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GOLDEN POWER GROUP HOLDINGS LIMITED

金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3919)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$315.42 million for the year ended 31 December 2020 (the “**Year**”) (2019: approximately HK\$314.20 million), representing a slight increase of approximately 0.39% as compared with the year ended 31 December 2019 (the “**Last Year**”).
- Profit attributable to shareholders of the Company for the Year was approximately HK\$12.34 million (2019: approximately HK\$7.38 million), representing an increase of approximately 67.21%. The increase was mainly attributable to the combined effects of i) profit from operations increased by approximately 58.01% to approximately HK\$20.32 million for the Year as compared to approximately HK\$12.86 million for the Last Year, which was primarily attributable to the decrease in the cost of sales, which is mainly attributable to the decrease in rental payments and labour cost after netting off the government subsidies as a whole; ii) finance costs decreased by approximately 36.83% to approximately HK\$3.79 million for the Year as compared to approximately HK\$6.00 million for the Last Year, which was primarily attributable to the restructuring of the banking facilities. The increase was partially offset by the fact that the income tax expense increased to approximately HK\$4.19 million for the Year as compared to approximately HK\$0.52 million tax credit for the Last Year, which was primarily from the utilisation of a PRC tax loss in the Year.
- The basic earnings per share for the Year was HK5.14 cents (2019: HK3.08 cents).
- The Directors did not recommend the payment of any dividend for the Year (2019: Nil).

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Golden Power Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2019 (the “**Last Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	315,415	314,203
Cost of sales		(234,591)	(239,991)
Gross profit		80,824	74,212
Other revenue		6,454	7,624
Other gains and losses		(1,643)	(527)
Selling expenses		(15,863)	(15,917)
General and administrative expenses		(49,455)	(52,531)
Profit from operations		20,317	12,861
Finance costs	4(a)	(3,792)	(6,001)
Profit before income tax	4	16,525	6,860
Income tax	5	(4,185)	520
Profit for the year attributable to the equity shareholders of the Company		12,340	7,380
Earnings per share (HK cents)			
— Basic	6	5.14	3.08
— Diluted	6	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>12,340</u>	<u>7,380</u>
Other comprehensive income/(loss) for the year, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>4,956</u>	<u>(3,475)</u>
Total comprehensive income for the year attributable to the equity shareholders of the Company	<u><u>17,296</u></u>	<u><u>3,905</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		293,655	279,444
Investment properties		104,000	108,500
Intangible assets		186	108
Prepaid land lease payments		4,660	4,568
Right-of-use assets		2,976	2,620
Deposits paid for acquisition of property, plant and equipment		10,573	3,782
Deferred tax assets		4,995	9,013
		<u>421,045</u>	<u>408,035</u>
CURRENT ASSETS			
Inventories	<i>8</i>	59,761	40,077
Trade and bills receivables	<i>9</i>	50,239	47,835
Deposits, prepayments and other receivables	<i>10</i>	26,004	20,610
Income tax recoverable		254	2,039
Cash and bank balances		14,452	18,227
		<u>150,710</u>	<u>128,788</u>
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	<i>11</i>	90,025	72,532
Other payables and accruals	<i>12</i>	12,618	12,615
Contract liabilities	<i>13</i>	3,416	3,133
Bank borrowings	<i>14</i>	144,113	140,350
Lease liabilities		716	2,671
Income tax payable		1,428	194
		<u>252,316</u>	<u>231,495</u>
NET CURRENT LIABILITIES		<u>(101,606)</u>	<u>(102,707)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>319,439</u>	<u>305,328</u>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank borrowings	14	44,194	47,104
Lease liabilities		1,815	—
Deferred tax liabilities		<u>1,339</u>	<u>3,429</u>
		<u>47,348</u>	<u>50,533</u>
NET ASSETS		<u>272,091</u>	<u>254,795</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		2,400	2,400
Reserves		<u>269,691</u>	<u>252,395</u>
TOTAL EQUITY		<u>272,091</u>	<u>254,795</u>

NOTES

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

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

(b) Initial application of HKFRSs

In the current year, the Group has applied the "Amendments to Reference to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the “*Amendment to HKFRS 16 Covid-19 Related Rent Concessions*” which is effective for annual periods beginning on or after 1 June 2020. Except as described below in Note 2(d), the application of “*Amendments to Reference to the Conceptual Framework in HKFRS Standards*” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 December 2020 have not been applied in the preparation of the Group’s consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2020:

