

GoldenPower®

Golden Power Group Holdings Limited
金力集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3919

INTERIM
REPORT
2018

FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK\$154.24 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$146.22 million), representing an increase of approximately 5.48% over the same period in 2017. The rental income, which contributed towards other revenue of the Group, was HK\$1.59 million during the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$0.75 million).
- The unaudited loss attributable to the equity holders of the Company for the six months ended 30 June 2018 was approximately HK\$7.46 million while that for the six months ended 30 June 2017 the unaudited profit was approximately HK\$9.61 million, representing a decrease in profit of approximately 177.63% over the same period in 2017.
- The basic loss per share for the six months ended 30 June 2018 was HK3.11 cents (six months ended 30 June 2017: basic earnings per share of HK4.45 cents).
- The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018 (the “**Period**”) together with the corresponding comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	6	154,243	146,220
Cost of sales		(129,344)	(106,495)
Gross profit		24,899	39,725
Other revenue		3,825	1,968
Other (losses)/gains — net		(2,952)	923
Selling and distribution expenses		(8,811)	(5,995)
Administrative expenses		(25,792)	(22,060)
Finance costs		(997)	(1,818)
(Loss)/profit before income tax	7	(9,828)	12,743
Income tax credit/(expenses)	8	2,364	(3,129)
(Loss)/profit for the period attributable to the equity holders of the Company		(7,464)	9,614

		For the six months ended 30 June	
Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(316)	1,856
Items that may not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings upon transfer to investment properties		—	25,016
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties		—	(590)
Other comprehensive (loss)/income		(316)	26,282
Total comprehensive (loss)/ income for the period attributable to equity holders of the Company		(7,780)	35,896
(Loss)/earnings per Share (HK cents)			
9		(3.11)	4.45
— Basic		—	—
— Diluted		—	—

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	206,270	189,779
Investment properties		62,300	62,300
Intangible assets		200	234
Prepaid land lease payments		5,036	5,135
Deposits paid for property, plant and equipment		14,064	5,712
Deferred tax assets		7,128	6,405
		294,998	269,565
Current assets			
Inventories		53,947	57,394
Trade and bill receivables	12	47,215	47,621
Deposits, prepayments and other receivables		29,552	27,200
Prepaid land lease payments		219	222
Income tax recoverable		539	1,781
Cash and bank balances		20,535	16,933
		152,007	151,151
Current liabilities			
Trade payables	13	79,678	89,467
Receipts in advance, other payables and accruals		16,456	14,654
Bank borrowings, secured		57,073	19,084
Income tax payable		3,760	2,987
		156,967	126,192
Net current (liabilities)/ assets		(4,960)	24,959
Total assets less current liabilities		290,038	294,524
Non-current liabilities			
Bank borrowings, secured		49,310	44,185
Deferred tax liabilities		2,805	4,636
		52,115	48,821
Net assets		237,923	245,703
Capital and reserves			
Share capital	15	2,400	2,400
Reserves		235,523	243,303
Total equity		237,923	245,703

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(4,800)	(2,946)
Net cash used in investing activities	(33,398)	(11,954)
Net cash generated from financing activities	42,116	11,468
Net increase/(decrease) in cash and cash equivalents	3,918	(3,432)
Cash and cash equivalents as at the beginning of the period	16,933	21,797
Effect of foreign exchange rate changes	(316)	1,856
Cash and cash equivalents as at the end of the period	20,535	20,221
Cash and cash equivalents as at the end of the period comprise:		
Cash and bank balances	20,535	20,221

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital	Share premium	Capital reserve	Property revaluation reserve	Statutory reserve	Exchange reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (audited)	1,600	59,825	29,819	27,271	5,078	(6,664)	45,497	162,426
Issue of shares by way of rights issue	800	30,218	—	—	—	—	—	31,018
Profit for the period	—	—	—	—	—	—	9,614	9,614
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	1,856	—	1,856
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	25,016	—	—	—	25,016
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	(590)	—	—	—	(590)
Total comprehensive income for the period	—	—	—	24,426	—	1,856	9,614	35,896
Appropriation to statutory reserve	—	—	—	—	1,166	—	(1,166)	—
At 30 June 2017 (unaudited)	2,400	90,043	29,819	51,697	6,244	(4,808)	53,945	229,340
At 1 January 2018 (audited)	2,400	90,043	29,819	51,697	5,914	(2,152)	67,982	245,703
Loss for the period	—	—	—	—	—	—	(7,464)	(7,464)
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	(316)	—	(316)
Total comprehensive loss for the period	—	—	—	—	—	(316)	(7,464)	(7,780)
At 30 June 2018 (unaudited)	2,400	90,043	29,819	51,697	5,914	(2,468)	60,518	237,923

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 is located at Flat C, 20/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The Company's shares (the "**Share**" or "**Shares**") 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 of 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

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 (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange 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 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017.

