which enable timely fulfillment of orders from Nan Hua Jin Li that in turn facilitates sales by Nan Hua Jin Li to its customers. Such additional production capacity so allocated enables higher sales target to Nan Hua Jin Li, and such additional sales target based on the amount of additional production capacity allocated could contribute to an additional growth of over 4% in the proposed annual caps estimated for the first year during the Term. Based on the measures adopted by Nan Hua Jin Li and Suenglh mentioned above, we are of view that such measures could contribute to the growth in sales to Nan Hua Jin Li and Suenglh as reflected by the annual caps for the three years ending 31 December 2019; and
- (e) A buffer of 5% (where applicable) for unforeseeable circumstances such as inflation, unexpected growth in the sales of the Products etc. We consider that it is reasonable for the Company to reserve a degree of flexibility to respond to the unforeseeable circumstances that the Group may encounter in the future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Directors, the historical transaction amount for the year ended 31 December 2016 solely does not reflect the normal transaction volume between the Group and Nan Hua Jin Li as the Group reconfigured all of its production line to produce battery products that are free from heavy metal chemicals in 2016 and affected its production capacity. Hence, Nan Hua Jin Li placed less orders with the Group in 2016. In light of the foregoing, and further to our discussion with the management of the Company and the management of Nan Hua Jin Li on the proposed annual caps and the factors taken into account in determining such annual caps as discussed above, we were given to understand the transaction amount of HK\$26,600,000 as reflected by the proposed annual cap for the year ended 31 December 2017, which is similar to the amount of approximately HK\$26.6 million for the year ended 31 December 2014, is not unreasonable.

We also noted that the annual Caps for each of the two years ending 31 December 2019 represent increment of approximately 10% as compared to the respective prior year. We were given to understand that it is expected that the factors (a), (b), (c) and (e) above would remain steady in the two years ending 31 December 2019.

In light of the above, we concur with the view of the Company that the setting of the proposed annual caps for the Term on the basis of the average historical sales amounts and the moderate annual increment to the annual cap of 14.4%, 10% and 10% for the three years ending 31 December 2019 under the Master Sales Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Basis of the selling prices of the Products

According to the Master Sales Agreement, the unit prices of the Products are set out in a price list assigned to Nan Hua Jin Li and Suenglh, which shall be based on the RMB quotations in the general price list of the Products adopted by the Group. The Group's general price list is mainly formulated with reference to (i) the Group's production costs; (ii) the market prices of corresponding types of products; and (iii) any other factors affecting the Products' prices. We are in the opinion that the setting of the prices of the Products in relation to the Master Sales Agreement is fair and reasonable and on normal commercial terms. Furthermore, the Group also applies the same standards onto independent customers which we are of the view that the pricing policy is no less favourable to the Group.

Further, the prices of the Products to be supplied and sold by the Group under the Master Sales Agreement shall be at terms no more favourable to Nan Hua Jin Li and Suenglh than those offered to other third-party purchasers by the Group at the material time.

As at 31 December 2016, the Group offered more than 290 battery models in different sizes and with different battery capacities, while Nan Hua Jin Li and Suenglh mainly purchase (i) Alkaline Batteries; (ii) Carbon Batteries; and (iii) Micro Button Cell Batteries from the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the transactions with Nan Hua Jin Li which represented approximately 95.4% of the total historical transaction amount with Nan Hua Jin Li and Suenglh for the past three financial years ended 31 December 2016, we have reviewed 10 sets sample sale invoices and price quotations of the aforementioned three battery models that entered into between (i) the Group and Nan Hua Jin Li; and (ii) the Group and customers who were Independent Third Parties for the past three financial years ended 31 December 2016 and the samples are considered representative and exhaustive according to the sampling basis as below:

- (a) cover each of the three main product types, namely, (i) Alkaline Batteries; (ii) Carbon Batteries; and (iii) Micro Button Cell Batteries;
- (b) cover each historical financial period; and
- (c) transactions between the Group and Nan Hua Jin Li and that of independent third parties are within similar time range.

In addition, we have also reviewed the price list for transactions with Nan Hua Jin Li provided by the management of the Company and compared to the sample transactions with Independent Third Parties. We noted that the pricings and other terms such as the credit period and delivery time are not less favourable than those offered to Independent Third Parties under similar requirement of packaging/delivery.

