

The logo for GoldenPower, featuring the word "GoldenPower" in a bold, yellow, sans-serif font with a registered trademark symbol (®) to the upper right.

**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

**ANNUAL**  
**REPORT** **2016**

The background of the cover features a large, abstract graphic of a stylized arrow pointing upwards and to the right. The arrow is composed of multiple overlapping, semi-transparent layers in shades of green and yellow, creating a sense of depth and movement. The overall background is a gradient of light green to yellow, with numerous small, glowing white and yellow particles scattered throughout, giving it a bright, energetic feel.

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*This report, for which the directors collectively (the “**Directors**” and individually a “**Director**”) of Golden Power Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chu King Tien  
Ms. Chu Shuk Ching  
Mr. Tang Chi Him  
Mr. Chu Ho Wa

### Independent non-executive Directors

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

## COMPANY SECRETARY

Mr. Tse Kar Keung

## AUDIT COMMITTEE

Mr. Hui Kwok Wah (*Chairman*)  
Mr. Ma Sai Yam  
Mr. Chow Chun Hin, Leslie

## REMUNERATION COMMITTEE

Mr. Hui Kwok Wah (*Chairman*)  
Mr. Chu King Tien  
Mr. Ma Sai Yam

## NOMINATION COMMITTEE

Mr. Chu King Tien (*Chairman*)  
Mr. Hui Kwok Wah  
Mr. Ma Sai Yam

## AUTHORISED REPRESENTATIVES

Ms. Chu Shuk Ching  
Mr. Tse Kar Keung

## COMPLIANCE OFFICER

Ms. Chu Shuk Ching

## LEGAL ADVISERS

*As to Hong Kong laws*  
ONC Lawyers

*As to PRC laws*  
Yuan Tai Law Offices

## COMPLIANCE ADVISER

RaffAello Capital Limited

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Shanghai Commercial Bank Limited  
Industrial and Commercial Bank of China Limited

## AUDITOR

PKF

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited  
Clifton House, 75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY WEBSITE

[www.goldenpower.com](http://www.goldenpower.com)

# Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**") of directors (collectively the "**Directors**" and each a "**Director**") of Golden Power Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), it is my pleasure and honor to present the Group's annual results for the financial year ended 31 December 2016 (the "**Year**").

The year of 2016 has been challenging to the Group. The slow global economy and volatilities in trading currencies has affected the revenue of the Group. Weak consumer demand affected the Group's sales performance but the stabiling material prices and a weaker Renminbi helped to alleviate increasing production costs in China. The shares of the Company have been successfully listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 June 2015, and such public listing status has given us access to the capital market for corporate finance exercise and will assist the Group in its future business development, enhance its corporate profile, help to lead our brand "Golden Power" into international markets and strengthen our competitiveness.

## OVERVIEW OF OUR RESULTS

Revenue for the Year has dropped by approximately 2.66% to approximately HK\$303.20 million from approximately HK\$311.50 million in the financial year ended 31 December 2015 (the "**Last Year**"). Profit attributable to the shareholders of the Company was approximately HK\$24.04 million as compared to a profit of approximately HK\$3.40 million in the Last Year, representing an increase of approximately 607.06%. Earnings per share were HK15.03 cents, as compared to the earnings per share of HK2.50 cents for the Last Year.

## REVIEW AND OUTLOOK

2016 was a challenging year to the Group. During the Year, the Group has been facing the challenge of slowdown of demand in Australia, Eastern Europe and the People's Republic of China (the "**PRC**"). Weak RMB is a factor that led to the decrease of the Group's reported sales revenue in the PRC. Further, US dollar remained strong which discouraged the customers from actively placing orders in the year of 2016. However, following the prohibition of the marketing of button cells with a mercury content exceeding 0.0005% by weight under the directive of 2006/66/EC, and the new directive of the European Union (2013/56/EU) which took effect in October 2015, the business of the Group on micro-button cells has been benefited from these since the fourth quarter of 2016. There were active product enquiries from customers for new specifications of the mercury-free micro-button cells. It is a good opportunity for the Group to increase its market share because we can produce mercury-free micro-button cells by making use of our PRC invention patent. This invention patent was also registered in Hong Kong. In the future, we shall continue to innovate our production processes and products to meet the international standards.

Despite the challenging market, the Group has continued putting efforts on the effectiveness of production of disposable batteries. We believe that the demand from our OEM customers for disposable batteries will grow steadily as the market demand for the same is generally increasing. The Group will also continue to put efforts in improving the product performance, broadening our private label customer base and expanding our retail market business in 2017. We will also strive to expand our product portfolio and to improve the quality, reliability and durability of our products.

Going forward, the Group will continue to improve its competitiveness in the market by strengthening our "Research and Development" on enhancing products quality and production technology to strive for our long term success in the industry.

**Chairman's Statement (Continued)**

**FUTURE DEVELOPMENT**

The Group will continue to invest in its production lines in order to enhance the production capacity and efficiency in 2017. The new production line acquired by us in 2015 has commenced commercial production in the third quarter of 2016. A newly designed and automatic production line has been acquired in 2016 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries. It will improve the production efficiency and product quality to meet the Group's future expansion. We expect that this new production line will be delivered to us in the forth quarter of 2017.

The Group is developing the retail markets for products bearing our own brand "Golden Power". We have started to enter into the PRC retail markets and will continue to expand our retail market shares in the PRC through our co-operation with some well-developed chain stores there. In 2017, we also target to enter into the Hong Kong retail market. By developing the retail markets in the PRC and Hong Kong, we hope to generate a new stream of revenue to add value for our shareholders.

**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.

**Chu King Tien**

*Chairman and Executive Director*

Hong Kong, 21 March 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

The Company's shares (the "Shares") were successfully listed on GEM of the Stock Exchange (the "Listing") on 5 June 2015 (the "Listing Date").

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 dropped by approximately HK\$2.50 million from approximately HK\$211.08 million for the Last Year to approximately HK\$208.58 million for the Year, which was equivalent to approximately 1.18% decrease in revenue of cylindrical batteries. Such drop in revenue was mainly due to a slowdown of the demand in Australia, Eastern Europe and the PRC during the Year.

The revenue of micro-button cells for the Year increased by approximately HK\$0.78 million from approximately HK\$84.62 million for the Last Year to approximately HK\$85.40 million for the Year which was equivalent to approximately 0.92% increase in revenue of micro-button cells. The revenue of rechargeable batteries and other battery-related products for the Year decreased by approximately HK\$6.58 million from approximately HK\$15.80 million for the Last Year to approximately HK\$9.22 million for the Year which was equivalent to approximately 41.65% decrease in revenue of rechargeable batteries and other battery-related products.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

### Business strategies and objectives as stated in the prospectus of the Company dated 29 May 2015 (the "Prospectus")

### Actual progress up to 31 December 2016

Expand our production capacity by acquiring a production line with higher designed production capacity and which is able to produce mercury-free, cadmium free and lead free batteries to increase our market share

The Group has acquired a production line in 2015 and the commercial production has commenced in the third quarter of 2016.

The Group has acquired a newly designed and automatic production line in 2016 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries, which is expected to be delivered to us in the fourth quarter of 2017.

Continue to expand and diversify the product portfolio to capture market opportunities and meet consumer needs

The Group has been exploring opportunities for expansion and diversification of its product portfolio.

Explore new sales platform

The Group has been exploring new electronic sales platform and has entered into the PRC retail market for products bearing its own brand "Golden Power".

## Management Discussion and Analysis (Continued)

**FINANCIAL REVIEW****Revenue**

Revenue for the Year was approximately HK\$303.20 million (2015: approximately HK\$311.50 million) representing a decrease of approximately 2.66% as compared to the Last Year. Such decrease was primarily attributable to the net effect of (i) a slowing down of demand in Australia, Eastern Europe and the PRC causing the decrease of revenue of cylindrical batteries and rechargeable batteries and other battery-related products; and (ii) partially offset by the increase in revenue of micro-button cells during the Year.

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

	2016 HK\$'000	2015 HK\$'000
The PRC	74,886	89,167
Hong Kong	75,931	71,492
Asia (except the PRC and Hong Kong)	28,859	25,967
Europe	41,550	37,175
Eastern Europe	3,722	9,474
North America	39,972	22,143
South America	16,318	17,160
Australia	19,346	33,969
Africa	655	3,050
Middle East	1,958	1,903
	<b>303,197</b>	<b>311,500</b>

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

	2016 HK\$'000	2015 HK\$'000
Cylindrical batteries	208,582	211,077
Micro-button cells	85,400	84,622
Rechargeable batteries and other battery-related products	9,215	15,801
	<b>303,197</b>	<b>311,500</b>

**Gross Profit**

The Group recorded a gross profit for the Year of approximately HK\$96.12 million (2015: approximately HK\$76.45 million), representing an increase of approximately 25.73% as compared to the Last Year which was mainly due to the decrease in cost of good sold by HK\$27.97 million from approximately HK\$235.05 million for the Last Year to approximately HK\$207.08 million for the Year, representing approximately 11.90% decrease. The decrease was mainly attributable to the decrease in wages and material consumptions as a result of improvement on automation.



## Management Discussion and Analysis (Continued)

### Expenses

During the Year, the selling expenses of the Group increased by 26.44% to approximately HK\$15.78 million as compared to approximately HK\$12.48 million in the Last Year. The increase was mainly due to the increase of the distribution, marketing and promotion expenses. The Group's general and administrative expenses decreased by approximately HK\$11.65 million to approximately HK\$43.38 million as compared to approximately HK\$55.03 million for the Last Year. The decrease in general and administrative expenses was mainly due to the absence of one-off listing expenses for the Year as compared to the one-off listing expenses of approximately HK\$11.14 million for the Last Year.

### Finance Costs

The finance costs of the Group has dropped by 36.56% to approximately HK\$3.73 million for the Year as compared to approximately HK\$5.88 million in the Last Year. The drop was mainly due to the savings in interest costs on bank loan facilities after the reduction in using the banking facilities during the Year.

### Income Tax

The income tax expense of the Group has increased by 121.52% to approximately HK\$8.75 million for the Year as compared to approximately HK\$3.95 million for the Last Year. The increase was generated from the increase in the Hong Kong profits tax and PRC enterprise income tax provision for the Year.

### Profit attributable to the shareholders of the Company

Profit attributable to shareholders of the Company for the Year was approximately HK\$24.04 million (2015: approximately HK\$3.40 million), representing an increase of approximately 607.06%.

The profit attributable to the equity shareholders of the Company for the Year was approximately HK\$24.04 million while that for the Last Year when excluding the one-off listing expenses of approximately HK\$11.14 million being charged to the profit or loss for the Last Year would be approximately HK\$14.54 million, representing an increase of approximately 65.34% over the year of 2015. The increase was mainly due to (i) the reduction of production overheads, major raw material costs and finance costs and the savings on staff costs; and (ii) the absence of the one-off listing expenses recognised for the Year (2015: approximately HK\$11.14 million).

## LIQUIDITY AND FINANCIAL RESOURCES

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

The cash and bank balances was approximately HK\$21.80 million, which was approximately HK\$3.12 million lower than the Last Year (2015: HK\$24.92 million). The decrease was mainly due to an increase in property, plant and equipment acquisitions during the Year.

As at 31 December 2016, the Group has utilised banking facilities of approximately HK\$87.28 million which was equivalent to 51.71% of the total banking facilities available for the Year as compared to the utilised amount of HK\$95.68 million in the Last Year which was equivalent to approximately 51.91% of the total banking facilities available for the Last Year. The Directors believe that the utilisation rate of the banking facilities has been maintained at a stable level. The Directors also believe that the existing banking facilities are in safety 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 office building (including investment properties) with carrying value of approximately HK\$65.39 million and approximately HK\$41.42 million as at 31 December 2016 and 2015, respectively.

## Management Discussion and Analysis (Continued)

**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 2016, the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments.

**FINANCIAL KEY PERFORMANCE INDICATORS**

	2016	2015
Gross profit margin	31.70%	24.54%
Net profit margin	7.93%	1.09%
Gearing ratio	0.64	0.97

*Gross Profit Margin*

The gross profit margin increased by 7.16% from 24.54% for the Last Year to 31.70% for the Year. It was mainly due to improvement in control on the labour cost and production overhead throughout the Year.

*Net Profit Margin*

The net profit margin increased by 6.84% to 7.93% for the Year as compared to 1.09% for the Last Year. Such increase was mainly due to (i) the absence of one-off listing expenses during the Year (ii) the reduction of production overheads, major raw materials costs and finance costs and the savings on staff costs.

*Gearing Ratio*

The gearing ratio decreased by 0.33 to 0.64 for the Year as compared to 0.97 for the Last Year. The improvement was mainly the result of the reduction of the bank loan utilisation frequency during the Year.

**CONTINGENT LIABILITIES**

As at 31 December 2016, the Group did not have any material contingent liabilities.

**CAPITAL STRUCTURE**

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\$162.43 million as at 31 December 2016 (2015: approximately HK\$115.13 million).

**DIVIDEND**

The Directors do not recommend the payment of any dividend for the Year (2015: Nil).

**CAPITAL COMMITMENT**

At 31 December 2016, the Group had capital expenditures contracted for approximately HK\$10.88 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.

**Management Discussion and Analysis (Continued)****SIGNIFICANT INVESTMENTS HELD**

Except for the Company's investment in various subsidiaries and the investment in an investment property in respect of which an indirect wholly-owned subsidiary of the Company namely Golden Power Properties Limited as landlord has entered into a two-year term tenancy agreement with an independent third party on 20 June 2016 for warehouse purpose located at Flat B, 20/F, Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories for a monthly rental at market rate, the Group did not hold any significant investment as at 31 December 2016. More details of the investment property are set out in note 14 to the audited consolidated financial statements.

**FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET**

Save as disclosed in the Prospectus or otherwise in this report, there was no specific plan for material investment or capital asset as at 31 December 2016.

**MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the Year, the Company has established an indirect wholly-owned subsidiary in the British Virgin Islands, namely Merchant Port Limited. Save as disclosed, 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:-

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 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.

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.

## Management Discussion and Analysis (Continued)

For more details about the general risks and uncertainties in relation to the Group, please refer to the Prospectus.

### EMPLOYEES AND REMUNERATION POLICY

The Directors believe that 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 mandatory provident fund, staff benefits include medical coverage scheme and the share option scheme. For more details of employees and remuneration policy, please refer to the ESG Report on pages 24 to 34 in this annual report.

As at 31 December 2016, the Group had a total of 492 employees (2015: 530 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$41.41 million in the Year (2015: approximately HK\$45.07 million). Directors' remuneration for the Year amounted to approximately HK\$5.54 million (2015: approximately HK\$4.93 million) which included remuneration of the independent non-executive Directors for a total amount of approximately HK\$0.42 million (2015: HK\$0.24 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" of 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 according to law.

Prior to entering into waste disposal service agreements with the waste disposal service companies, the Group generally requires 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 conduct regular review of 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 江門金剛電源製品有限公司 (Goldtium (Jiangmen) Energy Products Company Limited\*) ("**Goldtium Energy**"), an indirect wholly-owned subsidiary of the Company, and one of the senior management members, to supervise and monitor compliance with statutory regulations and our internal standard in respect of environmental matters.

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

For more information in our environmental policies, please refer to our ESG Report in this report.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year and up to the date of this report, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC for the business operations of the Group in all material respects.

## Management Discussion and Analysis (Continued)

**KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

During the Year, the Group has maintained good relationships 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 builds 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 to the customer 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 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.

**USE OF PROCEEDS FROM LISTING**

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 future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing up to 31 December 2016 is set out below:-

	<b>Planned use of the net proceeds as stated in the Prospectus up to 31 December 2016</b>	<b>Actual use of the net proceeds up to 31 December 2016</b>
	HK\$'million	HK\$'million
Repayment of bank loan	36.14	36.14
General working capital	4.02	4.02
	40.16	40.16

All net proceeds from the Listing have been used up as at 31 December 2015 according to our implementation plans disclosed in the Prospectus.

