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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: 8038)**

## **CONTINUING CONNECTED TRANSACTION THE MASTER SALES AGREEMENT**

### **THE MASTER SALES AGREEMENT**

The Board is pleased to announce that, on 1 February 2017 (after trading hours), the Company entered into the Master Sales Agreement with Nan Hua Jin Li and Suenglh, pursuant to which, the Company conditionally agreed to sell, and Nan Hua Jin Li and Suenglh conditionally agreed to purchase, the Products for a term of three years commencing retrospectively from 1 January 2017 and ending on 31 December 2019, subject to the conditions precedent and other terms and conditions provided therein.

The Master Sales Agreement is an extension of the 2013 Agreement which has expired on 31 December 2016.

The principal terms of the Master Sales Agreement are substantially the same as the 2013 Agreement.

### **GEM LISTING RULES IMPLICATIONS**

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu and 29% by independent third parties. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. As such, Mr. Zhu is a connected person of the Company under the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person of the Company under the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a wholly-owned company of Mr. Zhu, is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

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

A circular containing, among other things, (1) further details of the Master Sales Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Master Sales Agreement and the transactions contemplated thereunder; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term; (4) notice of the EGM; and (5) other information as required under the GEM Listing Rules, are expected to be despatched to the Shareholders on or before 22 February 2017.

## **BACKGROUND**

The Board is pleased to announce that on 1 February 2017 (after trading hours), the Company entered into the Master Sales Agreement with Nan Hua Jin Li and Suenglh pursuant to which, the Company conditionally agreed to sell, and Nan Hua Jin Li and Suenglh conditionally agreed to purchase, the Products for a term of three years commencing retrospectively from 1 January 2017 and ending on 31 December 2019, subject to the conditions precedent and other terms and conditions provided therein.

The Master Sales Agreement is an extension of the 2013 Agreement which has expired on 31 December 2016.

The principal terms of the Master Sales Agreement are substantially the same as the 2013 Agreement.

## **PRINCIPAL TERMS OF THE MASTER SALES AGREEMENT**

**Date:** 1 February 2017

**Parties:**

1. the Company
2. Nan Hua Jin Li; and
3. Suenglh

**Term:**

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

**Scope:**

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

**Conditions precedent:**

The taking effect of the Master Sales Agreement is conditional upon the Independent Shareholders' approval of (i) the Master Sales Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps for the Term at the EGM. If such conditions are fulfilled, the Master Sales Agreement will become effective and shall deem to have commenced

retrospectively from 1 January 2017 and shall continue until 31 December 2019. If such conditions are not fulfilled on or before 30 June 2017 (or such later date as may be agreed between the parties), the Master Sales Agreement and all rights and obligations thereunder will be automatically terminated, and no party shall have any claim against the others by reason thereof except in respect of any antecedent breach.

**Payment terms:**

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

**Annual Caps:**

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

**Pricing of the Products:**

The prices of the Products to be supplied and sold by the Group under the Master Sales Agreement shall be determined with reference to the price list of the Products adopted by the Group and generally applicable to all customers of the Group at the material time, which will be formulated with reference to the following factors:

- (a) the prices of the corresponding types of products;
- (b) the Group's production costs;
- (c) the volume of the Nan Hua Jin Li's and Suenglh's purchase orders;
- (d) the requested packaging requirements by Nan Hua Jin Li and Suenglh; and
- (e) any other factors affecting the Products' prices.