HKFRS 17	Insurance contract ¹
Amendments to HKAS 1	Classification of liabilities as current or non-current ¹
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan ¹
Amendments to HKFRS 3	Update reference to the conceptual framework ²
Amendments to HKAS 16	Proceeds before intended use ²
Amendments to HKAS 37	Onerous contracts — costs of fulfilling a contract ²
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle ²
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination ²
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase two ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures ³

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

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

(d) Changes in accounting policies

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Materials

The Group has applied to the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessee to elect not to assess whether a Covid-19 relates rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is not substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions that same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period which the events occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

(e) **Adoption of the going concern basis**

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK\$101,606,000 at 31 December 2020. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

- (i) At 31 December 2020, the Group had unutilised banking facilities of approximately HK\$48,861,000;
- (ii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank borrowings with an aggregate principal amount of approximately HK\$59,000,000 maturing on or before the date when the consolidated financial statements are authorised for issuance;
- (iii) For the borrowings which will be maturing before 31 December 2021, the Group will actively negotiate with the banks before they fall due to secure their renewals so as to ensure the Group will have necessary funds to meet the Group's working capital and financial requirements in the future. The Directors do not expect to experience significant difficulties in renewing these borrowings upon their maturities and there is no indication that its bankers will not renew the existing facilities upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturities;
- (iv) Given the Group maintained strong business relationship with its bankers and based on past experiences, the Directors expect that the Group is able to renew all the banking facilities when they expire;
- (v) The Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary; and
- (vi) The outbreak of the new coronavirus pneumonia epidemic ("**Epidemic**") has impact on the global business environment and continues to evolve. The Directors are closely monitoring the development of the Epidemic situation.

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the invoiced value of goods sold to external customers less discounts, rebates and returns, and net of value-added tax and surcharges.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from customers and recognised at a point in time		
Sales of battery products:		
— Disposable batteries	308,526	309,767
— Rechargeable batteries	6,311	3,898
— Other battery-related products	578	538
	<u>315,415</u>	<u>314,203</u>

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

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

Segment information

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

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

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

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

Information regarding the Group's reportable segments for the years ended 31 December 2020 and 2019 is set out below:

Segment revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	156,362	170,726
— Carbon	44,989	46,460
	<u>201,351</u>	<u>217,186</u>
 (ii) Micro-button cells		
— Alkaline	78,637	75,169
— Other micro-button cells	28,538	17,412
	<u>107,175</u>	<u>92,581</u>
	<u>308,526</u>	<u>309,767</u>
 Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	6,311	3,898
(ii) Other battery-related products	578	538
	<u>6,889</u>	<u>4,436</u>
	<u>315,415</u>	<u>314,203</u>

Segment results

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disposable batteries		
(i) Cylindrical batteries		
— Alkaline	37,836	39,520
— Carbon	<u>3,169</u>	<u>515</u>
	<u>41,005</u>	<u>40,035</u>
(ii) Micro-button cells		
— Alkaline	24,571	23,997
— Other micro-button cells	<u>13,908</u>	<u>9,231</u>
	<u>38,479</u>	<u>33,228</u>
	<u>79,484</u>	<u>73,263</u>
Rechargeable batteries and other battery-related products		
(i) Rechargeable batteries	1,253	883
(ii) Other battery-related products	<u>87</u>	<u>66</u>
	<u>1,340</u>	<u>949</u>
	<u>80,824</u>	<u>74,212</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment results	80,824	74,212
Unallocated other revenue	6,454	7,624
Unallocated other gains and losses	(1,643)	(527)
Unallocated corporate expenses	(65,318)	(68,448)
Finance costs	<u>(3,792)</u>	<u>(6,001)</u>
Profit before income tax	<u>16,525</u>	<u>6,860</u>

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2020 and 2019. Segment results represent the gross profit of each type of products. This is the measure reported to the senior executive management for the purposes of resource allocation and performance assessment.