**FUTURE DEVELOPMENT**

The Group will continue to invest in its production lines in order to enhance the production capacity and efficiency in 2017. A newly designed and automatic production line has been acquired in 2016 for producing mercury-free, cadmium-free and lead-free alkaline cylindrical batteries. It will improve the production efficiency and production quality to meet the Group's future expansion. We expect that this new production line will be delivered to us in the fourth quarter of 2017. The Group is developing the retail markets for products bearing our own brand "Golden Power". We have started to enter into the PRC retail markets and will continue to expand our retail market shares in the PRC through our co-operation with some well-developed chain stores there. In 2017, we also target to enter into the Hong Kong retail market. By developing the retail markets in the PRC and Hong Kong, we hope to generate a new stream of revenue to add value for our shareholders.

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. Chu King Tien**, aged 62, an executive Director and chairman of the Group, was appointed as a Director on 7 June 2012, the date of incorporation of the Company, and has been serving as the executive Director and chairman of the Group since 1 April 2013. He is responsible for the overall corporate development and strategic planning of the Group. Mr. Chu has extensive experience in the disposable battery industry and has been engaged in such business for over 41 years.

In January 1983, Mr. Chu became a director of Golden Power Industries Limited (“**Golden Power Industries**”), an indirect wholly-owned subsidiary of the Company, and has been holding the position since then. From May 1993 to April 2000, Mr. Chu had been the executive director of China Oil and Gas Group Limited, the holding company of Golden Power Industries at the time, which was listed on the Stock Exchange, and was mainly responsible for assisting in corporate planning, marketing and overall administration. In July 2003, Mr. Chu, together with an independent third party, acquired Golden Power Investments (B.V.I.) Limited and its subsidiaries at that time through Golden Villa Ltd. (“**Golden Villa**”). In April 2005, Mr. Chu was appointed as the chairman and managing director of Golden Power Corporation (Hong Kong) Limited (“**Golden Power Corporation**”), an indirect wholly-owned subsidiary of the Company and has been holding the position since then.

Mr. Chu and Golden Villa, which is wholly-owned by Mr. Chu, are the controlling shareholders (as defined under the GEM Listing Rules) of the Company. Mr. Chu also serves as a director of all the subsidiaries of the Group. Mr. Chu is the father of Mr. Chu Ho Wa, an executive Director of the Company.

**Ms. Chu Shuk Ching**, aged 54, an executive Director and chief executive officer of the Group, was appointed as a Director on 7 June 2012, the date of incorporation of the Company, and has been serving as an executive Director and the chief executive officer of the Group since 1 April 2013. She is responsible for the overall management, administration and implementation of policy of the Group. Ms. Chu has been engaging in the disposable battery industry for over 29 years.

Ms. Chu graduated from the York University in Canada with a bachelor degree of Administrative Studies in 1985. Ms. Chu had served as the general manager of Golden Power Industries from March 2000 to March 2005 and she has become a director of Golden Power Industries since July 2003. Ms. Chu has also become the director and general manager of Golden Power Corporation since April 2005.

Ms. Chu is currently the director of twelve subsidiaries of the Company, namely Best Kind Holdings Limited, Golden Power Corporation, Gain Smart Limited, Giant Moral Limited, Golden Power Industries, Champ Profit Development Limited, Big Power Limited, Golden Pilot Limited, Pointway Corporation Limited, Ample Top Enterprises Limited, Golden Power Properties Limited and Merchant Port Limited. She is also the younger sister of Ms. Chu Suk Man, the deputy general manager of Golden Power Corporation.

**Mr. Tang Chi Him**, aged 45, an executive Director, has been serving as an executive Director since 1 April 2013 and is also the general manager of the Group. He is mainly responsible for overseeing the overall management of the Group's production facilities located in Dongguan and Jiangmen and administrating the manufacturing operations of the production facility in Dongguan.

Mr. Tang graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1994 with a higher diploma in manufacturing engineering. He further acquired a bachelor degree of manufacturing engineering in 1999 and a master of science in engineering management in 2005 from the City University of Hong Kong. Mr. Tang joined Golden Power Industries in 1995 as an engineer and assistant superintendent. He left the Group in 2000 and rejoined Golden Power Industries in 2005 as a manager and was later transferred and become the general manager of Golden Power Corporation since 2012.

**Mr. Chu Ho Wa**, aged 32, an executive Director, has been serving as an executive Director since 1 April 2013 and is also the marketing manager and corporate business development manager of the Group, who is mainly responsible for developing and implementing the strategic sales and marketing plans, looking for new marketing opportunities and liaising with existing customers. Mr. Chu is currently the director of a subsidiary of the Company, namely Merchant Port Limited.

## Biographical Details of Directors and Senior Management (Continued)

Mr. Chu acquired the bachelor of science degrees in Mathematics and Chemistry from the Imperial College of Science, Technology and Medicine of the University of London in the United Kingdom in 2006 and 2009, respectively. Mr. Chu joined the Group in 2009 as an assistant to director in Golden Power Corporation and had been its senior marketing executive from 2011 to 2014 and a manager of its corporate business development department since 2013.

Mr. Chu Ho Wa is the son of Mr. Chu King Tien.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hui Kwok Wah**, aged 44, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015, and serves as the chairman of the audit committee and remuneration committee of the Company. He is responsible for giving independent advice to the Group. Mr. Hui has extensive experience in the accountancy field and has been engaging in such profession for over 19 years.

Mr. Hui obtained a bachelor of arts degree in accountancy from the City University of Hong Kong in 1996. After graduation, Mr. Hui worked for international accounting firms, including Moores Rowland and KPMG. He founded Kenny K. W. Hui & Co., CPA in May 2013 and has been its sole proprietor since then.

Mr. Hui is a member of the Hong Kong Institute of Certified Public Accountants since 2000 and has been a practicing member since May 2013. Being a certified tax adviser, Mr. Hui is also a fellow member of the Taxation Institute of Hong Kong since 2010.

**Mr. Ma Sai Yam**, aged 53, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to the Group. Mr. Ma has extensive experience in the legal field and has been engaging in such profession for over 18 years.

Mr. Ma obtained a bachelor of science degree in economics from the University of London in the United Kingdom as an external student in 1991. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong and a master degree in laws from Renmin University of China in the PRC in 2012.

Mr. Ma was admitted to practise law as a solicitor in Hong Kong in 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma founded Messers. Ma Tang & Co. and has been its partner since then.

Mr. Ma has been an independent non-executive director of Jiande International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 865) since 25 October 2016.

**Mr. Chow Chun Hin Leslie**, aged 33, an independent non-executive Director, was appointed as an independent non-executive Director on 15 May 2015. He is responsible for giving independent advice to the Group. Mr. Chow has extensive experience in financial advising and has been engaging in such profession for over 10 years.

Mr. Chow graduated from the University of California in the United States in 2005 with a bachelor of arts degree in business economics. Mr. Chow is currently the chief financial officer of Takung Art Company Limited, his responsibilities include planning, implementing, managing and controlling all financial-related activities of the company, which includes the accounting, finance, forecasting, strategic planning, investor and public relationships, and private and institutional financing functions.

Mr. Chow was an independent non-executive director of PPS International (Holdings) Limited (a company listed on GEM of the Stock Exchange, stock code: 8201) from 23 September 2015 to 25 April 2016.

### SENIOR MANAGEMENT

**Mr. Liang Tao**, aged 50, is currently the general manager of Goldtium Energy, an indirect wholly-owned subsidiary of the Company. He is responsible for overseeing all the production and quality control matters of the Group's production facility in Jiangmen as well as the management, PRC compliance and research and development of the Group.

## Biographical Details of Directors and Senior Management (Continued)

Mr. Liang has over 21 years' experience in the disposable battery industry. He became the general manager and quality control and production superintendent of Goldtium Energy since 2011 and has been holding this position in the Group since then.

**Ms. Chu Suk Man**, aged 57, has been the deputy general manager of Golden Power Corporation since 2005. She is responsible for overseeing the global sourcing department and carrying out strategic planning for procurement of raw materials and semi-finished products to meet the production needs of the Group.

Ms. Chu was the accounting manager of Golden Power Industries from 1989 to 2000. She then left the Group and rejoined Golden Power Industries in 2002. She was transferred to Golden Power Corporation on 1 April 2005 and has been a deputy general manager since then.

Ms. Chu Suk Man is the elder sister of Ms. Chu Shuk Ching, an executive Director and the chief executive officer of the Group.

**Ms. Wong In San**, aged 52, has been the deputy general manager of Golden Power Corporation since 2005. She is responsible for managing the human resources and administration department to formulate and execute human resources management policies and procedures of the Group.

Ms. Wong graduated from The Chinese University of Hong Kong in 1987 with a bachelor degree in social sciences. She joined the Group in 1988 and had served as an export manager and then a deputy general manager of Golden Power Industries. She was transferred to Golden Power Corporation on 1 April 2005 and has become a deputy general manager since then.

**Mr. Wong Kai Hung**, aged 52, has been the deputy general manager of Golden Power Corporation since 2008. He is responsible for planning, developing and implementing the strategic sales and marketing plans as well as leading and managing a team of salespersons of the Group.

Mr. Wong joined the Group in 1992 as a trading executive of Golden Power Industries. He was transferred to Golden Power Corporation and promoted to be a senior sales and marketing manager of the Group and has subsequently become the deputy general manager of the Group since April 2008.

**Mr. Tse Kar Keung**, aged 48, the financial controller and company secretary, joined the Group in March 2010. He is responsible for reviewing and supervising the Group's overall internal control system and accountancy function.

Mr. Tse acquired a master degree in science in applied accounting and finance in the Hong Kong Baptist University in 2011. He has been a member and a fellow of the Association of Chartered Certified Accountants since 2008 and 2013, respectively. He has also been a member of the Hong Kong Institute of Certified Public Accountants since 2009. He joined the Group in 2010 as a senior accounting manager and assistant to chairman of Golden Power Corporation.

### COMPANY SECRETARY

**Mr. Tse Kar Keung** was appointed as the company secretary of the Company on 18 April 2013. Mr. Tse, being also the financial controller of the Group, is also a member of the senior management of the Group. For his biography, please refer to the paragraph headed "Senior Management" under this section.

### COMPLIANCE OFFICER

**Ms. Chu Shuk Ching** is the compliance officer of the Company. For details of her biography, please refer to the paragraph headed "Executive Directors" under this section.



# Corporate Governance Report

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the Year.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for the shareholders of the Company.

## COMPLIANCE WITH THE 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 15 of the GEM Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders of the Company.

During the Year, the Board is of the opinion that the Company has complied with all the applicable provisions set out in the CG Code.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors (the "**Model Code**"). Having made specific enquiry of all the Directors, the Company was not aware of any non-compliance with the Model Code by the Directors during the Year.

## BOARD OF DIRECTORS

### Board Diversity Policy

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the CG Code, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company recognises and benefits from the diversity of Board members. While appointments of all members of the Board will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Group's business. Selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural, educational background, experience (professional or otherwise), skills and knowledge.

### Composition of the Board

As at the date of this report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors:-

#### *Executive Directors*

Mr. Chu King Tien (*the chairman of the Group*)

Ms. Chu Shuk Ching

Mr. Tang Chi Him

Mr. Chu Ho Wa

#### *Independent non-executive Directors*

Mr. Hui Kwok Wah

Mr. Ma Sai Yam

Mr. Chow Chun Hin, Leslie

## Corporate Governance Report (Continued)

In compliance with rule A.2.1 of Appendix 15, the roles of chairman and chief executive office of the Group are separated and performed by different individuals, namely Mr. Chu King Tien and Ms. Chu Shuk Ching, respectively.

In compliance with rules 5.05(1) and 5.05(2) of the GEM Listing Rules, the Board consists of three independent non-executive Directors during the Year, all of them possess appropriate professional qualifications or accounting or related financial management expertise. During the Year and as of the date of this report, the number of independent non-executive Directors represents more than one-third of the Board which is in compliance with rule 5.05A of the GEM Listing Rules. As such, the Company believes that there is a sufficient independence element in the Board to safeguard the interests of the shareholders of the Company.

Specific enquiry has been made by the Company of each independent non-executive Director to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules, and each of them confirmed that he is independent of the Company. Based on the confirmations received, the Board considers that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

In accordance with code provision A.4.1 of the Code, the Company has entered into an appointment letter with each of the independent non-executive Directors for a fixed term of three years commencing from the Listing Date, which may be terminated by either the Company or the Director in accordance with the terms thereof.

Pursuant to article 108 of the articles of association of the Company (the "**Articles**"), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However a retiring Director shall be eligible for re-election.

Saved as disclosed in the section "Biographical Details of Directors and Senior Management" in this report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

### **Functions of the Board**

The overall management of the Company's operation was vested in the Board. The principal function of the Board is to consider and approve the overall plans and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business and to which the Board has delegated the authority and responsibility for implementing the Group's policies and strategies.

All Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. During the Year, in accordance with the Code provision C.1.2, all the Directors are provided with monthly updates on the Company's performance, position and prospect to enable the Board as a whole and each Director to discharge their duties.

### **Board and General Meetings**

During the Year, five board meetings were held on 18 March 2016, 9 May 2016, 9 August 2016, 20 September 2016 and 9 November 2016, respectively. During the Year, an annual general meeting was held on 3 May 2016 (the "**2016 AGM**"). Save for the 2016 AGM, no other general meeting was held during the Year. Subsequent to the Year and up to the date of this report, one board meeting was held on 21 March 2017. The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 9 May 2017 (the "**2017 AGM**").

## Corporate Governance Report (Continued)

The individual attendance record of each Director at the Board meetings during the Year is set out below:-

<b>Name of the Directors</b>	<b>Attendance/ Number of Board meetings</b>
<i>Executive Directors</i>	
Mr. Chu King Tien ( <i>Chairman</i> )	5/5
Ms. Chu Shuk Ching	5/5
Mr. Tang Chi Him	5/5
Mr. Chu Ho Wa	5/5
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah	5/5
Mr. Ma Sai Yam	5/5
Mr. Chow Chun Hin, Leslie	5/5

The company secretary attended all the Board meetings held during the Year to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

The individual attendance record of each Director at the 2016 AGM is set out below:-

<b>Name of the Directors</b>	<b>Attendance at 2016 AGM</b>
<i>Executive Directors</i>	
Mr. Chu King Tien ( <i>Chairman</i> )	Yes
Ms. Chu Shuk Ching	Yes
Mr. Tang Chi Him	Yes
Mr. Chu Ho Wa	Yes
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah	Yes
Mr. Ma Sai Yam	Yes
Mr. Chow Chun Hin, Leslie	Yes

#### **Corporate Governance Functions and Conduct of Meetings**

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions as set out in provision D.3.1 of the Code, such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Provision A.1.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are required to be given. An agenda and accompanying board papers are sent to all Directors at least three days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Directors also have separate independent professional advice to assist them performing their duties to the Company.

**Corporate Governance Report (Continued)**

Minutes of all Board meetings recording sufficient details of matters considered and decisions made are duly kept by the secretary of the meetings and open for inspection on reasonable notice by the Directors.

**Directors' continuous training and professional development**

Pursuant to provision A.6.5 of the Code, all the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all the Directors have participated in continuous professional development by attending training courses or reading relevant materials on the topics related to corporate governance and relevant regulations.

The individual training record of each Director received during the Year is summarised below:-

<b>Name of Directors</b>	<b>Attending seminar(s)/ reading relevant materials on the topics related to corporate governance and relevant regulations (Yes/No)</b>
<i>Executive Directors</i>	
Mr. Chu King Tien ( <i>Chairman</i> )	Yes
Ms. Chu Shuk Ching	Yes
Mr. Tang Chi Him	Yes
Mr. Chu Ho Wa	Yes
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah	Yes
Mr. Ma Sai Yam	Yes
Mr. Chow Chun Hin, Leslie	Yes

**BOARD COMMITTEES**

The Board has established three Board committees to oversee specific aspects of the Group's affairs and help it in the execution of its responsibilities. Each committee has its specific written terms of reference which clearly outline the committees' authority and duties, and which require the committee to report on its decisions or recommendations to the Board. All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

**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 GEM 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 5.28 of the GEM 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

## Corporate Governance Report (Continued)

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 Audit Committee has reviewed the consolidated financial statements for the Year.

