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GOLDEN POWER GROUP HOLDINGS LIMITED

金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3919)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK\$148.36 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$156.41 million), representing a decrease of approximately 5.15% over the same period in 2019.
- The unaudited profit attributable to the equity holders of the Company for the six months ended 30 June 2020 was approximately HK\$4.16 million while that for the six months ended 30 June 2019 the unaudited profit was approximately HK\$2.78 million, representing an increase in profit of approximately 49.64% over the same period in 2019.
- The basic earnings per share for the six months ended 30 June 2020 was HK1.73 cents (six months ended 30 June 2019: basic earnings per share of HK1.16 cents).
- The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results (the “**Results**“) of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) together with the corresponding comparative figures of the six months ended 30 June 2019 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *For the six months ended 30 June 2020*

| | | For the | |
|--|--------------|---------------------------------|--------------------|
| | | six months ended 30 June | |
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (unaudited) |
| Revenue | 5 | 148,362 | 156,410 |
| Cost of sales | | (108,900) | (120,586) |
| Gross profit | | 39,462 | 35,824 |
| Other revenue | | 3,869 | 5,683 |
| Other losses — net | | (2,261) | (576) |
| Selling expenses | | (9,523) | (7,612) |
| General and administrative expenses | | (24,704) | (26,885) |
| Finance costs | | (1,132) | (3,072) |
| Profit before income tax | 6 | 5,711 | 3,362 |
| Income tax expenses | 7 | (1,552) | (587) |
| Profit for the period attributable to the equity holders of the Company | | 4,159 | 2,775 |

| | For the | |
|--|---------------------------------|--------------------|
| | six months ended 30 June | |
| | 2020 | 2019 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Other comprehensive income/(loss) | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of financial statements of foreign operations | <u>521</u> | <u>(1,964)</u> |
| Other comprehensive income/(loss) for the period, net of tax | <u>521</u> | <u>(1,964)</u> |
| Total comprehensive income for the period attributable to equity holders of the Company | <u><u>4,680</u></u> | <u><u>811</u></u> |
| Earnings per Share | | |
| (HK cents) | | |
| — Basic | 8 1.73 | 1.16 |
| — Diluted | <u>—</u> | <u>—</u> |

Condensed Consolidated Statement of Financial Position
As at 30 June 2020

| | | At 30 June 2020 <i>HK\$'000</i> (unaudited) | At 31 December 2019 <i>HK\$'000</i> (audited) |
|---|----|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 283,918 | 279,444 |
| Investment properties | | 108,500 | 108,500 |
| Intangible assets | | 213 | 108 |
| Prepaid land lease payments | | 4,386 | 4,568 |
| Right-of-use assets | | 4,400 | 2,620 |
| Deposits paid for property, plant and equipment | | 2,524 | 3,782 |
| Deferred tax assets | | 8,685 | 9,013 |
| | | <u>412,626</u> | <u>408,035</u> |
| Current assets | | | |
| Inventories | | 42,865 | 40,077 |
| Trade and bill receivables | 11 | 58,390 | 47,835 |
| Deposits, prepayments, and other receivables | | 24,823 | 20,610 |
| Income tax recoverable | | 431 | 2,039 |
| Cash and bank balances | | 16,707 | 18,227 |
| | | <u>143,216</u> | <u>128,788</u> |
| Current liabilities | | | |
| Trade payables | 12 | 80,611 | 72,532 |
| Other payables and accruals | | 17,885 | 12,615 |
| Contract liabilities | | 2,073 | 3,133 |
| Bank borrowings, secured | | 135,828 | 140,350 |
| Lease liabilities | | 1,895 | 2,671 |
| Income tax payable | | 491 | 194 |
| | | <u>238,783</u> | <u>231,495</u> |
| Net current liabilities | | <u>(95,567)</u> | <u>(102,707)</u> |
| Total assets less current liabilities | | <u>317,059</u> | <u>305,328</u> |