Other segment information

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation and amortisation		
Disposable batteries		
— Cylindrical batteries	12,227	9,669
— Micro-button cells	7,824	4,565
	<u>20,051</u>	<u>14,234</u>
Segment total	20,051	14,234
Unallocated depreciation and amortisation	5,174	5,721
	<u>25,225</u>	<u>19,955</u>

Revenue from major customers

During the years ended 31 December 2020 and 2019, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	36,940	35,848
Customer B	30,969	25,377
	<u>36,940</u>	<u>25,377</u>

Geographic information

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	98,179	93,505
Hong Kong	42,347	58,668
Asia (except the PRC and Hong Kong)	49,457	46,389
Europe	62,594	43,912
Eastern Europe	4,669	7,143
North America	32,006	36,164
South America	18,852	18,869
Australia	5,770	4,475
Africa	91	386
Middle East	1,450	4,692
	<u>315,415</u>	<u>314,203</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	240,855	213,394
Hong Kong	166,082	175,730
Macau	9,113	9,898
	<u>416,050</u>	<u>399,022</u>

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

4. PROFIT BEFORE INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance costs:		
Bank loans interest	5,834	6,363
Interest on import loans	920	624
Interest on lease liabilities	93	168
Bank overdraft interest	16	39
	<hr/>	<hr/>
Total interest expense	6,863	7,194
Less: interest expense capitalised into property, plant and equipment (<i>Note a</i>)	(3,071)	(1,193)
	<hr/>	<hr/>
	3,792	6,001
	<hr/> <hr/>	<hr/> <hr/>
(b) Staff cost (excluding Directors' emoluments) (<i>Note b</i>):		
Salaries, wages and other allowances	38,537	39,736
Contributions to defined contribution plans	1,303	4,023
	<hr/>	<hr/>
	39,840	43,759
	<hr/> <hr/>	<hr/> <hr/>
(c) Other items:		
Amortisation of intangible assets	85	59
Amortisation of prepaid lease payments	208	211
Auditors' remuneration		
— Audit services	777	915
— Non-audit services	159	225
Bad debt on trade receivables written off	222	—
Bad debts on other receivables written off	162	162
Cost of inventories recognised as expenses	234,591	239,991
Depreciation		
— Property, plant and equipment	22,341	16,879
— Right-of-use assets	2,591	2,806
Loss on disposals of property, plant and equipment:		
— Proceeds from disposals of property, plant and equipment	(523)	(637)
— Carrying amount of property, plant and equipment	2,418	1,924
	<hr/>	<hr/>
	1,895	1,287
Write-down to net realisable value on inventories	2,560	699
Written off of property, plant and equipment	96	—
Short-term lease expenses	156	331
Rental income less outgoings of approximately HK\$434,000 (2019: approximately HK\$393,000)	(2,726)	(4,163)
	<hr/>	<hr/>
	263,117	259,402
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The borrowing costs have been capitalised at a rate of 4.14% and 4.01% per annum for the years ended 31 December 2020 and 2019 respectively.
- (b) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The amount of HK\$2,209,000 was received and net off the staff cost recognised during the year ended 31 December 2020.

5. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Hong Kong profits tax:		
Provision for the year	2,035	883
(Over)/under-provision in prior years	(45)	208
Current tax — PRC enterprise income tax (“EIT”):		
Provision for the year	—	82
(Over)/under-provision in prior years	(80)	587
	<u>1,910</u>	1,760
Deferred taxation:		
Current year	<u>2,275</u>	<u>(2,280)</u>
Income tax expense/(credit)	<u><u>4,185</u></u>	<u><u>(520)</u></u>

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

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

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2019.

The provision for Hong Kong Profits Tax for 2020 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/2021 subject to a maximum reduction of \$10,000 for each business (2019: a maximum reduction of \$20,000 was granted for the year of assessment 2019/2020 and was taken into account in calculating the provision for 2019).