Meetings of the Audit Committee shall be held not less than twice a year.

Four Audit Committee meetings were held during the Year. The attendance records of each member of the Audit Committee at the said meetings are as follows:-

<b>Name of the Directors</b>	<b>Attendance/ Number of Audit Committee meetings</b>
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah ( <i>Chairman</i> )	4/4
Mr. Ma Sai Yam	4/4
Mr. Chow Chun Hin, Leslie	4/4

In performing its duties in accordance with its terms of reference, the works performed by the Audit Committee during the Year included, among other things, the followings:-

- A. reviewed and supervised the financial reporting process and internal control system of the Group;
- B. made recommendations to the Board on the appointment of external auditor and gave approval of their remuneration;
- C. met with external auditor and reviewed their independent audit reports; and
- D. reviewed the financial statements for the relevant periods.

#### **Remuneration Committee**

The Company has established a remuneration committee (the "**Remuneration Committee**") on 15 May 2015 with written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee comprises one executive Director, namely, Mr. Chu King Tien and two independent non-executive Directors, namely, Mr. Hui Kwok Wah and Mr. Ma Sai Yam, with Mr. Hui Kwok Wah being appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which should include benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, to ensure none of the Directors or any of his associate is involved in deciding his own remuneration, and make recommendations to the Board on the remuneration of the independent non-executive Directors.

## Corporate Governance Report (Continued)

Meeting of the Remuneration Committee shall be held at least once a year. One meeting of the Remuneration Committee was held during the Year. The attendance records of each member of the Remuneration Committee at the said meeting are as follows:-

<b>Name of the Directors</b>	<b>Attendance/ Number of Remuneration Committee meetings</b>
<i>Executive Director</i>	
Mr. Chu King Tien	1/1
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah ( <i>Chairman</i> )	1/1
Mr. Ma Sai Yam	1/1

During the Year, the Remuneration Committee has, among other things, reviewed the remuneration package of the Directors and senior management of the Group.

#### **Nomination Committee**

The Company has established a nomination committee (the "**Nomination Committee**") on 15 May 2015 with written terms of reference in compliance with the GEM Listing Rules. The Nomination Committee comprises one executive Director namely, Mr. Chu King Tien and two independent non-executive Directors, namely, Mr. Hui Kwok Wah and Mr. Ma Sai Yam, with Mr. Chu King Tien being appointed as the chairman of the Nomination Committee.

The roles and functions of the Nomination Committee include, among other things, reviewing the structure, size and composition of the Board at least once a year, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

## Corporate Governance Report (Continued)

The Nomination Committee shall meet at least once a year. One meeting of the Nomination Committee was held during the Year. The attendance records of each member of the Nomination Committee at the said meeting are as follows:-

<b>Name of the Directors</b>	<b>Attendance/ Number of Nomination Committee meetings</b>
<i>Executive Director</i>	
Mr. Chu King Tien ( <i>Chairman</i> )	1/1
<i>Independent non-executive Directors</i>	
Mr. Hui Kwok Wah	1/1
Mr. Ma Sai Yam	1/1

During the Year, the Nomination Committee has, among other things, reviewed the structure, size, composition and diversity of the Board, considered the appointment or re-appointment of the Directors, reviewed the independent non-executive Directors' annual confirmation on independence and assessed their independence. The Nomination Committee will continue to review the necessity of more competent staff to join in for the expansion of the Group.

### COMPANY SECRETARY

Mr. Tse Kar Keung was appointed as the company secretary of the Company on 18 April 2013. Mr. Tse is also the financial controller of the Group and a member of the senior management. For his biography, please refer to the section headed "Biographical Details of Directors and Senior Management" in this report. During the Year, he has undertaken not less than 15 hours of relevant professional training.

### DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules and other statutory requirements.

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the Year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit work, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the Independent Auditor's Report in this report.

### AUDITOR'S REMUNERATION

For the Year, the fee paid/payable to the Group's external auditor, PKF, for the audit, audit-related and non-audit services provided amounted to approximately HK\$0.84 million, nil and HK\$0.14 million, respectively. The fee paid/payable to other audit firms for providing internal audit for the Year amounted to approximately HK\$71,000. The non-audit services provided by PKF mainly consist of taxation review and other reporting services.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board is responsible for the Group's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control system. The Board conducts regular review and evaluation of the Group's internal control system and is satisfied with the effectiveness of the internal control system of the Group during the Year.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

## **COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS**

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

### **A) General Meetings**

The general meetings of the Company provide a good opportunity for communication between the shareholders of the Company and the Board. An annual general meeting of the Company shall be held in each year and at such time and place to be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The 2017 AGM is scheduled on Tuesday, 9 May 2017. A circular containing, among other matters, further information relating to the 2017 AGM will be despatched to the shareholders of the Company together with this report in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

### **B) Rights and Procedures for Shareholders to Convene an Extraordinary General Meeting**

Pursuant to article 64 of the Articles, any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself(theyselfs) may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to him (them) by the Company.



## Corporate Governance Report (Continued)

**C) Procedures for Shareholders to Propose for Election as a Director**

Shareholders may propose a person for election as Director. The procedures are set out in the document entitled "Procedures for Nomination of Directors by Shareholders" is available on the Company's website at [www.goldenpower.com](http://www.goldenpower.com).

**D) Right to Put Enquiries to the Board**

Shareholders of the Company have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Board or the company secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

**INVESTOR RELATIONS**

The Company believes that maintaining a high level of transparency is the key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through the publication of its annual, interim and quarterly reports and/or circulars, notices and other announcements. The corporate website of the Company ([www.goldenpower.com](http://www.goldenpower.com)) has provided an effective communication platform to the shareholders and the public.

**CONSTITUTIONAL DOCUMENTS**

Pursuant to resolutions of the shareholders passed on 15 May 2015, the Articles were adopted by the Company with effect from the Listing Date. Since the Listing and up to the date of this annual report, no change has been made to the Articles.

# Environmental, Social and Governance

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## Environmental, Social and Governance (Continued)

## 1. ABOUT THIS REPORT

Golden Power Group Holdings Limited (the “**Company**”, together with its subsidiaries, “**Golden Power**” or the “**Group**”) hereby published its first Environmental, Social and Governance (“**ESG**”) Report for the financial year ended 31 December 2016. The purpose of this report is to communicate management approaches, sustainability strategies and key performances of the reporting year with stakeholders.

### 1.1 Business review

Golden Power views sustainability as an integral component in its day to day operations. Golden Power is committed to excellence and innovation in its products, environmental protection, and social well-being of stakeholders. The Group believes that long-term growth is able to be sustained through finding the balance between the economics, environment and social welfares.

The Group strives to comply with all applicable statutory requirements regarding environmental issues, not only to minimise potential environment impacts of its business operations, but also to further enhance the quality of life for communities.

The Group endeavours to engage its internal and external stakeholders to develop mutual communication in the Group’s sustainability performance. Effective communication with stakeholders will further enhance a safe working environment for the Group’s employees, promote an environmental-friendly supply chain and produce quality products for its customers.

During the reporting period, Golden Power has fully complied with all applicable laws and regulations relating to the environment and natural resources, employment, health and safety, labour standards, product responsibility and anti-corruption in all material respects.

### 1.2 Reporting Period and Scope

The reporting period follows that of the Group’s financial year in 2016 (1 January 2016 to 31 December 2016), unless otherwise specified. Compared with the previous year, there were no significant changes in Golden Power’s operation locations, share capital structure, and production facilities.

The scope of this ESG report includes major business operating areas: Hong Kong Headquarters, Dongguan Production Facility and Jiangmen Production Facility.

### 1.3 Stakeholder Engagement

The Group has carried out ESG surveys and stakeholder engagement exercises during the reporting period to allow better understanding in order to evaluate materiality from the perspectives of different stakeholder groups. The Group takes the results of these surveys and exercises to further improve the Group’s sustainability approach.

## Environmental, Social and Governance (Continued)

### 1.4 Reporting Standard

This report makes reference to The Stock Exchange of Hong Kong Limited's (the "**Stock Exchange**") Environmental, Social and Governance Reporting Guide<sup>1</sup>. The Group follows the principles of Materiality, Quantitative, Balance and Consistency to report on the measures and performances in this reporting year. A *Content Index* is attached at the back of this report, which serves as a tool to navigate readers to the specific sections corresponding to the requirements under the Rules Governing the Listing of securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rule**"). Information regarding *Corporate Governance* is addressed in the annual report according to Appendix 15 of the GEM Listing Rules.

To meet these standards, the Group's senior management team has been engaged in the report preparation and has approved this ESG Report. 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, in contributing to this report and to the environmental and social performances throughout the reporting period.

*1 — Appendix 20 of the GEM Listing Rules*

### 1.5 Contact details

If you have any comments or suggestions regarding this report, please contact the Investor Relations Department of the Group at the address below:-

Golden Power Group Holdings Limited  
Flat C, 20/F, Block 1, Tai Ping Industrial Centre  
57 Ting Kok Road, Tai Po  
N.T., Hong Kong

Tel: (852) 3125 2288  
Fax: (852) 3125 2000  
Email: [ir@goldenpowergroup.com](mailto:ir@goldenpowergroup.com)

**Environmental, Social and Governance (Continued)****2. CEO'S MESSAGE**

To all our stakeholders, I am pleased to present to you our company's first ESG report.

As the topic of sustainable development has in recent years sounded its horns internationally, it has called us to reassess the environmental, social, and governance footprint in our business endeavors. Having devoted over 40 years in developing and manufacturing batteries, we have witnessed significant progress made towards the creation of more eco-friendly products. For example, in early 2012 we have voluntarily started the development of our button cell technology through the use of non-mercury containing components and applied for relevant patents. It is only in recent years that laws and regulations have been passed and/or enacted internationally to abolish the use of mercury in button cell batteries. Having the foresight in product design and production capability, our group has positioned for future growth at the wake of this world-wide legislation. In addition, since the start of 2016 we have committed and reconfigured all our production lines to generate non-heavy metal containing batteries. We believe that as a responsible business entity, one of our greatest contributions to society is to create safer and more eco-friendly products. This is our response to the world's call for sustainable development.

This report highlights the environmental and social policies that gear us on the path of sustainability. We have established an internal record collection system that allows us to quantify various environmental performance indicators, to which we will disclose in upcoming years.

I would like to thank our management team and staff for their contributions and commitment to the growth of our business.

**3. REPORTING THEME**

Golden Power integrates the concept of sustainability in its business operations and decision-making. In relation to products, production facilities, employees, and the engagement with community, Golden Power aims to conduct business with an eco-friendly and socially responsible mindset.

This ESG report is structured around three topical themes:-

**3.1 Managing a sustainable current**

The word "current" can have multiple definitions: it could be defined as belonging to a present time, or it could mean the flow of an element in a particular direction. Specific to battery business, current means electric flow- the underlying principle in all products. In order to keep up with the present and the ever-changing environment, the quality of products and its environmental footprint must be updated and kept under check.

**3.2 Powering our people**

People and talent are important assets of Golden Power. The Group aims to provide a safe and enjoyable working environment for its employees, as well as support and training for all its staff to feel like they are a part of the growing family.

## Environmental, Social and Governance (Continued)

### 3.3 Connecting with communities

Golden Power strives to run a business model to be able to connect positively with the community. The Group has initiated multiple community engagement channels in order to give back to society.

Golden Power has appointed an external consultant, Allied Environmental Consultants Limited, for the preparation of this ESG report.

## 4. MANAGING A SUSTAINABLE CURRENT

Golden Power strives for a balance between quality and eco-friendliness in battery production. On supply chain and product quality management levels, the Group has implemented various in-house policies and protocols to ensure its products achieving an internationally-recognized standard. Moreover, measures have been undertaken to reduce the environmental footprint of the production process.

### 4.1 Product Responsibility

During the reporting period, Golden Power operated in accordance with the applicable product liability requirements including customer health and safety, advertising, labeling, and protection of data privacy. The Group is committed to providing customers with high quality products and services.

#### *Ensuring Quality*

In order to improve its brand and competitiveness in the market, Golden Power is devoted to producing products with high quality that can continue to meet the requirements of customers. The Group has established a quality management manual and is accredited to **ISO 9001: 2008 Quality Management** to ensure that systemized quality checking and management are implemented. The production process goes through rigorous quality assurance monitoring and checking to ensure all products delivered fulfill requirements.

In addition, the Group has complied with the **Restriction of Hazardous Substances (RoHS)** and **International Electrotechnical Commission (IEC)** standards to further meet customer's needs in product responsibility and environmental initiatives.

#### *Product safety*

As part of the Group's green initiative, all production lines have been reconfigured to produce battery products that are free from heavy metal chemicals. All packaged products are labeled with indication identifying that the product does not contain any harmful substances such as mercury and cadmium.

#### *Confidentiality of information*

The Group emphasizes great importance to the privacy of all stakeholders. The Group makes every effort to protect the personal information provided by customers and users.

## Environmental, Social and Governance (Continued)

### 4.2 Managing a Sustainable Supply Chain

The Group has established a comprehensive procurement mechanism to regulate the Group's supply chain management. The comprehensive assessment is based on investigation of suppliers' reputation, technical service capabilities, credit and previous track record. From an environmental standpoint, consideration is given to local suppliers, where possible, to minimize pollutant emission from transportation.

Environmental and safety requirements are communicated to all suppliers. In particular, suppliers providing chemicals and hazardous materials must also provide Material Safety Data Sheets (MSDS) for information.

### 4.3 Environmental Protection

#### ***Green products***

The Group is active in incorporating the concept of sustainability into product designs.

Through close communication with customers, it has come to the Group's notice that there is an increasing demand for batteries with non-hazardous substances. Therefore, Golden Power's production lines have switched to produce batteries that are mercury-free, cadmium-free and lead-free. In addition, the Group has introduced the "EcoTotal" series where button cell batteries are free from harmful substances.

Golden Power believes that the greener its products go, the greater the legacy the Group can leave behind.

#### ***Environmental Policy***

In order to produce products of high quality and with "green" components, proper environmental policies are in place to govern the working atmosphere. Through the accreditation of the **ISO 14001: 2004 Environmental Management System**, the Group has adopted various environmental policies and implementation measures to ensure that its operation complies with all relevant legal and statutory requirements and that the impact of its operation on the environment and natural resources is minimized.

#### ***Identifying emissions and minimizing impact on environment and natural resources***

The Group strives to optimize energy-saving measures to reduce and avoid negative contribution to the environment and natural resources throughout the production process. In order to manage the impact on the environment and natural resources, the Group has established an evaluation procedure where the Group examines possible emissions that are generated from the production process.

#### *Emission*

The major types of emissions identified throughout the production process include indirect greenhouse gas from electricity consumption, hazardous waste from chemical mixing and other non-hazardous waste generated from day-to-day operations. Based on the manufacturing process and the equipment used, there are no direct and adverse air pollutant emissions or major wastewater generation under the Group's operations.

Aligning with the environmental management system, the Group endeavors to reduce any negative impact on the environment in the production process through various measures:-

- Set up energy-metering system to monitor electricity usage

## Environmental, Social and Governance (Continued)

- Review of machinery and equipment use and replace existing equipment with equipment that has lower energy usage
- Sort and separate hazardous waste and collection by external recyclers
- Centralize wastewater generation and provide treatment before discharge

### *Use of resources*

The effective use of resources for the Group's operations include primarily minimizing energy and raw material usage. The Group incorporates new production lines not only to improve output efficiency, but also to reduce indirect greenhouse gas emissions which have an adverse impact on the environment. The Group is committed to upgrading production facilities and using of greener raw materials throughout the process. The Group will start to implement the replacement of existing lighting installations in its factories in the PRC with LED lighting, and to upgrade the air-conditioning systems with efficient cooling performances to keep up with the Group's green initiatives. Although water usage during the manufacturing process is considerably minimal, the Group treasures the valuable resource of clean water thus has encouraged all employees to conserve water usage in their day to day routines.

### ***Environmental performance***

Golden Power is fully aware of the environmental impacts that may arise during the production process. During the reporting period, Golden Power has complied with relevant applicable local laws and regulations regarding environmental issues in all material respects. The Group has initiated systematic data collection of environmental key performance indicators identified as material to the Group's operations. The proper recordings will allow for better resource management and allocation in future business endeavors, and also to reduce impact on the environment and natural resources.