| | | At 30 June 2020 <i>HK\$'000</i> (unaudited) | At 31 December 2019 <i>HK\$'000</i> (audited) |
|--------------------------------|----|---|---|
| Non-current liabilities | | | |
| Bank borrowings, secured | | 51,893 | 47,104 |
| Lease liabilities | | 2,175 | — |
| Deferred tax liabilities | | 3,516 | 3,429 |
| | | <u>57,584</u> | <u>50,533</u> |
| Net assets | | <u>259,475</u> | <u>254,795</u> |
| Capital and reserves | | | |
| Share capital | 14 | 2,400 | 2,400 |
| Reserves | | 257,075 | 252,395 |
| Total equity | | <u>259,475</u> | <u>254,795</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 7 June 2012 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business of the Company in Hong Kong are located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The shares in the share capital of the Company (the “**Share(s)**”) have been listed and traded on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 5 June 2015 (the “**Listing Date**”) and were successfully transferred to the Main Board of the Stock Exchange (the “**Transfer of Listing**”) on 10 November 2017.

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

The Group manufactures and sells different battery models in different sizes which can be applied to a wide range of electronic devices, such as battery-operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators. With the policies and regulations in the European Union and the PRC, the trend in the global battery market evolving towards hazardous substance-free batteries has continued. The Group has therefore developed hazardous substance-free batteries under the Group’s “ecototal” series which are mercury-free, cadmium-free and lead-free.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (a) The unaudited condensed consolidated financial statements (“**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Interim Financial Statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2019, except for the adoption of the new and revised HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA that are initially adopted for the current periods financial statements.

- (1) The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 January 2020:

| | |
|---|--|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concession (early adopt) |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |

The adoption of the new and revised HKFRSs did not have any significant financial impacts on the Interim Financial Statements.

- (2) The HKICPA has issued certain new and revised HKFRSs. For those which are not yet effective and have not been early adopted in prior and current accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.
- (b) When preparing the Results, the Group's ability to continue as a going concern has been assessed. As at 30 June 2020, the Group had net current liabilities of HK\$95.57 million. The Results have been prepared on a going concern basis due to the reasons that (i) as at 30 June 2020, the Group had unutilized banking facilities of HK\$18.42 million; (ii) given the Group maintained strong business relationship with its bankers and based on past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire; and (iii) the Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

4. SEGMENT INFORMATION

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results attributable to each reportable segment. Revenue and expenses are allocated to the reportable segments with reference to sales generated by the respective segments and the expenses incurred by the respective segments or which otherwise arise from the depreciation or amortisation of assets attributable to the respective segments. The measure used for reporting segment result is gross profit. A measurement of segment assets and liabilities is not provided regularly to the Group's senior executive management and accordingly, no segment assets and liabilities information is presented.

| For the six months ended 30 June 2020 (unaudited) | Cylindrical batteries <i>HK\$'000</i> | Micro-button cells <i>HK\$'000</i> | Rechargeable batteries and other battery- related products <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---|--------------------------|
| Segment revenue | <u>91,814</u> | <u>52,088</u> | <u>4,460</u> | <u>148,362</u> |
| Segment results | 19,976 | 18,584 | 902 | 39,462 |
| Unallocated other revenue | | | | 3,869 |
| Unallocated other losses — net | | | | (2,261) |
| Unallocated corporate expenses | | | | (34,227) |
| Finance costs | | | | <u>(1,132)</u> |
| Profit before income tax | | | | 5,711 |
| Income tax expenses | | | | <u>(1,552)</u> |
| Profit for the period | | | | <u>4,159</u> |
| For the six months ended 30 June 2019 (unaudited) | Cylindrical batteries <i>HK\$'000</i> | Micro-button cells <i>HK\$'000</i> | Rechargeable batteries and other battery- related products <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Segment revenue | <u>108,411</u> | <u>46,470</u> | <u>1,529</u> | <u>156,410</u> |
| Segment results | 17,597 | 17,829 | 398 | 35,824 |
| Unallocated other revenue | | | | 5,683 |
| Unallocated other losses — net | | | | (576) |
| Unallocated corporate expenses | | | | (34,497) |
| Finance costs | | | | <u>(3,072)</u> |
| Profit before income tax | | | | 3,362 |
| Income tax expenses | | | | <u>(587)</u> |
| Profit for the period | | | | <u>2,775</u> |