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax	<u>16,525</u>	<u>6,860</u>
Tax effect at the Hong Kong profits tax rate of 16.5% (2019: 16.5%)	2,726	1,132
Tax effect of non-taxable income	(830)	(694)
Tax effect of non-deductible expenses	1,087	663
Tax effect of recognition of tax losses previously not recognised	—	(1,517)
Tax effect of unrecognised tax losses	53	—
Tax effect of utilisation of tax losses	(1,591)	(566)
(Over)/under-provision in prior years	(125)	795
Tax concession	(165)	(165)
Tax rate differential	<u>3,030</u>	<u>(168)</u>
Income tax expense/(credit)	<u>4,185</u>	<u>(520)</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of approximately HK\$12,340,000 (2019: approximately HK\$7,380,000) and the weighted average of 240,000,000 (2019: 240,000,000) ordinary shares in issue during the year ended 31 December 2020.

Diluted earnings per share has not been disclosed as no dilutive potential equity shares in existence for the years ended 31 December 2020 and 2019.

7. DIVIDENDS

No dividends declared and paid or payable for the years ended 31 December 2020 and 2019.

8. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	17,839	12,176
Work in progress	31,917	16,903
Finished goods	<u>14,055</u>	<u>12,235</u>
	63,811	41,314
Less: Write-down to net realisable value	<u>(4,050)</u>	<u>(1,237)</u>
	<u><u>59,761</u></u>	<u><u>40,077</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	1,237	561
Write-down to net realisable value for the year	2,560	699
Exchange adjustments	<u>253</u>	<u>(23)</u>
At 31 December	<u><u>4,050</u></u>	<u><u>1,237</u></u>

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

9. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	50,574	47,934
Less: Loss allowance	<u>(512)</u>	<u>(479)</u>
	50,062	47,455
Bills receivables	<u>177</u>	<u>380</u>
	<u><u>50,239</u></u>	<u><u>47,835</u></u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	479	489
Exchange adjustments	<u>33</u>	<u>(10)</u>
At 31 December	<u><u>512</u></u>	<u><u>479</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	29,963	26,661
31–60 days	11,857	14,393
61–90 days	5,304	5,935
91–120 days	3,013	506
Over 120 days	<u>102</u>	<u>340</u>
	<u><u>50,239</u></u>	<u><u>47,835</u></u>

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

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Utilities and other deposits	11,381	4,625
Prepayments	15,208	7,975
Other receivables	<u>9,988</u>	<u>11,792</u>
	36,577	24,392
Less: Non-current portion		
Deposits paid for acquisition of property, plant and equipment	<u>(10,573)</u>	<u>(3,782)</u>
Current portion	<u><u>26,004</u></u>	<u><u>20,610</u></u>

11. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	33,637	20,141
31–90 days	35,655	34,934
91–180 days	17,983	13,542
Over 180 days	2,750	3,915
	<u>90,025</u>	<u>72,532</u>

12. OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other payables	2,506	5,563
Accruals	9,766	6,372
Provision for long service payments	—	334
Provision for annual leave	346	346
	<u>12,618</u>	<u>12,615</u>

13. CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	3,133	4,419
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,456)	(3,269)
Increase as a result of billing in advance	2,699	1,983
Exchange adjustments	40	—
	<u>3,416</u>	<u>3,133</u>
At 31 December	<u>3,416</u>	<u>3,133</u>

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

14. BANK BORROWINGS

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured bank loans		162,239	170,779
Secured bank import loans and other loans		<u>26,068</u>	<u>16,675</u>
Total secured bank and other loans	<i>(a)</i>	<u>188,307</u>	<u>187,454</u>
Less: Amount classified as current liabilities		<u>(144,113)</u>	<u>(140,350)</u>
Amount classified as non-current liabilities		<u><u>44,194</u></u>	<u><u>47,104</u></u>
The carrying amounts of the above borrowings are repayable*:			
Within one year		139,342	131,402
Within a period of more than one year but not exceeding two years		19,667	18,611
Within a period of more than two years but not exceeding five years		21,002	31,054
Within a period of more than five years		<u>8,296</u>	<u>6,387</u>
		<u>188,307</u>	<u>187,454</u>
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:			
Within one year		144,113	140,350
Within a period of more than one year but not exceeding two years		15,476	14,512
Within a period of more than two years but not exceeding five years		20,422	26,205
Within a period of more than five years		<u>8,296</u>	<u>6,387</u>
		<u>188,307</u>	<u>187,454</u>
Less: Amount due within one year shown under current liabilities		<u>(144,113)</u>	<u>(140,350)</u>
Amount shown under non-current liabilities		<u><u>44,194</u></u>	<u><u>47,104</u></u>