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

**INTERNAL CONTROL MEASURES RELATING TO THE PRICING**

Subject to the general principles set out in the Master Sales Agreement as disclosed above, the pricing of the Products will be supervised and monitored by the relevant personnel from the sales department and the management of the Group in charge to ensure that the Master Sales Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel from the sales department and the management of the Group will also conduct regular checks to review and assess whether the transactions contemplated under the Master Sales Agreement are conducted in accordance with the terms and the proposed annual caps of the Master Sales Agreement. The independent non-executive Directors will continue to review the transactions contemplated under the Master Sales Agreement and the auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the

transactions contemplated under the Master Sales Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

## **HISTORICAL TRANSACTION AMOUNTS, PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION**

### **Historical transaction amounts**

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

|                                 | <b>For the<br/>financial<br/>year ended<br/>31 December<br/>2014<br/>HK\$</b> | <b>For the<br/>financial<br/>year ended<br/>31 December<br/>2015<br/>HK\$</b> | <b>For the<br/>financial<br/>year ended<br/>31 December<br/>2016<br/>HK\$</b> |
|---------------------------------|---|---|---|
| Sale and supply of the Products | 26,566,000  | 25,692,000  | 17,490,000  |

The Directors expected that the sales amount by the Group to Nan Hua Jin Li and Suenglh in relation to the sale and supply of the Products during the period since the expiry of the 2013 Agreement up to the date of the EGM will be in the region of HK\$2.9 million, which is within the threshold for full *de minimis* exemption under Chapter 20 of the GEM Listing Rules as of the date of this announcement, and will not reach an extent that would fall outside the threshold to qualify for a *de minimis* exemption under Chapter 20 of the GEM Listing Rules. These transactions will be covered by the Master Sales Agreement upon it becomes effective with retrospective effect.

### **Proposed annual caps**

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

|                                 | <b>For the<br/>financial<br/>year ending<br/>31 December<br/>2017<br/>HK\$</b> | <b>For the<br/>financial<br/>year ending<br/>31 December<br/>2018<br/>HK\$</b> | <b>For the<br/>financial<br/>year ending<br/>31 December<br/>2019<br/>HK\$</b> |
|---------------------------------|--|--|--|
| Sale and supply of the Products | 26,600,000   | 29,300,000   | 32,200,000   |

## **Basis of determination of annual caps**

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

- (a) the historical transaction amounts between the Group, Nan Hua Jin Li and Suenglh for the financial years ended 31 December 2014, 2015 and 2016;
- (b) the historical prices of the Products charged by the Group for the years of 2015 and 2016;
- (c) the prevailing price list of the Products adopted by the Group at the time of entering into the Master Sales Agreement;
- (d) the prevailing market prices of the Products at the time of entering into the Master Sales Agreement;
- (e) the historical transaction volume between the Group, Nan Hua Jin Li and Suenglh and the potential growth of demand that may be derived from the possible future business growth of Nan Hua Jin Li and Suenglh; and
- (f) the revenue of the Group for the years of 2015 and 2016 and the estimated business growth of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALES AGREEMENT**

The Company, Nan Hua Jin Li and Suenglh have entered into the 2013 Agreement pursuant to which the Group has provided and supplied the Products to Nan Hua Jin Li and Suenglh during the period from 1 January 2014 to 31 December 2016. The 2013 Agreement has expired on 31 December 2016. The Directors consider that (a) Nan Hua Jin Li and Suenglh are stable and important customers; (b) Suenglh has been a long-term customer of the Group for over 10 years with good credit records and has enabled the Group to explore the PRC disposable battery industry and market; and (c) the sales network of Nan Hua Jin Li and Suenglh have assisted the Group to develop the PRC market over the years, and thus it is in the Group's interest to continue the business cooperation between the Group, Nan Hua Jin Li and Suenglh. As a result, the Company entered into the Master Sales Agreement, which is an extension of the 2013 Agreement for continuing the sale and supply of the Products by the Group to Nan Hua Jin Li and Suenglh.

The Master Sales Agreement entered into by the respective parties is in the ordinary and usual course of business of the Group. The Directors (except the independent non-executive Directors whose view(s) will be contained in the circular to be despatched to the Shareholders) considered that the terms and conditions of the Master Sales Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON NAN HUA JIN LI**

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

## **INFORMATION ON SUENGLH**

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

## **INFORMATION ON THE GROUP**

The Company is an investment holding company, whose subsidiaries are principally engaged in the manufacture and sale of a broad range of batteries for various electronic devices to the PRC, Hong Kong and international markets under both the “Golden Power” brand and the brands of the private label and OEM customers.