5. REVENUE

Geographical information

| | For the six months ended 30 June | |
|-------------------------------------|-------------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Africa | 61 | 55 |
| Hong Kong | 18,901 | 38,148 |
| Asia (except the PRC and Hong Kong) | 22,981 | 16,935 |
| Australia | 2,089 | 2,216 |
| The PRC | 42,222 | 46,437 |
| Europe (except Eastern Europe) | 34,039 | 17,121 |
| East Europe | 2,471 | 5,425 |
| Middle East | 1,346 | 2,863 |
| North America | 14,213 | 20,714 |
| South America | 10,039 | 6,496 |
| | <u>148,362</u> | <u>156,410</u> |

6. PROFIT BEFORE INCOME TAX

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profit before income tax is arrived at after charging: | | |
| Finance costs | | |
| Bank loans interest | 773 | 2,933 |
| Interest on import loans | 322 | 22 |
| Interest on lease liabilities | 34 | 96 |
| Bank overdraft interest | 3 | 21 |
| Total interest expenses | <u>1,132</u> | <u>3,072</u> |
| Other items | | |
| Depreciation of property, plant and equipment | 10,796 | 7,563 |
| Depreciation of right-of-use assets | 1,117 | 1,431 |
| Cost of inventories recognised as expenses | 108,900 | 120,586 |

7. INCOME TAX EXPENSES

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Current tax — Hong Kong profits tax | | |
| Provision for the period | 476 | 205 |
| Current tax — PRC enterprise income tax (“EIT”) | | |
| Provision for the period | 633 | — |
| | <u>1,109</u> | 205 |
| Deferred taxation | 443 | 382 |
| | <u>1,552</u> | <u>587</u> |

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

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 9 November 2017, Goldtium (Jiangmen) Energy Products Company Limited was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2017 and ended on 31 December 2019. The Directors expect that the subsidiary is able to renew its status as a High and New Technology Enterprise in 2020.

Pursuant to the approval document issued by the Ministry of Science and Technology in Guangdong Province on 28 November 2018, Dongguan Victory Battery Industries Company Limited was recognised as a High and New Technology Enterprise and was entitled to a preferential EIT rate at 15% for the three years commencing from 1 January 2018 and ended on 31 December 2020.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2020 and 2019, respectively.

8. EARNINGS PER SHARE

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

| | For the | |
|--|---------------------------------|-----------------------|
| | six months ended 30 June | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit for the period attributable to equity holders of the Company | <u>4,159</u> | <u>2,775</u> |
| | '000 | '000 |
| Weighted average number of Shares for the purpose of calculating basic earnings per Share | <u>240,000</u> | <u>240,000</u> |

Diluted earnings per Share has not been disclosed as no dilutive potential equity shares has been in existence for the six months ended 30 June 2020 and 2019, respectively.

9. DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$14.63 million for equipment and machinery (six months ended 30 June 2019: approximately HK\$21.78 million). The acquisition of property, plant and machinery can expand production capacity and improve production efficiency.