## **5. POWERING OUR PEOPLE**

Golden Power views its employees as the key to business success. Therefore, the Group strives to provide a diversified and safe workplace to its employees, and also to provide training to support their growth.

### **5.1 Engaging Employees**

#### ***Respect for labor rights and human rights***

Golden Power adopts a diversified and non-discriminatory policy in employment and provide competitive remuneration packages for employees. The Group standardizes the recruitment procedures, part of which is to ensure that all its employees must be 16 years of age or older. The Group strictly abides by the policy of no child labour or forced labour in its business operation.

In accordance with applicable local laws, the Group provides its employees with paid holidays and ensure reasonable working hours. There are also special leaves allowed within the Group, such as maternity and paternity leave.

#### ***Equal opportunity***

Golden Power encourages equal opportunities in the workplace regardless of gender, nationality, race, religion, sexual orientation, age, social class or disability. The human resources department will be in charge of promoting equality at the workplace, and setting in place disciplinary measures should discriminatory acts be uncovered.



**Environmental, Social and Governance (Continued)****5.2 Ensure Safe Working Environment**

Having a safe working environment is critical to maintaining healthy and happy workforce. Golden Power is committed to complying with relevant regulatory requirements and strives to create a safe working environment for its employees. Health and safety training are provided to educate workers, as well as routine safety audits and assessment for risk management. Routine environmental monitoring of particulates, manganese and inorganic compounds and noise levels were conducted by the Group and it was found to be in compliance with applicable regulations and relevant standards in all material respects during the reporting period.

All staff are provided with personal protective equipment within production facilities. Items such as masks, earplugs and eyewear are provided to ensure safe operation and maintenance. The production department arranges training on a regular basis, and if non-compliance is noted from any employee, the employee must participate in the relevant training program and to be re-evaluated before he/she can return to work.



The Group regularly arranges safety and precautionary trainings to employees

**5.3 Equipping Talent**

All staff are required to go through adequate training in order to be acquainted with business structure and production facilities. The training will also emphasize the safety precautions when working with hazardous substances and mechanical equipment.

## Environmental, Social and Governance (Continued)

Golden Power fosters a proactive learning environment as the Group encourages employees to have continuous development in knowledge and skills to better equip themselves in their career. The Group provides professional and/or overseas training to a number of qualified potential employees to complement the Company's future direction.

In line with the changing environment of production facilities, Golden Power provides a variety of trainings catering to the needs of the business and the development of the individuals.



The Group organizes safety training session to enhance employees' awareness

### 5.4 Anti-corruption

The Group is committed to high ethical standards. The Group strictly forbids any bribery, extortion, fraud and money laundering activities, and this message is strongly communicated across top management to the working level. In the case that corruption is found, the Group shall investigate and handle in accordance with the applicable laws and the Group will undertake disciplinary actions as necessary.

The Group has complied with all relevant laws and regulations with regards to anti-corruption in the reporting period in all material respects.

## 6. CONNECTING WITH COMMUNITIES

### 6.1 Community Investment

The Group strives to find ways to contribute to and meet the needs of communities. Golden Power believes that as a responsible corporate entity, the Group can share resources in improving the lives of families in the society.



The Group has received an award of distinction from the Community Chest as recognition of its contributions and services to the community.

Starting from 2017, Golden Power will carry out and participate in various charitable activities to contribute to the community's sustainable development and prosperity. The Group aims to focus on three core areas in the coming years' community engagement:-

1. Environmental Protection
2. Care for elderly
3. Education

Golden Power has set up a volunteer team and will continue to organize and participate in various volunteer activities in the future. The Group aims to establish a strong network within our communities to provide assistance and support to those in need.



During the Mid-Autumn Festival 2016, the Group delivered moon cakes to the Children Welfare Center in Jiangmen province

## Environmental, Social and Governance (Continued)

**7. THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX**

Golden Power has complied with the "Comply or Explain" provisions in Appendix 20 to the GEM Listing Rules. The table below is the summary of the reporting compliances.

Aspect	HKEx ESG Guide	Description	Page
<b>A. Environmental</b>			
Emissions	A1	4.3 Environmental Protection	29–30
Use of Resources	A2	4.3 Environmental Protection	29–30
The Environment and Natural Resources	A3	4.3 Environmental Protection	29–30
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
Employment	B1	5.1 Engaging employees	30
Health and Safety	B2	5.2 Ensure safe working environment	31
Development and Training	B3	5.3 Equipping talent	31–32
Labour Standards	B4	5.1 Engaging employees	30
<b>Operating Practices</b>			
Supply Chain Management	B5	4.2 Managing a Sustainable Supply Chain	29
Product Responsibility	B6	4.1 Product Responsibility	28
Anti-corruption	B7	5.4 Anti-corruption	32
<b>Community</b>			
Community Investment	B8	6.1 Community Investment	33

# Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements for the Year.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 7 June 2012.

In preparing for the Listing, the Company became the holding company of the companies comprising the Group pursuant to the reorganisation as more particularly described in the section headed “History, Development and Reorganisation — Reorganisation” of the Prospectus.

The Shares of the Company were listed on GEM of the Stock Exchange on 5 June 2015.

## PRINCIPAL ACTIVITIES

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.

There were no significant changes in the nature of the Group’s principal activities during the Year.

## SUBSIDIARIES

Details of the Company’s subsidiaries as at 31 December 2016 are set out in Note 30 of the audited consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the audited consolidated statement of profit or loss and audited consolidated statement of comprehensive income on pages 52 and 53 of this report, respectively.

The Directors do not recommend the payment of any dividend for the Year (2015: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the 2017 AGM to be held on Tuesday, 9 May 2017, the register of members of the Company will be closed from Tuesday, 2 May 2017 to Tuesday, 9 May 2017 both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 pm on Friday, 28 April 2017.

## BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed “Management Discussion and Analysis” on page 5 of this report. The business review forms part of this report.

## SEGMENT INFORMATION

Details of segment reporting are set out in Note 5 of the audited consolidated financial statements.

Report of the Directors (Continued)

### **CHARITABLE DONATIONS**

No charitable or other donations have been made by the Group during the Year (2015: HK\$0.65 million).

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the Year, the largest and the top five customers of the Group accounted for 10.38% (2015: 7.22%) and 31.00% (2015: 22.87%) of the Group's revenue, respectively, for the Year.

During the Year, the Group's purchases from the largest and the top five suppliers accounted for 8.25% (2015: 8.14%) and 33.32% (2015: 27.27%) of the Group's purchases, respectively, for the Year.

To the best of the knowledge of the Directors, save as disclosed under Note 26 to the audited consolidated financial statements and the section headed "Related Party Transactions and Continuing Connected Transactions" in this report, none of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company), had any interest in any of the Group's top five customers or suppliers.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the Group's property, plant and equipment during the Year are set out in Note 13 to the audited consolidated financial statements.

### **INVESTMENT PROPERTIES**

Details of the Group's investment properties during the Year are set out in Note 14 to the audited consolidated financial statements.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the Year are set out in Note 23 to the audited consolidated financial statements.

### **RESERVES**

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 56 of this report.

### **DISTRIBUTABLE RESERVES**

The Company's reserves as at 31 December 2016 are set out in Note 24 to the audited consolidated financial statements.

### **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.

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at 31 December 2016 are set out in Note 22 to the audited consolidated financial statements.

### **FINANCIAL SUMMARY**

A summary of the results of the Group for the past four financial years is set out on page 111 of this report.

## IMPORTANT EVENTS AFTER THE YEAR END

The Company has proposed to raise approximately HK\$32 million, before expenses, by issuing 80,000,000 right shares (being new ordinary shares of HK\$0.01 each in the share capital of the Company) by way of rights issue at the subscription price of HK\$0.4 per right shares, on the basis of one right share for every 2 existing shares held on the record date (the “Rights Issue”). For details, please refer to the announcement dated 20 February 2017, the clarification announcement dated 21 February 2017 and the announcement dated 15 March 2017 of the Company.

Subsequent to the Year, the Company has entered into a new master sales agreement on 1 February 2017 which is subject to independent shareholders’ approval. Details are set out in the section headed “RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION” of this report.

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

## DIRECTORS

The Directors since 1 January 2016 and up to the date of this report were:-

### Executive Directors

Mr. Chu King Tien (*the chairman of the Group*)

Ms. Chu Shuk Ching

Mr. Tang Chi Him

Mr. Chu Ho Wa

### Independent non-executive Directors

Mr. Hui Kwok Wah

Mr. Ma Sai Yam

Mr. Chow Chun Hin, Leslie

## DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 12 to 14 of this report.

## CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors’ information subsequent to the date of the interim report for the six months ended 30 June 2016, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM listing Rules, are set out below:-

Mr. Ma Sai Yam has been an independent non-executive director of Jiande International Holdings Limited (a company listed on the Main Board, stock code: 865) since 25 October 2016.

## DIRECTORS’ RETIREMENT AND RE-ELECTION

In accordance with article 112 of the Articles, any Director appointed by the Board to fill casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## Report of the Directors (Continued)

In accordance with article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Articles, the following Directors, namely, Mr. Hui Kwok Wah, Mr. Ma Sai Yam and Mr. Chow Chun Hin Leslie will retire from office by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

Save as otherwise disclosed in this report, no Director proposed for re-election at the 2017 AGM has or is proposed to have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received annual confirmation of independence from all the independent non-executive Directors, namely Mr. Hui Kwok Wah, Mr. Ma Sai Yam, and Mr. Chow Chun Hin, Leslie, pursuant to the GEM Listing Rules. The Company considers all of them to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this report.

### **DIRECTORS' SERVICE CONTRACTS**

The service contract between the Company and each of the executive Directors is for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term of the appointment, unless the Director has not been re-elected as a Director of the Company or has been removed by shareholders of the Company at any of its general meeting in accordance with the memorandum and articles of association of the Company. Either the Company or the Director may terminate the service contract in accordance with the terms thereof.

The Company has entered into an appointment letter with each of the independent non-executive Directors for fixed term of three years commencing from the Listing Date, which may be terminated by either the Company or the Director in accordance with the terms thereof.

### **DIRECTORS' MATERIAL INTERESTS IN CONTRACTS**

On 20 February 2017, Golden Villa, which is wholly-owned by Mr. Chu King Tien (the executive Director), signed an irrevocable undertaking in favour of the Company to subscribe for 42,000,000 rights shares under the Rights Issue as described in the section headed "IMPORTANT EVENTS AFTER THE YEAR END". For details, please refer to the announcement dated 20 February 2017, the clarification announcement dated 21 February 2017 and the announcement dated 15 March 2017 of the Company.

Save as disclosed above or in the Prospectus or elsewhere in this report, no Director or any entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the Year.



## COMPETING INTERESTS

During the Year, none of the Directors, the controlling shareholders of the Company and their respective close associates had any business or interest that competes or may compete with the business of the Group nor had any other conflicts of interest with the Group.

A deed of non-competition dated 24 September 2014 has been entered into by Mr. Chu King Tien and Golden Villa, the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the “**Controlling Shareholders**”) in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The details of this deed of non-competition have been disclosed in the section headed “Relationship with Controlling Shareholders” in the Prospectus.

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition. The independent non-executive directors have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied for the Year.

## REMUNERATION OF THE DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 9 of the audited consolidated financial statements. No Director has waived or has agreed to waive any emolument during the Year.

## EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on the Company’s policy and structure for all the Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to the Directors and the relevant eligible participants.

The emoluments of the Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of each Director, and taking into consideration the Company’s performance and prevailing market conditions.

## CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

There were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, RaffAello Capital Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 25 September 2014, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group (including options or rights to subscribe for such securities) as at 31 December 2016 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## Report of the Directors (Continued)

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES****Interests in the Company**

As at 31 December 2016, 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 GEM Listing Rules, were as follows:-

**Long positions in the Shares**

<b>Name</b>	<b>Nature of interest</b>	<b>Total number of shares held</b>	<b>Approximate percentage of shareholding</b>
Chu King Tien	Interest in a controlled corporation (Note 1)	84,000,000 ordinary Shares	52.5%

Note:-

- These Shares are held by Golden Villa, 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 in the Company.

**Interests in associated corporations of the Company**

As at 31 December 2016, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and 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 corporation**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Number of Shares (long position)</b>	<b>Approximate percentage of shareholding</b>
Mr. Chu King Tien	Golden Villa	Beneficial owner	50,000	100%

## Report of the Directors (Continued)

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (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 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 GEM Listing Rules.

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

So far as the Directors are aware, as at 31 December 2016, 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	Approximate percentage of shareholding
Golden Villa	Beneficial owner	84,000,000 ordinary Shares	52.5%
Ms. Mo Yuk Ling (Note)	Interest of spouse	84,000,000 ordinary Shares	52.5%

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 31 December 2016, 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.

Subsequent to the end of Year, China Sky Securities Limited, in the capacity of a beneficial owner, has registered an interest in respect of 38,000,000 ordinary shares of the Company. China Sky Securities Limited is the underwriter under the Rights Issue and has agreed to underwrite 38,000,000 right shares pursuant to the terms and conditions of an underwritten agreement.

### 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. As of the date of this report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

## Report of the Directors (Continued)

### 1) Purpose

The purpose of the Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity").

### 2) Qualifying participants

Subject to the provisions in the Scheme, the Board shall be entitled at any time and from time to time within the period of ten years after the date of adoption of the Scheme to make an offer to any of the following classes of persons:-

- (i) any employee (whether full time or part time, including Director) of the Company, its subsidiaries and any Invested Entity;
- (ii) any Director (including any non-executive Director and independent non-executive Director) of the Company, any of its subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any security issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group; and
- (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

### 3) Maximum number of the Shares

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company (excluding, for this purpose, Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of the Shares of the Company in issue as at Listing Date, being 16,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the GEM Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the shareholders' approval. The above is subject to the condition that the maximum number of the Shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares of the Company in issue from time to time.

As at the date of this report, no Share options has been granted by the Company and the outstanding number of Share options available for grant under the Scheme is 16,000,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

**4) Limit for each participant**

The total number of the Shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the GEM Listing Rules.

**5) Exercise of an option**

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of is made but shall end in any event not later than ten years from the date of the grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by the Directors and stated in the offer of the grant of the option to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

**6) Acceptance and payment on acceptance**

The options granted under the Scheme shall remain open for acceptance for a period of up to 21 days from the date on which the options are offered to an eligible person. Upon acceptance of the option, the eligible person shall pay HK\$1 to the Company as consideration for the grant.

**7) Subscription price**

The subscription price of a Share in respect of any option granted under the Scheme will be a price determined by the Board at its discretion and shall not be less than the highest of (i) the closing price of the Shares of the Company as stated in the daily quotations sheet of Stock Exchange for trade in one or more board lots of the Shares on the date on which an offer is made to an eligible person, which must be a business day; (ii) the average closing price of the Shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an offer is made to an eligible person; and (iii) the nominal value of a Share.

**8) Remaining life of the Scheme**

The Scheme will remain valid and effective for a period of 10 years commencing from 15 May 2015 after which no further option shall be granted.

**RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

The related party transactions entered into by the Group during the Year are set out in Note 26 to the audited consolidated financial statements. Save as disclosed below, the Directors consider that these material related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

**Exempt Continuing Connected Transactions**

The related party transaction entered into by the Group during the Year in relation to rental expenses paid to China Scene Limited as set out in Note 26(a) to the audited consolidated financial statements are continuing connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the GEM Listing Rules. Further details of these continuing connected transactions are set out in the section headed "Connected Transactions" in the Prospectus.

## Report of the Directors (Continued)

The related party transactions in relation to key management personnel remuneration as disclosed in Note 26(d) to the audited consolidated financial statements are connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

### Non-exempt Continuing Connected Transactions

On 31 December 2013, the Company entered into a master sales agreement (the "**Master Sales Agreement**") with 廣州市南華金力電子有限公司 (Guangzhou Nan Hua Jin Li Electronics Limited\*) ("**Nan Hua Jin Li**") and Suenglh Corporation Limited (動能(香港)有限公司) ("**Suenglh**"), which was amended by a supplemental agreement entered into between them dated 15 September 2014, for the sale and supply of the Group's batteries in the PRC (excluding Macau and Taiwan), for a term of three years commencing from 1 January 2014 and ending on 31 December 2016.