For the transactions with Suenglh, no historical transactions noted for the financial year ended 31 December 2014 and 31 December 2016. The historical transactions amount with Suenglh in 2015 was approximately HK\$3.2 million which represented approximately 4.6% of the total historical transaction amount with Nan Hua Jin Li and Suenglh for the past three financial years ended 31 December 2016. We have reviewed 10 sets sample sale invoices of these transactions and compared to that of independent third parties on the sampling basis of (i) of the three battery models of Alkaline Batteries, Carbon Batteries and Micro Button Cell Batteries and (ii) within similar time range, and the samples are considered representative and exhaustive. Based on our review, we noted that the pricings and other terms such as credit period and delivery time are not less favorable to the Group than those offered to Independent Third Parties.

Having considered that (i) the pricing of the Products under the Master Sales Agreement; (ii) the prices for the Products offered to Nan Hua Jin Li and Suenglh will not be less favourable to the Group; and (iii) the sample invoices reviewed by us as stated above, we are in the opinion that the terms and conditions of the Master Sales Agreement are on normal commercial terms and are fair and reasonable, and the entering of the Master Sales Agreement is in the interests of the Company and Shareholders as a whole.

6. Internal control measures relating to the pricing

Subject to the general principles set out in the Master Sales Agreement, the pricing of the Products will be supervised and monitored by the VGM and CEO to ensure that the Master Sales Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The VGM, who is responsible for the daily operation of the sales transactions of the Group, will review and approve each sales transaction with Nan Hua Jin Li and Suenglh to ensure that (i) the prices offered are in accordance with the prices applicable to Nan Hua Jin Li and Suenglh (which are based on the RMB quotations in the general price list adopted by the Group which are generally applicable to all PRC customers of the group); (ii) the applicable annual caps will not be exceeded; and (iii) the terms, such as the payment terms, as set out in the sale orders received from Nan Hua Jin Li and Suenglh are in accordance with the Master Sales Agreement. The VGM will report the workdone to the CEO in this regard. As mentioned in the paragraph headed “Pricing of the Products” above, the general price list of the Products will be reviewed and if required, updated by the VGM on an as-required basis and at least annually, subject to the final approval by the CEO. The VGM will also conduct regular monthly checks of the monthly statements in respect of the sales transactions with Nan Hua Jin Li and Suenglh to review and assess whether the transactions contemplated under the Master Sales Agreement are conducted in accordance with the terms and the proposed annual caps of the Master Sales Agreement. Results of the regular checks will be reviewed by the CEO. The independent non-executive directors of the Company (the “INEDs”) will take various measures in monitoring the Master Sales Agreement and the transactions contemplated thereunder. First, prior to entering into the Master Sales Agreement, it has been reviewed and approved by the Directors including the INEDs. Further, the INEDs will conduct annual review of the transactions contemplated under the Master Sales Agreement to see if the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Master Sales Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In conducting such annual review, the INEDs will (i) review the continuing connected transactions, such as sample checking the transaction documents conducted under the Master Sales Agreement to ensure that the terms and conditions under such transactions are at terms no more favorable to Nan Hua Jin Li and Suenglh than those offered to other independent third party customers of the Group; (ii) discuss with the management of the Company in relation to the terms of the continuing connected transactions of the Group; (iii) monitor the internal control measures as disclosed in this circular; (iv) discuss with the auditor of the Group to consider whether the transactions under the Master Sales Agreement are conducted on arm’s length basis; (v) consider the annual transaction amounts of Nan Hua Jin Li and Suenglh with the Group; and (vi) consider the auditor’s report on the transactions under the Master Sales Agreement about the pricing terms and annual caps as mentioned below. The auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof and report on its findings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the management of the Company for better understanding of the internal control policy. To assess the effectiveness of the internal control measures of the Company, we have reviewed (a) the meeting notes of the weekly sales meetings; (b) the master control list of transactions contemplated under the Master Sales Agreement; (c) samples of email correspondence of the VGM and the CEO to review and approve the sales orders from Nan Hua Jin Li and Suenglh; and (d) samples of monthly statement in respect of the sales transactions with Nan Hua Jin Li and Suenglh reviewed by the VGM. After the aforesaid review and discussion, we consider that,

- (i) the update of the general price list on an as-required basis and at least annually provide sufficiently recent information on the market prices;
- (ii) the VGM and the CEO would assess the terms and pricing of the relevant transactions contemplated under the Master Sales Agreement by reviewing the sales orders from Nan Hua Jin Li and Suenglh and the information available in the weekly sales meetings;
- (iii) the monthly check of sales transactions by the VGM represent a reasonable interval for checking on whether the relevant continuing connected transactions are conducted in accordance with the terms of the Master Sales Agreement and it helps to identify non-compliance (if any) in a timely manner;
- (iv) under regular supervision by the VGM and the CEO as aforementioned, the annual caps are less likely to be exceeded;
- (v) the external auditors review should be conducted in accordance with relevant professional standard and it helps to identify deficiency which may not be aware of by the Group; and
- (vi) the INEDs review is required by the Listing Rules.