## **GEM LISTING RULES IMPLICATIONS**

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu and 29% by independent third parties. Mr. Zhu is the nephew of Mr. Chu who is the executive Director, the chairman of the Group and a controlling shareholder of the Company. As such, Mr. Zhu is a connected person of the Company under the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person of the Company under the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a wholly-owned company of Mr. Zhu, is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

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

## **GENERAL**

A circular containing, among other things, (1) further details of the Master Sales Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Master Sales Agreement and the transactions contemplated thereunder; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term; (4) notice of convening the EGM; and (5) other information as required under the GEM Listing Rules, are expected to be despatched to the Shareholders on or before 22 February 2017.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the meaning set out below:

“2013 Agreement”      the master sales agreement dated 31 December 2013 entered into among the Company, Nan Hua Jin Li and Suenglh for the sale and purchase of the Products



|                                 |   |
|---------------------------------|---|
| “associate(s)”                  | has the meaning ascribed to it under the GEM Listing Rules  |
| “Board”                         | the board of Directors  |
| “Company”                       | Golden Power Group Holdings Limited (金力集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2012  |
| “connected person(s)”           | has the meaning ascribed to it under the GEM Listing Rules  |
| “controlling shareholder(s)”    | has the meaning ascribed to it under the GEM Listing Rules  |
| “Director(s)”                   | the director(s) of the Company  |
| “EGM”                           | the extraordinary general meeting of the Company to be convened for, among other things, approving the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term   |
| “GEM”                           | the Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules”             | the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time  |
| “Golden Villa”                  | Golden Villa Ltd., a limited liability company incorporated in the British Virgin Islands on 24 January 2003, the entire issued share capital of which is owned by Mr. Chu and is one of the controlling shareholders of the Company  |
| “Group”                         | the Company and its subsidiaries  |
| “HK\$”                          | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                     | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Board Committee”   | the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie, established to advise the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term |
| “Independent Financial Adviser” | the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Term  |
| “Independent Shareholders”      | the Shareholders excluding Mr. Chu, Golden Villa and its associates   |

|                          |   |
|--------------------------|---|
| “Macau”                  | the Macau Special Administration Region of the PRC  |
| “Master Sales Agreement” | the master sales agreement dated 1 February 2017 entered into between the Company, Nan Hua Jin Li and Suenglh for the sale and purchase of the Products   |
| “Mr. Chu”                | Mr. Chu King Tien, an executive Director, the chairman of the Group, the ultimate shareholder of the entire issued share capital of Golden Villa and one of the controlling shareholders of the Company |
| “Mr. Zhu”                | Mr. Zhu Chengxian, a nephew of Mr. Chu  |
| “Nan Hua Jin Li”         | 廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited*), a limited liability company established under the laws of the PRC on 14 May 1998   |
| “PRC”                    | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan   |
| “Products”               | batteries under the “Golden Power” brand and the brands of the private label and OEM customers and other battery-related products   |
| “Shareholders”           | the holders of the Shares   |
| “Share(s)”               | ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “subsidiaries”           | has the meaning ascribed to it under the GEM Listing Rules  |
| “Suenglh”                | Suenglh Corporation Limited (動能(香港)有限公司), a limited liability company incorporated in Hong Kong on 17 May 2012, the entire issued share capital of which is owned by Mr. Zhu                            |
| “Term”                   | a term of three years commencing retrospectively from 1 January 2017 up to 31 December 2019 (both days inclusive)   |

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

Hong Kong 1 February 2017

*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 and the independent non-executive Directors are Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and*



*belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will be published on the GEM's website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at [www.goldenpower.com](http://www.goldenpower.com).*

*\* For identification purposes only*