11. TRADE AND BILL RECEIVABLES

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

| | At 30 June 2020 <i>HK\$'000</i> (unaudited) | At 31 December 2019 <i>HK\$'000</i> (audited) |
|-----------------------------------|---|---|
| Trade and bill receivables | | |
| 0–30 days | 37,067 | 26,661 |
| 31–60 days | 12,840 | 14,393 |
| 61–90 days | 6,480 | 5,935 |
| 91–120 days | 1,814 | 506 |
| Over 120 days | 189 | 340 |
| | <hr/> | <hr/> |
| Total | 58,390 | 47,835 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

12. TRADE PAYABLES

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

| | At 30 June 2020 <i>HK\$'000</i> (unaudited) | At 31 December 2019 <i>HK\$'000</i> (audited) |
|-----------------------|---|---|
| Trade payables | | |
| 0–30 days | 33,367 | 20,141 |
| 31–90 days | 31,886 | 34,934 |
| 91–180 days | 12,982 | 13,542 |
| Over 180 days | 2,376 | 3,915 |
| | <hr/> | <hr/> |
| Total | 80,611 | 72,532 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

13. RELATED PARTY TRANSACTIONS

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

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

| | For the | |
|---|---------------------------------|------------------------|
| | six months ended 30 June | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Salaries, allowances and other benefits in kind | 4,381 | 4,352 |
| Discretionary bonuses | 644 | 640 |
| Contributions to defined contribution plans | 72 | 81 |
| | <u>5,097</u> | <u>5,073</u> |

14. SHARE CAPITAL

As at 30 June 2020, the issued share capital of the Company was HK\$2,400,000 divided into 240,000,000 shares in one class of HK\$0.01 each. During the Period, there is no change in the issued share capital or the number of issued share of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

The revenue of cylindrical batteries for the Period has decreased by approximately HK\$16.60 million as compared to the same period in 2019, representing an approximately 15.31% decrease. The decrease in such revenue was mainly due to the decrease in alkaline batteries sales in the PRC, Australia, Hong Kong, North America and the Middle East.

The revenue of micro-button cells and rechargeable batteries and other battery-related products for the Period increased by approximately HK\$8.55 million as compared to the same period in 2019, representing an approximately 17.81% increase. The increase in such revenue was mainly due to the increase in sales in Asia, the PRC and Europe.

The Group recorded a gross profit for the Period of approximately HK\$39.46 million (2019: approximately HK\$35.82 million), representing an increase of approximately HK\$3.64 million or 10.16% as compared to the same period in 2019, which was mainly due to the decrease in cost of sales by approximately HK\$11.69 million from approximately HK\$120.59 million for the six months ended 30 June 2019 to approximately HK\$108.90 million for the Period, representing a decrease of approximately 9.69%. The decrease was mainly attributable to the decrease in rent and rates and decrease in prices on raw materials as a whole. The direct labour cost for production was relatively stable from HK\$6.93 million in the six months ended 30 June 2019 to HK\$7.48 million in the Period. The production material costs decreased from HK\$68.48 million in the corresponding period in 2019 to HK\$61.13 million in the Period, representing a decrease of 10.73% during the Period. The decrease in production materials costs was mainly attributable to the decrease in the price of materials.

The unaudited profit attributable to the shareholders of the Company for the six months ended 30 June 2020 was approximately HK\$4.16 million while that for the six months ended 30 June 2019 the unaudited profit was approximately HK\$2.78 million, representing an increase in profit of approximately 49.64% over the same period in 2019. The profit incurred by the Group during the Period was mainly attributable to the increase in gross profit with reasons detailed above and reduction in the expenses associated with travelling, exhibition expenses and business trip during the Period.

Going forward, the Group will continue to adopt stringent cost control and adopt appropriate strategies to enhance its operation efficiency. The trade tension between the US and China, the volatility of foreign currencies, the COVID-19 pandemic outbreak (the “**Pandemic**”) during the Period and commodity prices may continue to cause some uncertainties in the markets, which might affect the Group’s sales orders for the second half of 2020. However, the Group will continue to put more effort in promoting the sales of disposable batteries on the new products segments, including hearing aid battery, as well as healthcare devices market.