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

Notes:

(a) The Group had the following banking facilities:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total banking facilities granted	237,168	205,464
Less: banking facilities utilised by the Group	<u>(188,307)</u>	<u>(187,454)</u>
Unutilised banking facilities	<u>48,861</u>	<u>18,010</u>

At 31 December 2020, these banking facilities were secured by:

- (i) bank loans of approximately HK\$48,029,000 (2019: HK\$40,949,000) were guaranteed by unlimited cross corporate guarantee executed by the Company and its subsidiaries;
 - (ii) bank loans of approximately HK\$140,278,000 (2019: HK\$146,505,000) were guaranteed by corporate guarantee of approximately HK\$309,873,000 executed by the Company; and
 - (iii) prepaid land lease payments, leasehold land and buildings, plant and machinery and investment properties situated in Hong Kong, the PRC and Macau owned by the Group.
- (b) There was no financial covenant for the banking facilities at 31 December 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The revenue of cylindrical batteries for the Year decreased by approximately HK\$15.84 million from approximately HK\$217.19 million for the Last Year to approximately HK\$201.35 million for the Year, which was equivalent to a decrease in approximately 7.29% in revenue of cylindrical batteries. Such decrease in revenue was mainly due to decrease in its general demand in except Europe, China and Asia during the Year.

The revenue of micro-button cells for the Year increased by approximately HK\$14.60 million from approximately HK\$92.58 million for the Last Year to approximately HK\$107.18 million for the Year, which was equivalent to an increase of approximately 15.77% in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year increased by approximately HK\$2.45 million from approximately HK\$4.44 million for the Last Year to approximately HK\$6.89 million for the Year, which was equivalent to approximately 55.18% increase in revenue of rechargeable batteries and other battery-related products. Such increase in revenue was mainly from Europe, Australia and China market.

Revenue for the Year has increased slightly by approximately 0.39% to approximately HK\$315.42 million from approximately HK\$314.20 million in the Last Year. Profit attributable to the shareholders of the Company was approximately HK\$12.34 million for the Year, as compared to a profit of approximately HK\$7.38 million in the Last Year, representing an increase of approximately 67.21%. Earnings per share were HK5.14 cents, as compared to the earnings per share of HK3.08 cents for the Last Year.

FINANCIAL REVIEW

Revenue

Revenue for the Year was approximately HK\$315.42 million (2019: approximately HK\$314.20 million) representing a slight increase of approximately 0.39% as compared to the Last Year. Such increase was mainly attributable to the increase in demand of button cell batteries from Europe, Australia, China and Asia, but such increase was net off by the decrease of cylindrical batteries demand in Hong Kong, North and South America, Middle East, East Europe and Africa during the Year.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	98,179	93,505
Hong Kong	42,347	58,668
Asia (except the PRC and Hong Kong)	49,457	46,389
Europe	62,594	43,912
Eastern Europe	4,669	7,143
North America	32,006	36,164
South America	18,852	18,869
Australia	5,770	4,475
Africa	91	386
Middle East	1,450	4,692
	<u>315,415</u>	<u>314,203</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cylindrical batteries	201,351	217,186
Micro-button cells	107,175	92,581
Rechargeable batteries and other battery-related products	6,889	4,436
	<u>315,415</u>	<u>314,203</u>

Gross Profit

The Group recorded a gross profit for the Year of approximately HK\$80.82 million (2019: approximately HK\$74.21 million), representing an increase of approximately 8.91% as compared to the Last Year, which was mainly due to the decrease in cost of sales by approximately HK\$5.40 million from approximately HK\$239.99 million for the Last Year to approximately HK\$234.59 million for the Year, representing a decrease of approximately 2.25%. The decrease was mainly attributable to the decrease in rental payments and labour cost after netting off the government subsidies as a whole.

Expenses

During the Year, the selling expenses of the Group decreased by approximately 0.38% to approximately HK\$15.86 million as compared to approximately HK\$15.92 million in the Last Year. The decrease was mainly due to the decrease in the staff costs and travelling expenses. The Group's general and administrative expenses decreased by approximately HK\$3.07 million to approximately HK\$49.46 million as compared to approximately HK\$52.53 million for the Last Year. The decrease in general and administrative expenses was mainly due to the decrease in salaries and sundry expenses.