As disclosed in the Prospectus, the Board estimated that the annual caps under the Master Sales Agreement would be approximately HK\$37.80 million, HK\$40.60 million and HK\$42.60 million for the years ended 31 December 2014, 2015 and 2016, respectively in the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement).

Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu Chengxian ("**Mr. Zhu**"), a nephew of Mr. Chu King Tien (the executive Director, the chairman of the Group and a controlling shareholder of the Company), and 29% by independent third parties. Mr. Zhu is a connected person under the GEM Listing Rules and Nan Hua Jin Li, being a majority-controlled company of Mr. Zhu, is also a connected person under the GEM Listing Rules. Suenglh is legally and beneficially owned as to 100% by Mr. Zhu. Suenglh, being a majority-controlled company of Mr. Zhu, is also a connected person 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.

Since certain applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement), on an annual basis, expected to be more than 25% and the annual consideration is more than HK\$10 million, the transactions contemplated under the Master Sales Agreement (as amended and supplemented by the Supplemental Agreement) constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the Listing Rules, subject however to the waiver as mentioned below.

During the Year, the sales to Nan Hua Jin Li and Suenglh under the Master Sales Agreement amounted to approximately HK\$17.49 million (2015: approximately HK\$22.49 million) and Nil (2015: HK\$3.2 million), respectively.

### The waiver

The Group has applied to the Stock Exchange for, and the Stock Exchange has granted it, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements of the GEM Listing Rules in respect of the above non-exempt continuing connected transactions, subject to the following conditions:-

- (a) the annual caps for each of such continuing connected transactions as stated above will not be exceeded; and
- (b) the Company will comply with other applicable requirements under Chapter 20 of the GEM Listing Rules.

## Report of the Directors (Continued)

**Annual Review**

Pursuant to Rule 20.53 of the GEM Listing Rules, the non-exempt continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has been engaged by the Company to report on the non-exempt continuing connected transactions mentioned above. The auditor has issued a letter to the Board confirming, among other things, that nothing has come to their attention that causes them to believe that such transactions:-

- (a) have not been approved by the Board;
- (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (d) have exceeded the cap.

A copy of this letter has been provided by the Company to the Stock Exchange.

**Expiry of the Master Sales Agreement and entering into a new agreement**

The Master Sales Agreement has expired on 31 December 2016. On 1 February 2017, the Company entered into a new master sales agreement (the "**2017 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 Group's batteries in the PRC (excluding Macau and Taiwan) 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 2017 Agreement is an extension of the Master Sales Agreement. The principal terms of the 2017 Agreement are substantially the same as the Master Sales Agreement.

As explained above, Nan Hua Jin Li and Suenglh, being majority-controlled companies of Mr. Zhu, are connected persons under the GEM Listing Rules. Accordingly, the transactions contemplated under the 2017 Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Given that the maximum annual cap under the 2017 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 2017 Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements. The Company will seek the independent shareholders' approval for the 2017 Agreement and the transactions contemplated thereunder and the related proposed annual caps for the term at an extraordinary general meeting of the Company (the "**Forthcoming EGM**").

For details of the 2017 Agreement, please refer to the announcement of the Company dated 1 February 2017. A circular in relation to the 2017 Agreement and the Forthcoming EGM will be despatched to the shareholders of the Company. As additional time is required for the Company to prepare and finalise the content of the circular, the despatch of the circular to the Shareholders is expected to be delayed to a date falling on or before 5 April 2017. Please refer to the announcements of the Company dated 21 February 2017 and 14 March 2017 for details.

Report of the Directors (Continued)

## **CORPORATE GOVERNANCE**

The Company has complied with the provisions as set out in the CG Code during the Year.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 23 of this report.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

The Board is pleased to present the first Environmental, Social and Governance Report (the "ESG Report") on pages 24 to 34 of this report.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the Year.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the prescribed minimum amount of public float as required under the GEM Listing Rules at any time during the Year and up to the date of this report.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **INDEPENDENT AUDITOR**

The consolidated financial statements of the Group for the Year have been audited by PKF, who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2017 AGM.

## **REVIEW BY AUDIT COMMITTEE**

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the Year comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

On behalf of the Board

**Mr. Chu King Tien**

*Chairman*

Hong Kong, 21 March 2017



# Independent Auditor's Report



Accountants &  
business advisers

26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

大信梁學濂(香港)會計師事務所

香港  
銅鑼灣  
威非路道18號  
萬國寶通中心26樓

## TO THE SHAREHOLDERS OF GOLDEN POWER GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Golden Power Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 52 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined to communicate in our report the following key audit matters for the year ended 31 December 2016.

## Independent Auditor's Report (Continued)

### Revenue recognised from batteries and other battery-related products

We identified revenue recognised from sales of batteries and other battery-related products as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss. Revenue from sales of batteries and other battery-related products is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements.

Our procedures in relation to revenue recognised from sales of batteries and other related products included:-

- Obtaining an understanding of the revenue business process regarding sales of batteries and other related products;
- Understanding and testing, on sample basis, the key controls over the recognition of sales of batteries and other related products;
- Checking the terms set out in the sales agreements and other relevant documents; and assessing whether the significant risks and rewards of ownership of the batteries and other battery-related products have been transferred to the customers by reviewing the relevant documents, including check whether it is consistent with our walk-through, the goods delivery notes and acknowledgement to receipts, on a sample basis; and
- Testing the recognition of material sales transactions recognised immediate before and after reporting period to assess whether those sales transactions were recorded in appropriate accounting period in accordance with the Group's revenue recognition policy.

### Valuation of inventories

We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgment by the management associated with identifying obsolete and slow-moving inventories and determining their net realisable values ("NRV"). As disclosed in Note 3 to the consolidated financial statements, NRV represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale. As disclosed in Note 4 to the consolidated financial statements, the management will identify the obsolete and slow-moving inventory items with reference to inventory ageing analysis and estimated subsequent usage or sales. The identification of obsolete and slow-moving inventories and estimation of NRV is primarily based on the current market conditions, technology changes, the historical experience of selling products with similar nature and current customer orders on hand. The Group carries out the inventory review at the end of the reporting period and makes allowance of HK\$419,000 on obsolete and slow-moving items to write down inventories to their NRVs during the year ended 31 December 2016 and the carrying amount of inventories is HK\$48,206,000 as at 31 December 2016.

Our procedures in relation to assessing the appropriateness of the valuation of the inventories included:-

- Obtaining an understanding of how the management estimated the NRVs of inventories and evaluating the historical accuracy of the allowance estimation by the management;
- Assessing, on a sample basis, whether items in the inventory ageing report prepared by the management were classified within the appropriate ageing bracket by comparing items in the report with the underlying supporting documents and records;

**Independent Auditor's Report (Continued)**

- Assessing, on a sample basis, whether items in the analysis of estimated subsequent usage and sales of inventories are materially consistent with the underlying supporting documents and records;
- Discussing with management and assessing the basis of the management's estimation of subsequent selling price, costs to completion and costs necessary to make the sale;
- Assessing the management's process for researching and analysing the current market conditions, technology changes, historical experience of selling products with similar nature and customer orders on hand to estimate the NRV; and
- Assessing the sufficiency of allowance where the estimated NRV is lower than the cost.

**OTHER INFORMATION**

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended at 31 December 2016 ("**Annual Report**"), other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent Auditor's Report (Continued)**

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Wai Chuen Alfred.

**PKF**

*Certified Public Accountants*

Hong Kong

21 March 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	5	303,197	311,500
Cost of sales		(207,082)	(235,054)
Gross profit		96,115	76,446
Other revenue	6	3,040	3,302
Other (losses)/gains — net	7	(3,467)	987
Selling expenses		(15,784)	(12,477)
General and administrative expenses		(43,382)	(55,027)
Profit from operations		36,522	13,231
Finance costs	8(a)	(3,729)	(5,880)
Profit before income tax	8	32,793	7,351
Income tax expense	10	(8,753)	(3,952)
Profit for the year and attributable to the shareholders of the Company		24,040	3,399
Earnings per share (HK cents)			
— Basic	12	15.03	2.50
— Diluted	12	N/A	N/A

The notes on pages 59 to 110 form part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	24,040	3,399
Other comprehensive income/(loss):-		
Item that may be reclassified subsequently to profit or loss:-		
Exchange differences arising on translation of financial statements of foreign operations	(4,010)	(4,716)
Items that may not be reclassified subsequently to profit or loss:-		
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	27,511	—
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	(240)	—
	27,271	—
Other comprehensive income/(loss) for the year, net of tax	23,261	(4,716)
Total comprehensive income/(loss) for the year and attributable to the shareholders of the Company	47,301	(1,317)

The notes on pages 59 to 110 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	184,498	170,508
Investment properties	14	29,500	—
Intangible assets	15	294	315
Prepaid land lease payments	16	4,964	5,489
Deposits paid for property, plant and equipment	19	2,786	4,994
Deferred tax assets	11	5,654	7,149
		<b>227,696</b>	<b>188,455</b>
<b>CURRENT ASSETS</b>			
Inventories	17	48,206	48,813
Trade and bills receivables	18	32,739	41,172
Deposits, prepayments and other receivables	19	10,333	12,438
Prepaid land lease payments	16	205	218
Income tax recoverable		1,122	1,712
Cash and bank balances		21,797	24,918
		<b>114,402</b>	<b>129,271</b>
<b>DEDUCT:-</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	20	68,674	77,774
Receipts in advance, other payables and accruals	21	17,109	26,993
Bank borrowings, secured	22	38,993	59,140
Income tax payable		3,161	286
		<b>127,937</b>	<b>164,193</b>
<b>NET CURRENT LIABILITIES</b>		<b>(13,535)</b>	<b>(34,922)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>214,161</b>	<b>153,533</b>



## Consolidated Statement of Financial Position (Continued)

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>DEDUCT:-</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings, secured	22	48,283	36,540
Deferred tax liabilities	11	3,452	1,868
		<b>51,735</b>	<b>38,408</b>
<b>NET ASSETS</b>			
		<b>162,426</b>	<b>115,125</b>
<b>REPRESENTING:-</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	23	1,600	1,600
Reserves	24	160,826	113,525
<b>TOTAL EQUITY</b>			
		<b>162,426</b>	<b>115,125</b>

Approved and authorised for issue by the Board of Directors on 21 March 2017.

**Mr. Chu King Tien**  
DIRECTOR

**Ms. Chu Shuk Ching**  
DIRECTOR

The notes on pages 59 to 110 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 Note 24(c)(i)	Exchange reserve HK\$'000 Note 24(c)(ii)	Capital reserve HK\$'000 Note 24(c)(iii)	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2015	—	—	3,411	2,062	9,819	—	19,725	35,017
Profit for the year	—	—	—	—	—	—	3,399	3,399
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	(4,716)	—	—	—	(4,716)
Total comprehensive (loss)/ income for the year	—	—	—	(4,716)	—	—	3,399	(1,317)
Appropriation to statutory reserve	—	—	529	—	—	—	(529)	—
Issue of shares (Note 23(c))	560	75,040	—	—	—	—	—	75,600
Capitalisation issue (Note 23(d))	1,040	(1,040)	—	—	—	—	—	—
Capital injection (Note 24(c)(iii))	—	—	—	—	20,000	—	—	20,000
Share issuing expense	—	(14,175)	—	—	—	—	—	(14,175)
At 31 December 2015 and 1 January 2016	1,600	59,825	3,940	(2,654)	29,819	—	22,595	115,125
Profit for the year	—	—	—	—	—	—	24,040	24,040
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	(4,010)	—	—	—	(4,010)
Gain on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	—	—	27,511	—	27,511
Deferred tax liability on revaluation of leasehold land and buildings upon transfer to investment properties	—	—	—	—	—	(240)	—	(240)
Total comprehensive (loss)/ income for the year	—	—	—	(4,010)	—	27,271	24,040	47,301
Appropriation to statutory reserve	—	—	1,138	—	—	—	(1,138)	—
At 31 December 2016	1,600	59,825	5,078	(6,664)	29,819	27,271	45,497	162,426

The notes on pages 59 to 110 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	32,793	7,351
Adjustments for:-		
Amortisation of intangible assets	69	124
Amortisation of prepaid land lease payments	216	228
Depreciation	12,288	12,722
Finance costs	3,729	5,880
(Gain)/loss on disposals of property, plant and equipment	(46)	401
Interest income	(15)	(15)
Impairment loss on trade receivables	—	506
(Reversal of write-down)/write-down to net realisable value on inventories	(748)	498
Exchange differences	10	47
Operating profit before working capital changes	48,296	27,742
(Increase)/decrease in inventories	(2,280)	7,281
Decrease in trade and bills receivables	7,666	23,094
(Increase)/decrease in deposits, prepayments and other receivables	(65)	6,032
Decrease in trade payables	(3,759)	(40,625)
Decrease in receipts in advance, other payables and accruals	(8,516)	(4,011)
Cash generated from operations	41,342	19,513
Interest received	15	15
Income tax paid	(2,506)	(7,142)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>38,851</b>	<b>12,386</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire property, plant and equipment	(30,706)	(19,649)
Sale proceeds from disposals of property, plant and equipment	805	1,871
Payments to acquire intangible assets	(48)	(134)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(29,949)</b>	<b>(17,912)</b>

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid for bank borrowings	(2,926)	(5,178)
Other finance costs paid	(734)	(702)
New bank borrowings raised	113,966	468,367
Repayment of bank borrowings	(120,982)	(527,436)
Proceeds from capital injection	—	20,000
Proceeds from issuing of shares	—	75,600
Share issuing expenses	—	(14,175)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(10,676)</b>	<b>16,476</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>(1,774)</b> <b>(1,347)</b> <b>24,918</b>	<b>10,950</b> <b>(3,200)</b> <b>17,168</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21,797</b>	<b>24,918</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	21,797	24,918

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 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. The Company's shares has been listed and traded on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 5 June 2015 (the "**Listing Date**").

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on GEM of the Stock Exchange, 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 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, Golden Villa Ltd., 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

These 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, 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**2. BASIS OF PREPARATION** (continued)**(b) Initial application of HKFRSs**

In the current year, the Group initially applied the following revised HKFRSs:-

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28, HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11 and HKFRS 14	Accounting for Acquisitions of Interests in Joint Operations Regulation Deferral Accounts
Amendments to Annual Improvements to HKFRSs (2012–2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The initial application of these revised HKFRSs does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

**(c) HKFRSs in issue but not yet effective**

The following HKFRSs in issue at 31 December 2016 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 2016:-

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>

<sup>1</sup> Effective for annual period beginning on or after 1 January 2017

<sup>2</sup> Effective for annual period beginning on or after 1 January 2018

<sup>3</sup> Effective for annual period beginning on or after 1 January 2019

<sup>4</sup> Effective for annual period beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these standards and amendments 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**2. BASIS OF PREPARATION** (continued)**(d) Adoption of going concern basis**

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. At 31 December 2016 and 2015, the Group had net current liabilities of HK\$13,535,000 and HK\$34,922,000 respectively. The consolidated financial statements have been prepared on a going concern basis due to the reasons that (i) at 31 December 2016 and 2015, the Group had unutilised banking facilities of HK\$81,519,000 and HK\$88,653,000 respectively; and (ii) the directors expect that the Group is able to renew all the banking facilities when expire.

After taking into consideration of the banking facilities already in place at 31 December 2016, 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.

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. SIGNIFICANT ACCOUNTING POLICIES****(a) Measurement basis**

The consolidated financial statements are prepared under the historical cost basis as modified by the revaluation of investment properties.

**(b) Consolidation and combination**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Consolidation and combination (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (i) Business combinations under common control before Listing Date

The Group applies merger accounting to account for the business combinations (including acquisition of subsidiaries) under common control for Reorganisation before Listing Date, where all assets and liabilities are recorded at predecessor carrying amounts, as if the existing group structure had been in existence throughout the year and the business have been combined from the date when they first came under the control of the controlling party.