When preparing the Results, the Group’s ability to continue as a going concern has been assessed. As at 30 June 2018, the Group had net current liabilities of HK\$4.96 million. The Results have been prepared on a going concern basis due to the reasons that (i) as at 30 June 2018, the Group had unutilized banking facilities of HK\$58.19 million; (ii) the Directors expect that the Group is able to renew all the banking facilities when they expire.

After taking into consideration of the banking facilities already in place as at 30 June 2018, 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.

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. Principal accounting policies

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared under the historical cost basis as modified by the revaluation of investment properties. The preparation of the financial statements was in conformity with the requirements of HKAS 34 which requires the use of certain critical accounting estimates. HKAS 34 also requires the Company's management to exercise judgement in the process of applying the Group's accounting policies. The accounting policies adopted in the preparation of the audited consolidated financial statements for the year ended 31 December 2017 of the Company have been consistently applied to the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 except that in the Period, the Group has applied for the first time certain new standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (the "**new HKFRSs**") issued by the HKICPA which are relevant to and effective for the Group for the annual period beginning on 1 January 2018. The adoption of the new HKFRSs has no material impact on the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the Period and prior periods.

The Group has not applied the following new HKFRSs that have been issued at 30 June 2018 but are not yet effective for the annual period beginning on 1 January 2019.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Employee Benefits	1 January 2019
Annual Improvements (2015–2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019

The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for Group's operating leases as a lessee. As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately HK\$7.91 million. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group is in the process of making an assessment of the impact of the adoption of the above new HKFRSs upon initial application. As at the date of this report, the Group considered that these new HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. 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 2017.

5. Segment information

For the purposes of assessing segment performance and allocating resources, the Group's senior 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 amortization 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 management and accordingly, no segmental assets and liabilities information is presented.

For the six months ended 30 June 2018 (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	100,509	52,481	1,253	154,243
Segment results	8,352	16,160	387	24,899
Unallocated other revenue				3,825
Unallocated other losses — net				(2,952)
Unallocated corporate expenses				(34,603)
Finance costs				(997)
Loss before income tax				(9,828)
Income tax credit				2,364
Loss for the period				(7,464)

For the six months ended 30 June 2017 (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	99,608	43,845	2,767	146,220
Segment results	20,541	18,489	695	39,725
Unallocated other revenue				1,968
Unallocated other gains — net				923
Unallocated corporate expenses				(28,055)
Finance costs				(1,818)
Profit before income tax				12,743
Income tax expense				(3,129)
Profit for the period				9,614

6. Revenue

Geographical information

	For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Africa	91	976
Hong Kong	30,903	33,826
Asia (except the PRC and Hong Kong)	25,640	13,569
Australia	1,530	4,729
PRC	48,325	46,196
Europe (except East Europe)	18,503	14,997
East Europe	2,025	2,510
Middle East	2,171	1,766
North America	19,057	19,327
South America	5,998	8,324
	154,243	146,220

7. (Loss)/profit before income tax

	For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss)/profit before income tax is arrived at after charging:		
Finance costs		
Bank loans interest	965	1,579
Interest on import loans	26	239
Bank overdraft interest	6	—
Total interest expenses	997	1,818
Other items		
Depreciation of property, plant and equipment	8,234	6,049
Cost of inventories recognised as expenses	129,344	106,495

8. Income tax credit/(expenses)

	For the six months ended 30 June	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Current tax — Hong Kong profits tax		
Provision for the period	1,135	1,509
Current tax — PRC enterprise income tax ("EIT")		
Provision for the period	(808)	1,782
Deferred taxation	327	3,291
	(2,691)	(162)
Total income tax (credit)/expenses	(2,364)	3,129

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2018 and 2017, respectively.

The PRC subsidiaries of the Group are subjected to EIT at the rate of 25%. 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.

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 2018 and 2017, respectively.

9. (Loss)/earnings per Share

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

	For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss)/profit for the period attributable to equity holders of the Company	(7,464)	9,614
	'000	'000
Weighted average number of Shares for the purpose of calculating basic earnings per Share	240,000	216,284

Diluted (loss)/earnings per Share has not been disclosed as no dilutive potential equity shares has been in existence for the six months ended 30 June 2018 and 2017, respectively.

The weighted average number of Shares for the six months ended 30 June 2017 for the purpose of the calculation of basic earnings per Share has been adjusted and restated after taking into account of the rights issue on the basis of one right share for every two existing shares held on the record date which was completed on 21 April 2017 (the "Rights Issue").