In relation to the INEDs review, we have reviewed the documents received by the INEDs and samples of email correspondence between the INEDs and the management of the Company regarding the annual review of continuing connected transactions of the Group for two years ended 31 December 2015 and 2016 and discussed with the management of the Company. After the aforesaid review and discussion, we noted that,

- (i) the INEDs were provided with details of each of the continuing connected transactions of the Group;
- (ii) as advised by the management of the Company, the INEDs discussed the terms of the continuing connected transactions of the Group with the management of the Company; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the INEDs confirmed that the continuing connected transactions of the Group were in the ordinary and usual course of business of the Company and on normal commercial terms.

Thus the interest of the Independent Shareholders would be safeguarded should the internal control policy be strictly adhered to.

Having considered the above, we are of the view that the internal control measures aforementioned are effective and sufficient to ensure and safeguard the transactions contemplated under the Master Sales Agreement to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

7. Reasons for and benefits of entering into the Master Sales Agreement

As stated in the “Letter from the Board”, the Master Sales Agreement entered into among the Company and Nan Hua Jin Li and Suenglh is in the ordinary and usual course of business of the Group. The Directors have considered the following aspects:

- (i) Nan Hua Jin Li and Suenglh are stable and important customers;
- (ii) Suenglh has been a long-term customer of the Group for over 10 years with good credit records and has enabled the Group to explore the PRC disposable battery industry and market; and
- (iii) the sales network of Nan Hua Jin Li and Suenglh have assisted the Group to develop the PRC market over the years, and thus it is in the Group’s interest to continue the business cooperation among the Group, Nan Hua Jin Li and Suenglh.

As a result, the Company entered into the Master Sales Agreement, which is an extension of the 2013 Agreement for continuing the sale and supply of the Products by the Group to Nan Hua Jin Li and Suenglh. The Directors consider that there is no disadvantage of the transactions contemplated under the Master Sales Agreement to the Group.

In assessing whether the Sales and Supply Transactions under the Master Sales Agreement are in the interests of the Company and the Shareholders as a whole, we have discussed with the management of the Company in relation to the aforesaid the Company’s reasons and benefits for entering into the Master Sales Agreement. With better understanding of the Company’s rationale and having taken into account of the followings in assessing the reasonableness and fairness of the Sales and Supply Transactions under the Master Sales Agreement:

- (1) the Master Sales Agreement is a continuance of the 2013 Agreement, of which the transactions and terms thereunder are principally the same;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) the transactions contemplated under the Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group;
- (3) the proposed annual caps for the Term have been fairly and reasonably arrived at;
- (4) the pricing of the Products offered by the Group to Nan Hua Jin Li and Suenglh are similar to those offered to the Independent Third Parties and are not less favourable to the Group; and
- (5) the internal control measures adopted by Group which we are of view that are effective,

we concur with the view of the Company that the entering of the Master Sales Agreement is in the ordinary and usual course of business of the Group, and the terms and conditions under the Master Sales Agreement are normal commercial terms. As a result, we consider that the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term are fair and reasonable so far as the Independent Board Committee and Independent Shareholder are concerned, and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Apart from the reporting, announcement and Independent Shareholders' approval requirements as required pursuant to the GEM Listing Rules, the Sales and Supply Transactions under the Master Sales Agreement are subject to the annual review requirements under the Rules 20.53 to 20.57 of the GEM Listing Rules, in particular:

- (1) the independent non-executive Directors must review the transactions contemplated under the Master Sales Agreement every year and confirm in the annual report whether the transactions contemplated under the Master Sales Agreement have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the Master Sales Agreement governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (2) the Company must engage its auditors to report on the transactions contemplated under the Master Sales Agreement every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the Master Sales Agreement:
 - (i) have not been approved by the Board;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
 - (iii) were not entered into, in all material respects, in accordance with the Master Sales Agreement governing the transactions; and
 - (iv) have exceeded the proposed annual caps in relation to the Sales and Supply Transactions.
- (3) the Company will comply with all other relevant requirements under the GEM Listing Rules.