Upon transfer of interest in an equity to another entity that is under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised as deemed distribution directly in capital reserve.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (ii) Business combinations not under common control

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred to the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(b) Consolidation and combination** (continued)*(ii) Business combinations not under common control* (continued)

If the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree (collectively the “**Sum of Consideration**”) is more than the fair value of the identifiable net assets acquired, the excess is recorded as goodwill. If the Sum of Consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with all policies adopted by the Group.

**(c) Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, over their estimated useful lives, at the following annual rates:-

Category	Depreciation policy	Residual value
Leasehold land	Shorter of remaining lease term or useful life on a straight-line basis	0%
Leasehold buildings	4% on a straight-line basis	0%
Plant and machinery	10% on a reducing balance basis	10%
Furniture, fixtures and office equipment	15% on a reducing balance basis	10%
Moulds	33% on a straight-line basis	0%
Loose tools and instruments	50% on a reducing balance basis	0%
Motor vehicles	25% on a straight-line basis	10%
Leasehold improvements	15% on a reducing balance basis	0%

Useful lives, the depreciation methods and residual values are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (c) Property, plant and equipment and depreciation *(continued)*

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised which is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

#### (d) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### (i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

##### (ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(c). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(d) Leases** (continued)*(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(e) Investment properties**

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

When a property held for own use is reclassified to investment property following a change in its use, any differences arising at the date of reclassification between the carrying amount of the property held for own use immediately prior to the reclassification and its fair values is recognised as below:-

- (i) If the carrying amount of the property is increased as a result of the revaluation, the increase shall be recognised in other comprehensive income and accumulated separately in equity in the property revaluation reserve.
- (ii) If the carrying amount of the property is decreased as a result of the revaluation, the decrease shall be recognised in profit or loss.

On subsequent disposal of the investment property, the revaluation surplus recognised in the property revaluation reserve may be transferred directly to retained profits.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as a property held for own use and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting in accordance with Note 3(c).

#### (f) Intangible assets

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation of trademarks is charged to profit or loss on a straight-line basis over the estimated useful lives of 10 years.

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in first-out method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

#### (i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(j) Impairment of assets****(i) Impairment of receivables**

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:-

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss on receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Impairment of assets (continued)

##### (ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, intangible assets and prepaid land lease payments may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

##### *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

##### *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, if measureable, or value in use, if determinable.

##### *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (l) Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(m) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:-

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts, rebates and returns.
- Interest income is recognised as it accrues using the effective interest method.
- Rental income is recognised on a straight-line basis over the terms of relevant leases.
- Services fee income is recognised in the period when services are rendered.

**(p) Employee benefits**

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior years. The obligation is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Translation of foreign currencies

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

##### (iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
- Income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(r) Income tax** (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognised in profit or loss when the liability to pay the related dividends is recognised in profit or loss.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:-

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Income tax (continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes by the same taxation authority on either:-
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### (s) Financial guarantees issued, provision and contingent liabilities

##### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value for the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of the guarantee i.e. the amount initially recognised, less accumulated amortisation.

##### (ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(t) Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:-
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:-
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(u) Segment reporting**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in Note 3 above. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

#### (a) Valuation of inventories

The management identify obsolete and slow-moving inventory with reference to inventory ageing analysis and estimated subsequent usage or sales. Net realisable value of obsolete and slow-moving inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions, technology changes, the historical experience of selling products with similar nature and current customer orders on hand. It could change significantly as a result of changes in customer preference or competitor actions. The Group reassesses these estimates at the end of each reporting period.

#### (b) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

#### (c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis or reducing balance basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives and basis of depreciation of property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and basis of depreciation are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

#### (d) Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2016 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Ltd ("**Vigers**"), an independent professional surveyor and property valuer not connected with the Group. The managing director of Vigers is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived using direct comparison approach by making reference to comparable recent sales price of properties, adjusted for a premium or discount specific to the characteristic as mentioned in Note 14.

**Notes to the Consolidated Financial Statements (Continued)***For the year ended 31 December 2016***4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)***(e) Current and deferred income taxes**

The Group is subject to income taxes in Hong Kong and the PRC. Judgements and estimations are required in determining the provision for income taxes for certain transactions (including inter-company transactions) and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

**5. REVENUE AND SEGMENT INFORMATION**

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

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**5. REVENUE AND SEGMENT INFORMATION** (continued)

Information regarding the Group's reportable segments for the years ended 31 December 2016 and 2015 is set out below:-

**Segment revenue from external customers**

	2016 HK\$'000	2015 HK\$'000
<b>Disposable batteries</b>		
(i) Cylindrical batteries		
— Alkaline	147,861	139,665
— Carbon	60,721	71,412
	<b>208,582</b>	<b>211,077</b>
(ii) Micro-button cells		
— Alkaline	46,119	65,920
— Other micro-button cells	39,281	18,702
	<b>85,400</b>	<b>84,622</b>
	<b>293,982</b>	<b>295,699</b>
<b>Rechargeable batteries and other battery-related products</b>		
(i) Rechargeable batteries	8,531	14,879
(ii) Other battery-related products	684	922
	<b>9,215</b>	<b>15,801</b>
	<b>303,197</b>	<b>311,500</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

## 5. REVENUE AND SEGMENT INFORMATION (continued)

## Segment results

	2016 HK\$'000	2015 HK\$'000
<b>Disposable batteries</b>		
(i) Cylindrical batteries		
— Alkaline	41,495	32,183
— Carbon	7,927	5,009
	49,422	37,192
(ii) Micro-button cells		
— Alkaline	16,464	23,125
— Other micro-button cells	27,106	10,978
	43,570	34,103
	92,992	71,295
<b>Rechargeable batteries and other battery-related products</b>		
(i) Rechargeable batteries	3,080	4,729
(ii) Other battery-related products	43	422
	3,123	5,151
	96,115	76,446

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

	2016 HK\$'000	2015 HK\$'000
Segment results	96,115	76,446
Unallocated other revenue	3,040	3,302
Unallocated other (losses)/gains — net	(3,467)	987
Unallocated corporate expenses	(59,166)	(67,504)
Finance costs	(3,729)	(5,880)
Profit before income tax	32,793	7,351

Segment revenue represents sales to external parties. There are no inter-segment transactions during the years ended 31 December 2016 and 2015. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**5. REVENUE AND SEGMENT INFORMATION** (continued)**Other segment information**

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

	2016 HK\$'000	2015 HK\$'000
<b>Depreciation and amortisation</b>		
Disposable batteries		
— Cylindrical batteries	8,542	8,648
— Micro-button cells	1,514	1,545
Segment total	10,056	10,193
Unallocated depreciation and amortisation	2,517	2,881
	<b>12,573</b>	<b>13,074</b>

**Revenue from major customers**

During the years ended 31 December 2016 and 2015, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:-

	2016 HK\$'000	2015 HK\$'000
Customer A	31,460	*

\* The corresponding revenue did not contribute over 10% of the Group's total revenue.

**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.

	2016 HK\$'000	2015 HK\$'000
The PRC	74,886	89,167
Hong Kong	75,931	71,492
Asia (except the PRC and Hong Kong)	28,859	25,967
Europe	41,550	37,175
Eastern Europe	3,722	9,474
North America	39,972	22,143
South America	16,318	17,160
Australia	19,346	33,969
Africa	655	3,050
Middle East	1,958	1,903
	<b>303,197</b>	<b>311,500</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**5. REVENUE AND SEGMENT INFORMATION** (continued)**Geographic information** (continued)

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

	2016 HK\$'000	2015 HK\$'000
The PRC	152,717	147,603
Hong Kong	57,060	20,641
Macau	12,265	13,062
	<b>222,042</b>	<b>181,306</b>

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

**6. OTHER REVENUE**

	2016 HK\$'000	2015 HK\$'000
Sales of scrap materials	1,850	2,121
Services fee income	49	20
Interest income	15	15
Rental income	749	—
Handling income	170	164
Sundry income	207	982
	<b>3,040</b>	<b>3,302</b>

**7. OTHER (LOSSES)/GAINS — NET**

	2016 HK\$'000	2015 HK\$'000
Net exchange (loss)/gain	(3,513)	1,388
Gain/(loss) on disposals of property, plant and equipment	46	(401)
	<b>(3,467)</b>	<b>987</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**8. PROFIT BEFORE INCOME TAX**

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

	2016 HK\$'000	2015 HK\$'000
(a) Finance costs:-		
Bank loans interest	3,147	5,566
Interest on import loans	730	698
Bank overdraft interest	3	4
Total interest expense	3,880	6,268
Less: interest expense capitalised into property, plant and equipment (Note)	(151)	(388)
	3,729	5,880
(b) Staff cost (excluding directors' emoluments) (Note 9):-		
Salaries, wages and other allowances	32,308	35,473
Contributions to defined contribution plans	3,562	4,673
	35,870	40,146
(c) Other items:-		
Amortisation of intangible assets	69	124
Amortisation of prepaid land lease payments	216	228
Auditors' remuneration	840	862
Cost of inventories recognised as expenses	207,082	235,054
Depreciation	12,288	12,722
Net exchange loss/(gain)	3,513	(1,388)
(Gain)/loss on disposals of property, plant and equipment:-		
— Proceeds from disposals of property, plant and equipment	(805)	(1,871)
— Carrying amount of property, plant and equipment	759	2,272
	(46)	401
Impairment loss on trade receivables	—	506
(Reversal of write-down)/write-down to net realisable value on inventories	(748)	498
Minimum lease payments paid under operating leases:-		
— Plant and machinery	592	638
— Buildings	3,212	3,981
Rental income less outgoings of HK\$151,000 (2015: Nil)	598	—

Note: The borrowing costs have been capitalised at a rate of 3.92% and 4.50% per annum for the years ended 31 December 2016 and 2015 respectively.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES**

Directors' emoluments disclosed pursuant to the Listing Rules, Section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:-

Name of directors	Year ended 31 December 2016				
	Fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contribution to defined contribution plans	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors:-</i>					
Mr. Chu	—	1,530	270	18	1,818
Ms. Chu Shuk Ching	—	1,530	270	18	1,818
Mr. Chu Ho Wa	—	465	73	18	556
Mr. Tang Chi Him	—	798	107	18	923
<i>Independent non-executive directors:-</i>					
Mr. Hui Kwok Wah	—	180	—	—	180
Mr. Chow Chun Hin, Leslie	—	120	—	—	120
Mr. Ma Sai Yam	—	120	—	—	120
	—	4,743	720	72	5,535

Name of directors	Year ended 31 December 2015				
	Fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contribution to defined contribution plans	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors:-</i>					
Mr. Chu	—	1,380	240	18	1,638
Ms. Chu Shuk Ching	—	1,380	240	18	1,638
Mr. Chu Ho Wa	—	405	70	18	493
Mr. Tang Chi Him	—	765	133	18	916
<i>Independent non-executive directors:-</i>					
Mr. Hui Kwok Wah	—	103	—	—	103
Mr. Chow Chun Hin, Leslie	—	69	—	—	69
Mr. Ma Sai Yam	—	68	—	—	68
	—	4,170	683	72	4,925

No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Among the five highest paid individuals of the Group, three and three of them are directors of the Company for the years ended 31 December 2016 and 2015 respectively. Details of their emoluments have already been disclosed above.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES***(continued)*

The emoluments of the remaining two individuals are as follows:-

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits in kind	1,251	1,171
Discretionary bonuses	369	185
Contributions to defined contribution plans	36	36
	<b>1,656</b>	<b>1,392</b>

The emoluments of two individuals with the highest emoluments are fall within the following bands:-

	2016	2015
HK\$Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	—

For the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

**10. INCOME TAX EXPENSE**

	2016 HK\$'000	2015 HK\$'000
Current tax — Hong Kong profits tax:- Provision for the year	1,176	1,984
Current tax — PRC enterprise income tax ("EIT"):- Provision for the year	4,938	1,230
	<b>6,114</b>	<b>3,214</b>
Deferred taxation (Note 11):- Current year	2,639	738
	<b>8,753</b>	<b>3,952</b>

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**10. INCOME TAX EXPENSE** (continued)

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	32,793	7,351
Tax on profit before income tax, calculated at the applicable tax rates	7,398	1,453
Tax effect of non-taxable income	(9)	(75)
Tax effect of non-deductible expenses	1,061	2,594
Tax effect of unrecognised tax losses	303	—
Tax concession	—	(20)
Income tax expense	8,753	3,952

**11. DEFERRED TAXATION**

An analysis of the deferred tax balances in the consolidated statement of financial position is as follows:-

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	5,654	7,149
Deferred tax liabilities	(3,452)	(1,868)
	2,202	5,281

The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the years ended 31 December 2016 and 2015:-

	Unutilised tax losses HK\$'000	Accelerated tax allowances HK\$'000	Impairment losses on inventories HK\$'000	Revaluation of investment properties HK\$'000	Other HK\$'000	Total HK\$'000
At 1 January 2015	3,640	(284)	180	—	2,619	6,155
(Charged)/credited to profit or loss for the year	(170)	(535)	37	—	(70)	(738)
Exchange adjustments	(44)	(41)	(11)	—	(40)	(136)
At 31 December 2015 and 1 January 2016	3,426	(860)	206	—	2,509	5,281
Charged to profit or loss for the year	(626)	(721)	(77)	—	(1,215)	(2,639)
Charged to other comprehensive income for the year	—	—	—	(240)	—	(240)
Exchange adjustments	(46)	(74)	(8)	—	(72)	(200)
At 31 December 2016	2,754	(1,655)	121	(240)	1,222	2,202

**Notes to the Consolidated Financial Statements (Continued)**

For the year ended 31 December 2016

**11. DEFERRED TAXATION** *(continued)*

The components of unrecognised deductible temporary differences in certain subsidiaries of the Company were as follows:-

- (a) The unutilised tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$1,836,000 (2015: HK\$Nil) can be carried forward indefinitely. Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.
- (b) According to the EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company. At 31 December 2016 and 2015, temporary differences relating to the undistributed profits of the Company's subsidiaries in the PRC were RMB33,425,000 and RMB23,636,000 respectively (equivalent to HK\$37,155,000 and HK\$27,895,000 respectively). The related deferred tax liabilities of HK\$1,858,000 and HK\$1,395,000 at 31 December 2016 and 2015 respectively have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

**12. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$24,040,000 (2015: HK\$3,399,000) and the weighted average of 160,000,000 (2015: 136,219,178) ordinary shares in issue during the year ended 31 December 2016.

The weighted average number of ordinary shares adopted in calculation of basic earnings per share for the year ended 31 December 2015 have been adjusted to reflect the impact of the Share Subdivision and Capitalisation Issue effected during the year ended 31 December 2015.