Finance Costs

The finance costs of the Group has decreased by approximately 36.83% to approximately HK\$3.79 million for the Year as compared to approximately HK\$6.00 million in the Last Year. The decrease was mainly due to the restructuring of the banking facilities.

Income Tax

The income tax expense of the Group has increased by approximately HK\$4.71 million to approximately HK\$4.19 million tax expense for the Year as compared to approximately HK\$0.52 million tax credit for the Last Year. The increase was mainly from the utilisation of a PRC tax loss in the Year.

Profit attributable to the shareholders of the Company

Profit attributable to shareholders of the Company for the Year was approximately HK\$12.34 million (2019: approximately HK\$7.38 million), representing an increase of approximately 67.21%. The increase was mainly attributable to the combined effects of i) profit from operations increased by approximately 58.01% to approximately HK\$20.32 million for the Year as compared to approximately HK\$12.86 million for the Last Year, which was primarily attributable to the decrease in the cost of sales mainly attributable to the decrease in rental payments and labour cost after netting off the government subsidies as a whole; ii) finance costs decreased by approximately 36.83% to approximately HK\$3.79 million for the Year as compared to approximately HK\$6.00 million for the Last Year, which was primarily attributable to the restructuring of the banking facilities. The increase was partially offset by the fact that the income tax expense increased to approximately HK\$4.19 million for the Year as compared to approximately HK\$0.52 million tax credit for the Last Year, which was primarily from the utilisation of a PRC tax loss in the Year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the cash and bank balances were approximately HK\$14.45 million, which was approximately HK\$3.78 million lower than that as at 31 December 2019 (2019: approximately HK\$18.23 million).

As at 31 December 2020, the Group has utilised banking facilities of approximately HK\$188.31 million, which was equivalent to approximately 79.40% of the total banking facilities available for the Year as compared to the utilised amount of approximately HK\$187.45 million in the Last Year which was equivalent to approximately 91.23% of the total banking facilities available for the Last Year, which represents an increase in approximately HK\$0.86 million in the utilised banking facilities as at 31 December 2020 over 31 December 2019. The increase in the banking facilities was used for the development of new production line and assets acquisition. The Directors believe that the utilisation rate of the banking facilities has been maintained at a reasonable level. During the year, the Group reviewed the types of banking facilities and opted for a different type of banking facilities, which resulted in the decrease in finance costs incurred during the year. The Directors also believe that the existing banking facilities are at a safe level to support the Group's operating needs.

CHARGES ON ASSETS

The Group's bank borrowing facilities were secured mainly by the Group's plant and machinery and office building (including investment properties) with carrying value of approximately HK\$158.09 million as at 31 December 2020 (2019: approximately HK\$152.45 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

As at 31 December 2020, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and the Group did not enter into any other hedging instruments.

FINANCIAL KEY PERFORMANCE INDICATORS

	2020	2019
Gross profit margin	25.62%	23.62%
Net profit margin	3.91%	2.35%
Gearing ratio	0.76	0.81

Gross Profit Margin

The gross profit margin increased by approximately 2.00% from approximately 23.62% for the Last Year to approximately 25.62% for the Year. It was mainly due to the decrease in cost of production, including the material consumption and production overhead throughout the Year.

Net Profit Margin

The net profit margin increased by approximately 1.56% to approximately 3.91% for the Year as compared to approximately 2.35% for the Last Year. The increase in the net profit margin was mainly attributable to the decrease in the cost of sales, selling expenses and general and administrative expenses.

Gearing Ratio

The gearing ratio decreased by 0.05 to 0.76 for the Year as compared to 0.81 for the Last Year. The decrease was mainly due to the increase in the total equity during the Year. Gearing ratio is defined as the total other payables and accruals, contract liabilities, bank borrowings and lease liabilities divided by total equity.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: nil).

CAPITAL STRUCTURE

There has been no change in the issued share capital of the Company during the Year. The capital structure of the Group consists of bank borrowings, net of bank balances and cash and equity attributable to shareholders of the Group comprising issued share capital and reserves. The issued share capital of the Group comprises ordinary Shares only. Total equity of the Group amounted to approximately HK\$272.09 million as at 31 December 2020 (2019: approximately HK\$254.80 million).