FINANCIAL REVIEW

Revenue and profit attributable to equity holders

Revenue for the Period was approximately HK\$148.36 million (six months ended 30 June 2019: approximately HK\$156.41 million), representing a decrease of approximately 5.15% as compared to the same period in 2019. The rental income, which contributed towards other revenue of the Group, was HK\$1.79 million during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$2.33 million).

Profit attributable to equity holders of the Company for the Period was approximately HK\$4.16 million while for the same period in 2019, the profit attributable to equity holders of the Company was approximately HK\$2.78 million, representing an increase in profit of approximately 49.64% over the same period in 2019.

Gross Profit

The Group recorded a gross profit of approximately HK\$39.46 million for the Period (six months ended 30 June 2019: approximately HK\$35.82 million), representing an increase of approximately 10.16%. The increase in gross profit for the Period was mainly due to saving in rent and rates, subcontracting fee, utilities and decrease in prices of raw materials during the Period.

Expenses

During the Period, the selling expenses of the Group has increased by 25.10% to approximately HK\$9.52 million, as compared to approximately HK\$7.61 million for the corresponding period in 2019. The increase in selling expenses was mainly due to the increase in marketing and promotion expenses during the Period. The Group's general and administrative expenses has decreased by approximately HK\$2.19 million to approximately HK\$24.70 million during the Period as compared to approximately HK\$26.89 million for the same period in 2019. The decrease in general and administrative expenses was mainly due to the decrease in legal and professional fee, travelling and staff related expenses during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

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

The bank borrowings are repayable as follows:

| | At 30 June 2020 <i>HK\$'000</i> (unaudited) | At 31 December 2019 <i>HK\$'000</i> (audited) |
|--------------------------------------|---|---|
| Within 1 year | | |
| — Short-term loans | 117,403 | 114,166 |
| — Current portion of long-term loans | 18,425 | 26,184 |
| | <u>135,828</u> | <u>140,350</u> |
| Over 1 year but within 2 years | 19,673 | 14,512 |
| Over 2 years but within 5 years | 26,682 | 26,205 |
| Over 5 years | 5,538 | 6,387 |
| | <u>187,721</u> | <u>187,454</u> |

As at 30 June 2020, the Group had borrowings of approximately HK\$187.72 million (as at 31 December 2019: approximately HK\$187.45 million). The debt ratio, calculated as total liabilities over total assets, of the Group as at 30 June 2020 was approximately 0.53 (as at 31 December 2019: approximately 0.53).

As at 30 June 2020, the Group had cash and cash equivalents (the "Liquidity Resources") of approximately HK\$16.71 million (as at 31 December 2019: approximately HK\$18.23 million) which were mainly denominated in HKD and RMB.

The Group had capital expenditures contracted for approximately HK\$7.01 million for the acquisition of auxiliary and other machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical and micro-button cells batteries. Save as disclosed, the Group had no material capital expenditure commitments as at 30 June 2020.

CAPITAL STRUCTURE

During the Period, there was no change in the capital structure of the Company. The capital structure of the Group consists of bank borrowings, net of bank balances and cash and equity attributable to shareholders of the Company comprising issued share capital and reserves. The issued share capital of the Company comprises Shares only. Total equity of the Company amounted to approximately HK\$259.48 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$254.80 million).

GEARING RATIO

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. As at 30 June 2020, the Group's gearing ratio was approximately 0.81 (as at 31 December 2019: approximately 0.81).

CHARGES ON ASSETS

The Group's bank borrowing facilities were secured mainly by the Group's plant and office building (including investment properties) with carrying value of approximately HK\$150.83 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$152.45 million).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 (as at 31 December 2019: nil).