10. Dividends

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$25.20 million for equipment and machinery (six months ended 30 June 2017: approximately HK\$6.97 million). The acquisition of property, plant and machinery can expand production capacity and improve production efficiency.

12. Trade and bill receivables

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

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Trade and bill receivables		
0–30 days	27,983	28,088
31–60 days	16,674	9,760
61–90 days	1,909	5,456
91–120 days	610	3,432
Over 120 days	39	885
Total	47,215	47,621

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.

13. Trade payables

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

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Trade payables		
0–30 days	28,151	32,289
31–90 days	32,545	39,289
91–180 days	17,199	15,622
Over 180 days	1,783	2,267
Total	79,678	89,467

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

14. Related party transactions

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

	Relationship	For the six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental expenses paid to:			
China Scene Limited (<i>Note</i>)	Fellow subsidiary	92	88

Note:

On 6 March 2018, the Company through its wholly-owned subsidiary, Best Kind Holdings Limited entered into a sale and purchase agreement with the shareholders of China Scene Limited to purchase the entire issued share capital of China Scene Limited. The acquisition was completed on 6 July 2018 and China Scene Limited became a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 6 March 2018 and the circular of the Company dated 7 June 2018 for further details of the acquisition.

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries, allowances and other benefits in kind	3,911	3,446
Discretionary bonuses	575	507
Contributions to defined contribution plans	77	72
	4,563	4,025

15. Share capital

As at 30 June 2018, 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 increased by approximately HK\$0.9 million as compared to the same period in 2017, representing an approximately 0.90% increase. The increase in such revenue was mainly due to the increase in alkaline batteries sales in Asia.

The revenue of micro-button cells and rechargeable batteries and other battery-related products for the Period increased by approximately HK\$7.12 million as compared to the same period in 2017, representing an approximately 15.28% increase. The increase in such revenue was mainly due to the increase in sales in Europe.

The Group recorded a gross profit for the Period of approximately HK\$24.90 million (2017: approximately HK\$39.73 million), representing a decrease of approximately 37.33% as compared to the same period in 2017 which was mainly due to the increase in cost of sales by approximately HK\$22.84 million from approximately HK\$106.50 million for the six months ended 30 June 2017 to approximately HK\$129.34 million for the Period, representing approximately 21.45% increase. The increase was mainly attributable to the increase in labour cost, processing fee and increase in prices on raw materials and packaging materials as a whole. The direct labour cost for production rose from HK\$6.58 million in the six months ended 30 June 2017 to HK\$8.60 million in the Period, representing an increase of approximately 30.70% during the Period. The production material and packing material costs increased from HK\$77.70 million in the corresponding period in 2017 to HK\$91.03 million in the Period, representing an increase of 17.16% during the Period. The increase in production material costs was mainly attributable to the increase in the price of base metals such as iron, nickel, copper and zinc, which are necessary for the production of batteries.

The unaudited loss attributable to the equity holders of the Company for the six months ended 30 June 2018 was approximately HK\$7.46 million while that for the six months ended 30 June 2017 the unaudited profit was approximately HK\$9.61 million, representing a decrease in profit of approximately 177.63% over the same period in 2017. The net loss incurred by the Group during the Period was mainly attributable to the decrease in gross profit with reasons detailed above and the exchange loss of approximately HK\$2.89 million (six months ended 30 June 2017: exchange gain of approximately HK\$0.92 million) due to depreciation of RMB.

Looking forward, the Group will continue to adopt stringent cost control and employ appropriate strategies to enhance its operation efficiency. Sales of cylindrical and micro-button cell batteries are expected to steadily increase in the second half of 2018 based on sales orders on hand. For the micro-button cells, the demand in Europe and Asia are increasing based on the orders on hand which were placed by the new customers. The Group will continue to put more effort on promoting the sales of disposable batteries by exploring new sales platform, and continue to control the production overheads.

FINANCIAL REVIEW

Revenue and Loss attributable to equity holders

Revenue for the Period was approximately HK\$154.24 million, representing an increase of approximately 5.48% as compared to the same period in 2017. The rental income, which contributed towards other revenue of the Group, was HK\$1.59 million during the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$0.75 million).

Loss attributable to equity holders of the Company for the Period was approximately HK\$7.46 million while for the same period in 2017, the profit attributable to equity holders of the Company was approximately HK\$9.61 million, representing a decrease in profit of approximately 177.63% over the same period in 2017.

Gross Profit

The Group recorded a gross profit of approximately HK\$24.90 million for the Period (six months ended 30 June 2017: approximately HK\$39.73 million), representing a decrease of approximately 37.33%. The decrease in gross profit for the Period was mainly due to the higher labour cost, processing fee and increase in prices of raw materials and packaging materials during the Period.