DIVIDEND

The Directors did not recommend the payment of any dividend for the Year (2019: nil).

CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital expenditures contracted for approximately HK\$22.22 million on a newly designed and automatic production line and others auxiliary machineries for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries, micro button cells and Hearing Aid Battery (“**HAB**”).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group had the following significant investments: (i) the Company’s investment in various subsidiaries; (ii) the investment in two investment properties located at Flat B and Flat D of 20/F., Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories, which are held by Golden Power Properties Limited (an indirect wholly-owned subsidiary of the Company) and respectively leased to two separate independent third parties under two-year term tenancy agreements entered on 16 July 2019 and on 17 July 2019, respectively, with monthly rentals at market rate and (iii) Shop 29, Ground Floor of Fortune Plaza, No. 4 On Chee Road, Tai Po, New Territories, Hong Kong (the “**Fortune Plaza Shop**”), which is held by China Scene Limited (an indirect wholly-owned subsidiary of the Company) and was leased to an independent third party under two-year term tenancy agreements entered into on 18 June 2020 for commercial purpose at market rent.

Save as the above, the Group did not hold any other significant investments as at 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group has from time to time been exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed in this announcement, the Group did not have any specific plans for material investment or capital asset as at 31 December 2020.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, as part of the Group's plan to streamline the corporate structure in the PRC, Dongguan Golden Power Battery Industries Company Limited (東莞金力電池實業有限公司) ("**Dongguan Golden Power**") was merged with Dongguan Victory Battery Industries Company Limited (東莞勝力電池實業有限公司), after which Dongguan Golden Power was deregistered and was no longer a subsidiary of the Company.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) The Group's business and operation may be seriously affected by the Pandemic or other public health incidents which may cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere;
- (ii) The Group has no long-term sales contracts with most of its major customers. If the business relationships with the major customers deteriorates or if any of the major customers reduces substantially its purchases from the Group or terminates its business relationship with the Group entirely, the business, results of operations and financial condition of the Group may be adversely affected;
- (iii) The demand for disposable batteries in general and alkaline cylindrical batteries depends on the need for such disposable batteries to operate various electronic devices, the demand for which is in turn affected by technological advances and consumer preferences. Further, technological advances and increasing environmental awareness may cause consumer demand to shift from alkaline cylindrical batteries to other disposable batteries, from disposable batteries to rechargeable batteries as a substitute or even to other forms of electronic products or energy which do not require the use of batteries;

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

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

EMPLOYEES AND REMUNERATION POLICY

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

As at 31 December 2020, the Group had a total of 525 employees (2019: 532 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$48.69 million in the Year (2019: approximately HK\$50.63 million) representing a decrease of approximately 3.83% for the Year. Directors' remuneration for the Year amounted to approximately HK\$8.85 million (2019: approximately HK\$6.87 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK\$0.46 million (2019: approximately HK\$0.46 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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

For more information in our environmental policies, please refer to our ESG Report in the annual report to be published by the Company according to the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

FUTURE DEVELOPMENT

The Group will continue to invest in its production facilities and upgrade the production lines in order to enhance the production capacity and efficiency in 2021. A newly designed automatic production line has been acquired in 2018 for producing HAB has

commenced production in the third quarter of 2020. It will improve the production efficiency and product quality to meet the Group's plan in future expansion for the Health Care device market.

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

In order to maintain its market competitiveness, the Group will continue to streamline its corporate structure in the PRC in 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EVENT AFTER REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

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

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

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 21 May 2021 (the “**2021 AGM**”). A notice convening the 2021 AGM will be published and despatched to the shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the identity of the shareholders of the Company who will be eligible to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both dates inclusive), the period during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 pm on Friday, 14 May 2021.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PKF Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2021 AGM.

SCOPE OF AUDITOR’S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary annual results announcement have been agreed by the Company’s auditor, PKF Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company’s website at www.goldenpower.com and the website of the Stock Exchange at www.hkexnews.hk. The 2020 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites according to the Listing Rules.

APPRECIATION

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

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

Hong Kong, 25 March 2021

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.