SIGNIFICANT INVESTMENTS HELD

The Company during the Period held significant investments of (i) the Company's investment in various subsidiaries; and (ii) the investment in three investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories, and shop 29 on G/F Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories (the "Shop") which are held by Golden Power Properties Limited and China Scene Limited (both are indirect wholly-owned subsidiaries of the Company), respectively, and leased to three separate independent third parties under two-year tenancy agreements entered on 23 May 2018 for warehouse purpose and 16 July 2019 with monthly rentals at market rate. On 18 June 2020, the Shop was leased to an independent third party under a new two-year tenancy agreement for commercial purpose with monthly rent at market rate. Other than those disclosed above, the Group did not hold any significant investments as at 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the 2019 annual report of the Company and this announcement, the Group did not have any plans for material investments or capital assets as at 30 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

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

As at 30 June 2020, the Group had a total of 541 employees (as at 30 June 2019: 572 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$23.37 million during the Period (six months ended 30 June 2019: approximately HK\$25.52 million).

PRINCIPAL RISKS AND UNCERTAINTIES

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

The operation and financial performance of the Group may be affected by the Pandemic or other public health events as production may be required to be suspended due to administrative and governmental health control measures. The global economy and the general consumers' demand may be adversely affected by the outbreak of the Pandemic.

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

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

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

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

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

For more details about the general risks and uncertainties in relation to the Group, please refer to the Prospectus of the Company dated 29 May 2015.

FOREIGN CURRENCY RISK

The reporting currencies of the Group is HKD.

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2020, the Group had an exchange rate exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB and HKD.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate or entering into appropriate forward contracts when necessary.

As at 30 June 2020, the Group did not have any foreign investments which have been hedged by currency borrowing and hedging instruments.

USE OF PROCEEDS FROM LISTING AND THE RIGHTS ISSUE

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

All net proceeds from the Listing have been used up by 31 December 2015 according to our implementation plans disclosed in the Prospectus. The net proceeds from the Rights Issue, after deducting related expenses, amounted to approximately HK\$31 million. The net proceeds of the Rights Issue have been fully applied by 31 December 2017 in accordance with the intended use of proceeds as set out in the prospectus of the Rights Issue dated 27 March 2017.

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

Interests in the Company

As at 30 June 2020, the interests or short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the Listing Rules, were as follows:

Long positions in the Shares

| Name | Nature of interest | Total number of Shares held (long position) | Approximate percentage of shareholding |
|---|--|---|--|
| Chu King Tien <i>(Chairman and Executive Director)</i> | Interest in a controlled corporation <i>(Note)</i> | 130,500,000 Shares | 54.38% |
| Chu Shuk Ching <i>(Executive Director and Chief Executive Officer)</i> | Beneficial owner | 2,000,000 Shares | 0.83% |

Note:

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

Interests in associated corporations of the Company

As at 30 June 2020, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the Listing Rules, were as follows:

Long positions in the shares of the associated corporations

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

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

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

So far as the Directors are aware, as at 30 June 2020, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in the Shares

| Name | Nature of interest | Total number of Shares held (long position) | Approximate percentage of shareholding |
|-------------------|------------------------------|---|--|
| Golden Villa Ltd. | Beneficial owner | 130,500,000 Shares | 54.38% |
| Ms. Mo Yuk Ling | Interest of spouse (Note) | 130,500,000 Shares | 54.38% |

Note:

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

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SUBSEQUENT EVENT

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

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

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

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was conditionally adopted by the written resolutions of the Company’s sole shareholder passed on 15 May 2015. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Main Board Listing Rules. The principal terms of the Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix V of the Prospectus. As of the date of this announcement, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code principles of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The Company is committed to ensuring a high corporate governance standard and transparency and accountability to shareholders of the Company. The Board is of the opinion that the Company has complied with the applicable code provisions under the CG Code throughout the Period.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed above or in the Prospectus or the Rights Issue prospectus dated 27 March 2017, no Director had any material interests in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

COMPETING BUSINESS

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

AUDIT COMMITTEE

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

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

The Results have not been audited by the Company's auditor but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://www.goldenpower.com>. The interim report of the Company for the six months ended 30 June 2020 will also be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://www.goldenpower.com> and will be dispatched to the shareholders of the Company according to the Listing Rules.

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

Hong Kong, 20 August 2020

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