Expenses

During the Period, the selling and distribution expenses of the Group has increased by 46.83% to approximately HK\$8.81 million, as compared to approximately HK\$6.00 million for the corresponding period in 2017. The increase in selling and distribution expenses was mainly due to the increasing of marketing and promotion expenses and distribution expenses during the Period. The Group's administrative expenses has increased by approximately HK\$3.73 million to approximately HK\$25.79 million during the Period as compared to approximately HK\$22.06 million for the same period in 2017. The increase in administrative expenses was mainly due to the increase in staff cost, depreciation on property, plant and equipment, depreciation of RMB against HKD and traveling expenditure 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 other than cash is currently used.

The bank borrowings are repayable as follows:

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Within 1 year		
— Short-term loans	30,000	—
— Current portion of long-term loans	27,073	19,084
	57,073	19,084
Over 1 year but within 2 years	25,628	19,776
Over 2 years but within 5 years	22,237	23,274
Over 5 years	1,445	1,135
	106,383	63,269

As at 30 June 2018, the Group had borrowings of approximately HK\$106.38 million (as at 31 December 2017: approximately HK\$63.27 million). The debt ratio, calculated as total liabilities over total assets, of the Group as at 30 June 2018 was approximately 0.47 (as at 31 December 2017: approximately 0.42).

As at 30 June 2018, the Group had cash and cash equivalents (the “**Liquidity Resources**”) of approximately HK\$20.54 million (as at 31 December 2017: approximately HK\$16.93 million) which were mainly denominated in HKD and RMB.

The Group had capital expenditures contracted for approximately HK\$56.42 million for the acquisition of a newly designed and automatic production line 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 2018.

CAPITAL STRUCTURE

During the period, there was no change in the capital structure of the Company. Other than the allotment of 80,000,000 Shares upon the completion of the Rights Issue on 21 April 2017, there has been no change in the capital structure of the Group since the Listing Date. 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\$237.92 million as at 30 June 2018 (as at 31 December 2017: approximately HK\$245.70 million).

GEARING RATIO

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. As at 30 June 2018, the Group’s gearing ratio was approximately 0.52 (as at 31 December 2017: approximately 0.32).

CHARGE OF 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\$97.13 million as at 30 June 2018.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2018 (as at 31 December 2017: nil).

SIGNIFICANT INVESTMENTS HELD

Except for (i) the Company's investment in various subsidiaries; and (ii) the investment in two investment properties located at Flat B ("**Property I**") and Flat D ("**Property II**"), respectively, 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 leased to two separate independent third parties under two-year term tenancy agreements entered on 20 June 2016 for warehouse purpose and 9 June 2017 for office and warehouse purpose, respectively, with monthly rentals at market rate. On 23 May 2018, Property I entered a new two-year tenancy agreement for warehouse purpose as well, the Group did not hold any significant investments as at 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 6 March 2018 (after trading hours), Best Kind Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser (the "**Purchaser**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Golden Power Investment (B.V.I.) Limited and Golden Villa Limited, as vendors (the "**Vendors**") pursuant to which the Purchaser conditionally agreed to acquire from the Vendors and the Vendors conditionally agreed to sell to the Purchaser the entire issued share capital of China Scene Limited at the total Consideration of HK\$40.30 million (the "**Acquisition**"). The Acquisition was completed on 6 July 2018. For further details of the Acquisition, please refer to the announcement of the Company dated 6 March 2018 and the circular of the Company dated 7 June 2018.

Save as disclosed, 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 2017 annual report of the Company and this report, the Group did not have any plans for material investments or capital assets as at 30 June 2018.

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 2018, the Group had a total of 523 employees (as at 30 June 2017: 509 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$24.11 million during the Period (six months ended 30 June 2017: approximately HK\$19.82 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 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 2018, 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.

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 as at 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. As at the date of this report, the net proceeds of the Rights Issue have been fully applied 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 2018, 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	Interest in a controlled corporation (Note)	126,000,000 Shares	52.50%

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 2018, 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, 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 2018, 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 2018, 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	126,000,000 Shares	52.50%
Ms. Mo Yuk Ling	Interest of spouse (Note)	126,000,000 Shares	52.50%

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 2018, 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.

IMPORTANT EVENTS AFTER THE PERIOD

On 6 March 2018 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition. The Acquisition was completed on 6 July 2018. For further details of the acquisition, please refer to the announcement of the Company dated 6 March 2018 and the circular of the Company dated 7 June 2018.

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

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 report, 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's corporate governance practices are based on 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 quality board and transparency and accountability to shareholders of the Company. The Company has complied with 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

For 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.

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

Hong Kong, 20 August 2018

As at the date of this report, 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.