**Weighted average number of ordinary shares**

	2016	2015
Issued ordinary shares at 1 January	160,000,000	100
Effect of capitalisation of shares (Note 23(d))	—	103,999,900
Effect of issue of new shares for cash (Note 23(c))	—	32,219,178
Issued ordinary shares at 31 December	160,000,000	136,219,178

Diluted earnings per share has not been disclosed as no dilutive potential equity shares in existence for the years ended 31 December 2016 and 2015.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

## 13 .PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Moulds HK\$'000	Loose tools and instruments HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:-									
At 1 January 2015	66,387	271,291	24,768	4,734	2,520	10,230	8,228	6,588	394,746
Additions	—	2,703	16	—	—	1,510	1,699	8,727	14,655
Disposals	—	(4,762)	(258)	—	—	(1,039)	(765)	—	(6,824)
Transfer	—	5,231	—	—	—	—	—	(5,231)	—
Exchange adjustments	(1,609)	(4,621)	(223)	—	—	(137)	(256)	(499)	(7,345)
At 31 December 2015	64,778	269,842	24,303	4,734	2,520	10,564	8,906	9,585	395,232
Accumulated depreciation:-									
At 1 January 2015	21,197	160,124	18,151	4,734	2,517	8,885	3,439	—	219,047
Charge for the year	2,462	8,435	660	—	1	516	648	—	12,722
Written-back on disposals	—	(2,825)	(188)	—	—	(908)	(631)	—	(4,552)
Exchange adjustments	(453)	(1,718)	(153)	—	—	(120)	(49)	—	(2,493)
At 31 December 2015	23,206	164,016	18,470	4,734	2,518	8,373	3,407	—	224,724
Net book value:-									
At 31 December 2015	41,572	105,826	5,833	—	2	2,191	5,499	9,585	170,508
Cost:-									
At 1 January 2016	64,778	269,842	24,303	4,734	2,520	10,564	8,906	9,585	395,232
Additions	—	1,329	1,973	—	—	763	691	29,680	34,436
Disposals	—	(139)	(374)	—	—	(603)	(659)	—	(1,775)
Transfer	—	724	—	—	—	—	—	(724)	—
Transferred to investment properties	(6,392)	—	—	—	—	—	—	—	(6,392)
Exchange adjustments	(1,640)	(4,839)	(204)	—	—	(139)	(269)	(1,392)	(8,483)
At 31 December 2016	56,746	266,917	25,698	4,734	2,520	10,585	8,669	37,149	413,018
Accumulated depreciation:-									
At 1 January 2016	23,206	164,016	18,470	4,734	2,518	8,373	3,407	—	224,724
Charge for the year	2,294	7,775	670	—	1	648	900	—	12,288
Written-back on disposals	—	(39)	(315)	—	—	(543)	(119)	—	(1,016)
Transferred to investment properties	(4,403)	—	—	—	—	—	—	—	(4,403)
Exchange adjustments	(524)	(2,195)	(142)	—	—	(132)	(80)	—	(3,073)
At 31 December 2016	20,573	169,557	18,683	4,734	2,519	8,346	4,108	—	228,520
Net book value:-									
At 31 December 2016	36,173	97,360	7,015	—	1	2,239	4,561	37,149	184,498

**Notes to the Consolidated Financial Statements (Continued)**

For the year ended 31 December 2016

**13. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

The Group's leasehold land and buildings are held under medium-term leases and situated in:-

	2016 HK\$'000	2015 HK\$'000
Hong Kong	6,139	8,613
Macau	12,098	12,866
The PRC	17,936	20,093
	<b>36,173</b>	<b>41,572</b>

Certain Group's property, plant and equipment were pledged to banks to secure banking facilities granted to the Group (Note 22), with the following net book values:-

	2016 HK\$'000	2015 HK\$'000
Leasehold land and buildings in Hong Kong	5,856	8,465
Leasehold land and buildings in Macau	12,098	12,866
Buildings in the PRC	17,936	20,093
	<b>35,890</b>	<b>41,424</b>

**14. INVESTMENT PROPERTIES**

	2016 HK\$'000	2015 HK\$'000
At 1 January	—	—
Transferred from property, plant and equipment	29,500	—
At 31 December, at fair value	<b>29,500</b>	—

Notes:-

- (a) The Group's investment properties are held under medium-term leases and situated in Hong Kong.
- (b) The Group has pledged all of its investment properties to banks to secure banking facilities granted to the Group (Note 22).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**14. INVESTMENT PROPERTIES** (continued)

Notes:- (continued)

## (c) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

	Fair value at 31 December 2016 HK\$'000	Quoted market price Level 1 HK\$'000	Using observable inputs Level 2 HK\$'000	With significant unobservable inputs Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Investment properties	29,500	—	—	29,500

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:-

Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

The Group's investment properties were revalued by the managing director of Vigers, an independent professional surveyor, at 31 December 2016. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors with recent experiences in the location and category of properties being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

Based on the above qualifications and various experiences of Vigers and/or its members, the directors are of the view that Vigers is independent and competent to determine the fair value of the Group's investment properties.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**14. INVESTMENT PROPERTIES** (continued)

Notes:- (continued)

(c) Fair value hierarchy (continued)

**Reconciliation of fair value measurement in Level 3 of the fair value hierarchy**

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:-

	2016 HK\$'000	2015 HK\$'000
At 1 January	—	—
Transferred from property, plant and equipment	29,500	—
At 31 December	29,500	—

**Information about Level 3 fair value measurements**

	Valuation technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	-12.3% to 4.2%

The fair value of investment properties are determined using direct comparison approach by making reference to comparable recent sales price of properties on a price per square feet basis, adjusted for a premium or discount specific to the characteristic such as location, size, shape, view, floor level, year of completion while compared to the comparable properties. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

**15. INTANGIBLE ASSETS**

	2016 HK\$'000	2015 HK\$'000
<b>Trademarks</b>		
Cost:-		
At 1 January	817	683
Additions	48	134
At 31 December	865	817
Accumulated amortisation:-		
At 1 January	502	378
Amortisation for the year	69	124
At 31 December	571	502
Net book value:-		
At 31 December	294	315

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**16. PREPAID LAND LEASE PAYMENTS**

	2016 HK\$'000	2015 HK\$'000
Cost:-		
At 1 January	7,439	7,863
Exchange adjustments	(433)	(424)
At 31 December	7,006	7,439
Accumulated amortisation:-		
At 1 January	1,732	1,600
Amortisation for the year	216	228
Exchange adjustments	(111)	(96)
At 31 December	1,837	1,732
Net book value:-		
At 31 December	5,169	5,707
	2016 HK\$'000	2015 HK\$'000
In the PRC held under medium-term leases	5,169	5,707
Less: Current portion	(205)	(218)
Non-current portion	4,964	5,489

Prepaid land lease payments represent cost of land use rights in respect of leasehold lands in the PRC, on which the Group's buildings are situated. These leases will expire in 2042.

At 31 December 2016 and 2015, prepaid land lease payments with net book values of HK\$5,169,000 and HK\$5,707,000 respectively were pledged to banks to secure banking facilities granted to the Group (Note 22).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**17. INVENTORIES**

	2016 HK\$'000	2015 HK\$'000
Raw materials	18,483	17,674
Work in progress	19,228	14,557
Finished goods	10,914	17,775
	48,625	50,006
Less: Write-down to net realisable value	(419)	(1,193)
	48,206	48,813

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

	2016 HK\$'000	2015 HK\$'000
At 1 January	1,193	753
(Reversal of write-down)/write-down to net realisable value for the year	(748)	498
Exchange adjustments	(26)	(58)
At 31 December	419	1,193

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

The reversal of write-down to net realisable value made was mainly due to utilisation of obsolete raw materials and sale of substandard batteries arising from unexpected subsequent orders placed by customers during the year ended 31 December 2016.

**18. TRADE AND BILLS RECEIVABLES**

	2016 HK\$'000	2015 HK\$'000
Trade receivables	31,618	41,054
Less: Impairment loss	(477)	(506)
	31,141	40,548
Bills receivables	1,598	624
	32,739	41,172

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**18. TRADE AND BILLS RECEIVABLES** (continued)

Impairment loss in respect of trade receivables is recorded using provision for doubtful debts account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables.

Movements of impairment loss on trade receivables are as follows:-

	2016 HK\$'000	2015 HK\$'000
At 1 January	506	—
Impairment loss for the year	—	506
Exchange adjustments	(29)	—
At 31 December	477	506

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

	2016 HK\$'000	2015 HK\$'000
0–30 days	18,600	22,061
31–60 days	8,697	8,327
61–90 days	3,383	5,650
91–120 days	1,307	2,255
Over 120 days	752	2,879
	32,739	41,172

An ageing analysis of trade and bills receivables which are not considered to be impaired is as follows:-

	2016 HK\$'000	2015 HK\$'000
Not past due	23,842	29,302
Past due for less than 3 months	8,857	10,768
Past due for 3 to 6 months	—	394
Past due for 6 months to 1 year	35	646
Past due for over 1 year	5	62
	32,739	41,172

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

**Notes to the Consolidated Financial Statements (Continued)**

For the year ended 31 December 2016

**18. TRADE AND BILLS RECEIVABLES** *(continued)*

Trade receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

**19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	2016 HK\$'000	2015 HK\$'000
Utilities and other deposits	3,607	6,940
Prepayments	3,922	5,348
Other receivables	5,590	5,144
	<b>13,119</b>	17,432
Less: Non-current portion		
Deposits paid for property, plant and equipment	(2,786)	(4,994)
Current portion	<b>10,333</b>	12,438

**20. TRADE PAYABLES**

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

	2016 HK\$'000	2015 HK\$'000
0–30 days	19,043	17,953
31–90 days	31,021	31,901
91–180 days	13,638	21,594
Over 180 days	4,972	6,326
	<b>68,674</b>	77,774

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

## 21. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	Note	2016 HK\$'000	2015 HK\$'000
Loan from a former subsidiary	(a)	—	11,000
Receipts in advance		6,866	6,219
Other payables		4,578	1,920
Accruals		4,985	7,174
Provision for long service payments	(b)	334	334
Provision for annual leave		346	346
		<b>17,109</b>	<b>26,993</b>

Notes:-

**(a) Loan from a former subsidiary**

There was a loan of HK\$19,000,000 to Goldtium (Hong Kong) Company Limited, a former subsidiary of the Group, from a non-controlling shareholder of the Group's former subsidiary, Goldtium (Jiangmen) Battery Company Limited. The amount was interest-free and unsecured, of which HK\$3,000,000 was repaid during the year ended 31 December 2014, HK\$5,000,000 was repaid during the year ended 31 December 2015 and HK\$11,000,000 was repaid during the year ended 31 December 2016.

**(b) Provision for long service payments**

Movements of provision for long service payments are as follows:-

	2016 HK\$'000	2015 HK\$'000
At 1 January and 31 December	334	334

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

## 22. BANK BORROWINGS

Note	2016 HK\$'000	2015 HK\$'000
Secured bank loans	76,895	67,854
Secured bank import loans and other loans	10,381	27,826
	<b>87,276</b>	95,680
Less: Amount classified as current liabilities	<b>(38,993)</b>	(59,140)
Amount classified as non-current liabilities	<b>48,283</b>	36,540
The bank loans are repayable as follows:-		
Within 1 year		
— short-term loans	22,163	47,508
— current portion of long-term loans	16,830	11,632
	<b>38,993</b>	59,140
Over 1 year but within 2 years	20,224	11,886
Over 2 years but within 5 years	25,799	21,312
Over 5 years	2,260	3,342
	<b>87,276</b>	95,680

Notes:-

(a) The Group had the following banking facilities:-

	2016 HK\$'000	2015 HK\$'000
Total banking facilities granted	168,795	184,333
Less: banking facilities utilised by the Group	<b>(87,276)</b>	(95,680)
Unutilised banking facilities	<b>81,519</b>	88,653

At 31 December 2016, these banking facilities are secured by:-

- (i) bank loans of HK\$65,112,000 were guaranteed by unlimited corporate guarantee executed by the Company; and
- (ii) prepaid land lease payments, leasehold buildings and investment properties situated in Hong Kong, the PRC and Macau owned by the Group (Notes 13, 14 and 16).

At 31 December 2015, these banking facilities are secured by:-

- (i) unlimited corporate guarantee executed by the Company; and
- (ii) prepaid land lease payments and leasehold buildings situated in Hong Kong, the PRC and Macau owned by the Group (Notes 13 and 16).

(b) The banking facilities granted to the Group requires the Group to meet the following financial covenant: to maintain net tangible assets of not less than HK\$15,000,000. If the Group was to breach the above covenant, the banks were contractually entitled to request early repayment of outstanding amount and/or the relevant banks enforced the relevant securities. The Group regularly monitors the compliance with the financial covenant.

In the opinion of the directors, none of the financial covenant had been breached at 31 December 2016.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**23. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

Details of the share capital of the Company are set out below:-

**Share capital**

		Number of shares	2016 HK\$'000	2015 HK\$'000	
Authorised:-					
Ordinary shares of HK\$0.01 each					
At 1 January (Note 23(a))		2,000,000,000	20,000	390	
Increase in authorised capital (Note 23(b))		—	—	19,610	
At 31 December		2,000,000,000	20,000	20,000	
Issued and fully paid:-					
160,000,000 ordinary shares of HK\$0.01 each					
			1,600	1,600	
	Note	Number of shares in issue	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2015	(a)	100	—	—	—
Issue of shares	(c)	56,000,000	560	75,040	75,600
Share issuing expenses		—	—	(14,175)	(14,175)
Capitalisation Issue	(d)	103,999,900	1,040	(1,040)	—
At 31 December 2015 and 31 December 2016		160,000,000	1,600	59,825	61,425

Notes:-

- (a) Pursuant to a written resolution of the shareholders passed on 15 May 2015, a share subdivision ("**Share Subdivision**") whereby each of the issued and unissued ordinary share with a par value of HK\$1 each in the share capital of the Company be subdivided into 100 ordinary shares with a par value of HK\$0.01 each ("**Subdivided Share(s)**"), such that the authorised share capital of the Company becomes HK\$390,000 divided into 39,000,000 Subdivided Shares of par value of HK\$0.01 each. The Subdivided Shares rank pari passu in all respects with each other in accordance with the Memorandum and Articles of Association of the Company.
- (b) Pursuant to a written resolution of the shareholders passed on 15 May 2015, the authorised share capital of the Company was increased from HK\$390,000 to HK\$20,000,000 by the creation of an additional of 1,961,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 23. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY *(continued)*

#### Share capital *(continued)*

Notes:- *(continued)*

- (c) On 4 June 2015, 56,000,000 new ordinary shares of HK\$0.01 each ("**Placing Share(s)**") were allotted and issued by way of placing offer at an issue price of HK\$1.35 per Placing Share for a total cash consideration, before expenses, of HK\$75,600,000. A premium of HK\$1.34 per Placing Share for cash, the excess of the issue price over the par value of the shares issued upon the placing and public offer, totaling HK\$75,040,000 was credited to the share premium account of the Company.
- (d) Immediately after the placing offer, 103,999,900 new ordinary shares were allotted and issued, credit as fully paid, at par, to the shareholders in proportion to their respective shareholdings on the register of members of the Company as at the close of business on 4 June 2015 by way of the capitalisation of the share premium available (the "**Capitalisation Issue**").

#### Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the years ended 31 December 2016 and 2015.

The capital structure of the Group consists of net debts (which include bank borrowings and net of cash and cash equivalents) and equity attributable to owners of the Company, comprising paid-in capital and retained profits.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**24. RESERVES****(a) The Group**

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

**(b) The Company**

	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015	—	—	(5,865)	(5,865)
Loss and total comprehensive loss for the year	—	—	(15,346)	(15,346)
Issue of shares (Note 23(c))	75,040	—	—	75,040
Capitalisation Issue (Note 23(d))	(1,040)	—	—	(1,040)
Capital injection (Note 24(c)(iii)(c))	—	20,000	—	20,000
Share issuing expenses	(14,175)	—	—	(14,175)
At 31 December 2015 and 1 January 2016	59,825	20,000	(21,211)	58,614
Profit and total comprehensive income for the year	—	—	875	875
At 31 December 2016	59,825	20,000	(20,336)	59,489

**(c) Nature and purpose of reserves***(i) Statutory reserve*

Pursuant to the Company Law of the PRC and the Articles of Association of the PRC subsidiaries, it is required to appropriate 10% of each year's net profit according to the PRC accounting standard and regulations (after offsetting previous years' losses) to statutory surplus reserve until such reserve reached 50% of its registered capital; after the appropriation to statutory surplus reserve, the subsidiary in the PRC can appropriate profit, subject to respective owners' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiaries. The statutory surplus reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of its registered capital.

*(ii) Exchange reserve*

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 24. RESERVES (continued)

#### (c) Nature and purpose of reserves (continued)

##### (iii) Capital reserve

The capital reserve of the Group represents the following:-

- (a) On 4 January 2013, Best Kind Holdings Limited ("**Best Kind**") acquired all the non-voting deferred shares of Golden Power Industries Limited ("**Golden Power Industries**") at a cash consideration of HK\$1,800,000, resulting in opening balance of HK\$1,200,000 as at 1 January 2014.
- (b) During the year ended 31 December 2014, as a part of Reorganisation, the Group acquired equity interest in Big Power Limited ("**Big Power**"), Golden Pilot Limited ("**Golden Pilot**"), Pointway Corporation Limited ("**Pointway**"), Ample Top Enterprises Limited ("**Ample Top**") and Golden Power Properties Limited ("**Golden Power Properties**"), of which Mr. Chu was the controlling shareholder before the acquisitions. Upon the completion of the acquisitions, the aforesaid companies became wholly-owned subsidiaries of the Group. The difference of HK\$10,999,102 between the total cash consideration of HK\$18,768,102 and the total carrying amount of net assets of these aforesaid companies of approximately HK\$7,769,000 at respective acquisition dates, was dealt with in capital reserve of the Group.  
  