RECOMMENDATION

Having considered the principal factors and reasons considered as set out above, we are of the view that the terms and conditions of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term are fair and reasonable, and the entering into such agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In addition, the aforementioned internal control procedures are effective and sufficient to ensure and safeguard the transactions contemplated under the Master Sales Agreement to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term at the EGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Wallace Cheung
Director

Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 5 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and the Company's associated corporations

Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date (%)
Mr. Chu	Interest of a controlled corporation (<i>Note</i>)	126,000,000	52.5

Note:

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

Interests in the Company's associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the associated corporations

Name of Director/chief executive of the Company	Name of associated corporation	Nature of interest	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date (%)
Mr. Chu	Golden Villa	Beneficial owner	50,000	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had or deemed or taken to have an interest or short positions in the Shares and underlying Shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV the SFO and the GEM Listing Rules:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date (%)
Golden Villa	Beneficial owner	126,000,000	52.5
Ms. Mo Yuk Ling	Interest of spouse (<i>Note</i>)	126,000,000	52.5

Note:

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

Save as disclosed above, so far as the Directors were aware, there was no other persons, who as at the Latest Practicable Date, had any interests or short positions in the Shares or underlying Shares of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV the SFO and the GEM Listing Rules.

3. DISCLOSURE OF OTHER INTERESTS

(a) Service Agreements

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(b) Competing interests of Directors and associates

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

(c) Directors' interests in contracts or arrangements

The Directors confirm that as the Latest Practicable Date, save and except for Mr. Chu in respect of the Master Sales Agreement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

(d) Directors' interests in assets

The Directors confirm that as the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(e) Interests of the compliance adviser

As advised by the Company's compliance adviser, RaffAello Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 25 September 2014, neither the Compliance Adviser nor its directors, employees or close associates had any interests in the shares of the Company or any member of the Group as at the Latest Practicable Date or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Messis Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, MESSIS Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, MESSIS Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2016 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection in the principal place of business of the Company in Hong Kong at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong during normal business hours up to and including the date of the EGM:

- (a) the Master Sales Agreement and the 2013 Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from MESSIS Capital, the text of which is set out in this circular;
- (d) the consent letter of MESSIS Capital as referred to in the paragraph headed “Qualifications and Consent of Expert” in this Appendix; and
- (e) this circular.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

GoldenPower®
GOLDEN POWER GROUP HOLDINGS LIMITED
金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8038)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Golden Power Group Holdings Limited (the “**Company**”) will be held at 26/F Meeting Room II–III, Hyatt Regency Hong Kong, Sha Tin, 18 Chak Cheung Street, Sha Tin, Hong Kong on Monday, 29 May 2017 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

(1) “**THAT:**

- (a) the master sales agreement dated 1 February 2017 (the “**Master Sales Agreement**”) entered into among the Company, 廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited*) (“**Nan Hua Jin Li**”) and Suenglh Corporation Limited (動能(香港)有限公司) (“**Suenglh**”), pursuant to which, the Group conditionally agreed to sell and supply, and Nan Hua Jin Li and Suenglh conditionally agreed to purchase, the batteries under the “Golden Power” brand and the brands of the private label and OEM customers and other battery-related products for a term of three years commencing retrospectively from 1 January 2017 up to 31 December 2019 (both days inclusive) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps of HK\$26,600,000, HK\$29,300,000 and HK\$32,200,000 for the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively, in respect of the transactions under the Master Sales Agreement be and are hereby approved, confirmed and ratified; and

- (c) the directors of the Company be and are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as they consider necessary or expedient or desirable in connection with or to give effect to the Master Sales Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

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

Hong Kong, 10 May 2017

* *For identification purposes only*

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

Notes:

- (1) A shareholder entitled to attend and vote at the meeting convened by this notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy does not need to be a shareholder of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may attend and vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of shareholders of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof, as the case may be. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof should the shareholder so wishes and in such event, the instrument appointing a proxy shall be deemed to be revoked.

- (4) For the purpose of ascertaining the shareholders' right of attending and voting at the meeting, the register of shareholders of the Company will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 May 2017.