Partial settlement of HK\$8,731,000 was made in relation to the above Reorganisation. The balance of unpaid consideration of HK\$10,037,000 was capitalised pursuant to an agreement dated 5 December 2014.
- (c) Pursuant to an agreement dated 5 December 2014, Mr. Chu injected HK\$20,000,000 into the Company on 18 May 2015 and this amount was capitalised by crediting the capital reserve of the Company.
- (iv) At 31 December 2016, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$39,489,000 (2015: HK\$38,614,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**25. COMMITMENTS****Operating lease commitments**

The Group as lessee:-

At 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating lease, which falls due as follows:-

	2016 HK\$'000	2015 HK\$'000
Within one year		
— Plant and machinery	143	213
— Buildings	1,487	4,052
	<b>1,630</b>	<b>4,265</b>

Operating leases payments represent rentals payable by the Group for the factories and staff quarters. Lease is negotiated for a term of three to five years (2015: two to five years) with fixed monthly rentals.

The Group as lessor:-

At 31 December 2016, the Group's future minimum lease payments in respect of buildings under non-cancellable operating lease are receivable as follows:-

	2016 HK\$'000	2015 HK\$'000
Within one year	1,560	—
In the second to fifth years	746	—
	<b>2,306</b>	<b>—</b>

Operating lease payments represent rental receivable by the Group for the premises. Lease is negotiated for a term of two years with fixed monthly rental and did not include contingent rentals.

**Capital commitments**

At 31 December 2016, the Group had outstanding capital commitments as follows:-

	2016 HK\$'000	2015 HK\$'000
Plant and machinery:-		
Contracted but not provided for	10,875	1,392

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**26. RELATED PARTY AND CONNECTED TRANSACTIONS****(a) Related party and connected transactions**

The Group had the following material transactions and balances with related parties as defined in HKAS 24 and/or connected person as defined in GEM Listing Rules during the years ended 31 December 2016 and 2015:-

Relationship	2016 HK\$'000	2015 HK\$'000
<b>Related parties transactions as defined in HKAS 24</b>		
<b>Rental expenses paid to:-</b>		
China Scene Limited ("China Scene")*	175	167
<b>Non-exempt continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules</b>		
<b>Sales to:-</b>		
Guangzhou Nan Hua Jin Li Electronics Limited ("Nan Hua Jin Li")	17,490	22,488
<b>Sales to:-</b>		
Suenglh Corporation Limited ("Suenglh")	—	3,204

\* Exempt continuing transactions as defined in Chapter 20 of the GEM Listing Rules.

- (i) Mr. Chu, an executive Director and Controlling Shareholder of the Company, has controlling interest.
- (ii) Nan Hua Jin Li is legally and beneficially owned as to 71% by Mr. Zhu Chengxian, who is a nephew of Mr. Chu, a connected person of the Company.
- (iii) Suenglh is legally and beneficially owned as to 100% by Mr. Zhu Chengxian, who is a nephew of Mr. Chu, a connected person of the Company.

Details of the transactions with Mr. Chu in relation to the capital injection are set out in Note 24(c)(iii)(c).

**(b) Commitments with related parties**

The Group entered into operating lease arrangements as lessee with China Scene, a company controlled by Mr. Chu for a lease term of 3 years, subject to one-month termination notice commencing from the third year. The total amount of rental expenses for the years ended 31 December 2016 and 2015 is disclosed in Note 26(a).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**26. RELATED PARTY TRANSACTIONS** (continued)**(c) Outstanding balances with related parties**

The Group had no outstanding balances with related parties at 31 December 2016 and 2015.

**(d) Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the directors and certain of the highest paid employees as disclosed in Note 9, is as follows:-

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits in kind	6,513	5,956
Discretionary bonuses	1,266	956
Contributions to defined contribution plans	144	140
	<b>7,923</b>	<b>7,052</b>

**27. RETIREMENT BENEFIT COSTS**

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes (the "Social Insurance Scheme") operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the Social Insurance Scheme.

At the end of each reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The following table summarises the contribution paid or payable by the Group for the above retirement schemes:-

	2016 HK\$'000	2015 HK\$'000
MPF Scheme	561	568
Social Insurance Scheme	3,073	4,177
	<b>3,634</b>	<b>4,745</b>

**Notes to the Consolidated Financial Statements (Continued)***For the year ended 31 December 2016***28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS**

The Group's activities expose it to a variety of financial risks: including credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**Credit risk**

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables and cash and bank balances. With respect to trade and bills receivables, the Group has adopted credit policies, which include the analysis of the financial position of its customers and a regular review of their credit limits. The Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's cash and bank balances are held by major financial institutions located in Hong Kong and the PRC, which the management believes are of high credit quality. Accordingly, the overall credit risk is considered limited.

Carrying amounts of financial assets at 31 December 2016 and 2015, which represented the amounts of maximum exposure to credit risk, were as follows:-

	2016 HK\$'000	2015 HK\$'000
Trade and bills receivables	32,739	41,172
Deposits and other receivables	6,411	7,090
Cash and bank balances	21,797	24,918
	<b>60,947</b>	<b>73,180</b>

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2016 and 2015, 5% and 11% of the total trade and bills receivables were due from the Group's largest customer; 32% and 19% of the total trade and bills receivables were due from the Group's five largest customers respectively.

The cash and bank balances of the Group denominated in Renminbi amounted to HK\$7,184,000 and HK\$3,485,000 at 31 December 2016 and 2015 respectively. Renminbi is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS** (continued)**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	At 31 December 2016				
	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Less than 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
Total amounts of contractual undiscounted obligations:-					
Trade payables	68,674	68,674	68,674	—	—
Other payables and accruals	9,563	9,563	9,563	—	—
Bank borrowings	87,276	93,032	41,706	48,989	2,337
	<b>165,513</b>	<b>171,269</b>	<b>119,943</b>	<b>48,989</b>	<b>2,337</b>
	At 31 December 2015				
	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Less than 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
Total amounts of contractual undiscounted obligations:-					
Trade payables	77,774	77,774	77,774	—	—
Other payables and accruals	20,094	20,094	20,094	—	—
Bank borrowings	95,680	100,723	61,595	35,618	3,510
	<b>193,548</b>	<b>198,591</b>	<b>159,463</b>	<b>35,618</b>	<b>3,510</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS** (continued)**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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.

Carrying amounts of financial assets and financial liabilities of the Group at 31 December 2016 and 2015 exposed to currency risk were as follows:-

	2016 HK\$'000	2015 HK\$'000
Financial assets denominated in foreign currencies:-		
Trade and bills receivables	13,969	22,866
Other receivables	293	24
Cash and bank balances	10,997	12,792
	<b>25,259</b>	<b>35,682</b>
Financial liabilities denominated in foreign currencies:-		
Trade payables	(5,069)	(8,920)
Other payables	(3,919)	—
Bank import loans	—	(14,882)
	<b>(8,988)</b>	<b>(23,802)</b>
Net financial assets exposed to currency risk	<b>16,271</b>	<b>11,880</b>

The net financial assets/(liabilities) of the Group denominated in a currency other than the functional currency of the entity to which they relate are analysed as follows:-

*Entities with functional currency in Hong Kong dollars*

	2016 HK\$'000	2015 HK\$'000
United States dollars	16,691	5,804
Japanese Yen	53	21
Euro	22	(112)
Renminbi	(3)	1
Other currencies	71	71
	<b>16,834</b>	<b>5,785</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS** (continued)**Currency risk** (continued)

Entities with functional currency in Renminbi

	2016 HK\$'000	2015 HK\$'000
United States dollars	947	8,593
Japanese Yen	(1,532)	(2,519)
Hong Kong dollars	17	16
Other currencies	5	5
	<b>(563)</b>	<b>6,095</b>

For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each reporting period.

The Group's entities in Hong Kong and the PRC adopt Hong Kong dollars and Renminbi as their functional currency respectively. Since Hong Kong dollars is pegged to United States dollars, material fluctuation in the exchange rate of Hong Kong dollars against United States dollars is remote, and therefore no sensitivity analysis has been prepared. For the currency risk from Hong Kong dollars against Japanese Yen, Euro and other currencies, and Renminbi against Hong Kong dollars, no sensitivity analysis has been prepared as the exposure is insignificant to the Group.

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in United States dollars against Renminbi and Renminbi against Japanese Yen to which the Group has significant exposure:-

	Year ended 31 December 2016		Year ended 31 December 2015	
	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK\$'000	Appreciation/ (depreciation) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK\$'000
United States dollars/Renminbi	7% (7%)	66 (66)	7% (7%)	602 (602)
Japanese Yen/ Renminbi	10% (10%)	(153) 153	10% (10%)	(252) 252

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of each reporting period for presentation purposes.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS** (continued)**Currency risk** (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of each reporting period which are denominated in a currency other than the functional currencies of the lender or the borrower.

**Interest rate risk**

The Group's interest rate risk arises primarily from bank balances and interest-bearing bank borrowings. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of the Group's interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their weighted average effective interest rates and balances at 31 December 2016 and 2015:-

	Effective interest rate %	2016 HK\$'000
Variable rate financial assets		
Bank balances	0.00%–0.35%	9,050
Variable rate financial liabilities		
Secured bank loans	3.00%–5.00%	(76,895)
Secured bank import loans and other loans	5.00%–5.44%	(10,381)
		(78,226)
	Effective interest rate %	2015 HK\$'000
Variable rate financial assets		
Bank balances	0.00%–0.35%	9,337
Variable rate financial liabilities		
Secured bank loans	3.25%–6.44%	(67,854)
Secured bank import loans and other loans	3.01%–5.75%	(27,826)
		(86,343)

At 31 December 2016, all bank balances earning variable interests and all secured bank borrowings bearing variable interests were exposed to interest rate risk.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**28. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS** (continued)**Interest rate risk** (continued)

The following table summarises the effect on the consolidated financial statements if interest rates had been increased by 25 basis points with all other variables held constant:-

	2016 HK\$'000	2015 HK\$'000
Decrease in net profit and retained profits for the year	(160)	(176)

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The change in interest rates represents management's assessment of a reasonably possible change in interest rates at that date over the period until the end of next reporting period.

**Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

The Group has no significant exposure to market price risk.

**Commodity price risk**

The major raw materials used in the production of the Group's products include steel, zinc electrolytic manganese dioxide, copper, separator and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by the global market as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

**Fair value estimation**

The fair value measurement is categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:-

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group did not have any financial instruments measured at fair value on a recurring basis at the end of each reporting period.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2016 and 2015.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	Note	2016 HK\$000	2015 HK\$000
<b>NON-CURRENT ASSET</b>			
Investments in subsidiaries	30	—	—
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		408	125
Amounts due from subsidiaries		67,373	67,384
Cash at bank		165	98
		<b>67,946</b>	<b>67,607</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		912	1,448
Amounts due to subsidiaries		5,945	5,945
		<b>6,857</b>	<b>7,393</b>
<b>NET CURRENT ASSETS</b>		<b>61,089</b>	<b>60,214</b>
<b>NET ASSETS</b>		<b>61,089</b>	<b>60,214</b>
<b>REPRESENTING:-</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	23	1,600	1,600
Reserves	24	59,489	58,614
<b>TOTAL EQUITY</b>		<b>61,089</b>	<b>60,214</b>

**30. INVESTMENTS IN SUBSIDIARIES**

	2016 HK\$	2015 HK\$
Unlisted shares, at cost	8	8

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

**30. INVESTMENTS IN SUBSIDIARIES** (continued)**Details of subsidiaries comprising the Group**

The Company had direct or indirect interests in the subsidiaries all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:-

Name of company*	Place of incorporation/ establishment and operation	Legal form of entity	Issued and fully paid share capital/ registered capital	Effective interest held At 31 December		Principal activities
				2016	2015	
Best Kind	BVI	Limited liability company	USD1	100%	100%	Investment holding
Golden Power Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HK\$1,000,000	100%	100%	Trading of batteries and battery-related products
Golden Power Industries	Hong Kong	Limited liability company	Ordinary shares HK\$100	100%	100%	General trading and investment
			Deferred non-voting shares HK\$1,800,000 (Note)	100%	100%	
Dongguan Victory Battery Industries Company Limited ("東莞勝力電池實業有限公司")	PRC	Wholly-owned foreign enterprise	USD500,000	100%	100%	Manufacture and sale of batteries
Dongguan Golden Power Battery Industries Company Limited ("東莞金力電池實業有限公司")	PRC	Wholly-owned foreign enterprise	HK\$12,000,000	100%	100%	Manufacture and sale of batteries
Gain Smart Limited	BVI	Limited liability company	USD1	100%	100%	Investment holding
Champ Profit Development Limited	Hong Kong	Limited liability company	HK\$1	100%	100%	Investment holding
Giant Moral Limited	Hong Kong	Limited liability company	HK\$1	100%	100%	General trading and investment
Goldtium (Jiangmen) Energy Products Company Limited ("江門金剛電源製品有限公司")	PRC	Wholly-owned foreign enterprise	HK\$10,000,000	100%	100%	Manufacture and sale of batteries
Big Power	Hong Kong	Limited liability company	HK\$1	100%	100%	Property holding
Golden Pilot	BVI	Limited liability company	USD50,000	100%	100%	Holding intellectual property
Pointway	Hong Kong	Limited liability company	HK\$10,000	100%	100%	Holding intellectual property
Ample Top	BVI	Limited liability company	USD1	100%	100%	Investment holding
Golden Power Properties	Hong Kong	Limited liability company	Ordinary shares HK\$100	100%	100%	Property investment
			Deferred non-voting shares HK\$1,000,000 (Note)			
Merchant Port Limited	BVI	Limited liability company	USD1	100%	—	Dormant

\* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

### 30. INVESTMENT IN SUBSIDIARIES (continued)

#### Details of subsidiaries comprising the Group (continued)

Notes:-

According to the Articles of Association of Golden Power Industries and Golden Power Properties, the deferred non-voting shares shall confer on the holders thereof the rights and privileges and be subject to the restrictions and provisions set out as follows:-

- (i) on a return of assets on liquidation or otherwise the assets of Golden Power Industries and Golden Power Properties available for distribution to members shall be distributed first in or towards returning to the holders of the ordinary shares the sum of HK\$100,000,000 per share and second in or towards returning to the holders of the deferred non-voting shares the amount paid up thereon and the balance of any such assets shall belong to and shall be distributed amongst the holders of the ordinary shares in proportion to the amounts paid up thereon;
- (ii) the deferred non-voting shares shall not be entitled to participate in any profits which Golden Power Industries and Golden Power Properties may determine to distribute in respect of any financial period or otherwise; and
- (iii) the deferred non-voting shares shall not confer upon the holders thereof any right to attend or vote at any general meeting of Golden Power Industries and Golden Power Properties.

### 31. MAJOR NON-CASH TRANSACTION

Immediately after the placing offer, 103,999,900 new ordinary shares of HK\$0.01 each were allotted and issued, credit as fully paid, at par, to the shareholders in proportion to their respective shareholdings on the register of members of the Company as at the close of business on 4 June 2015 by way of the capitalisation of the share premium available.

### 32. EVENT AFTER THE REPORTING PERIOD

The following significant event took place subsequent to the end of the reporting period:-

On 20 February 2017, the board of directors of the Company announced that the Company proposed to raise approximately HK\$32 million, before expenses, by issuing 80,000,000 Rights Shares by way of rights issue at the subscription price of HK\$0.4 per Rights Share, on the basis of one (1) Rights Share for every two (2) existing Share held on the Record Date and payable in full on application.



# Financial Summary

The financial results of the Group for the financial years 2013 to 2016 and the assets and liabilities of the Group as at 31 December 2013, 2014, 2015 and 2016 are as follows:-

	Years ended 31 December			
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>Results</b>				
Revenue	366,499	384,752	311,500	303,197
Profit before income tax	9,755	16,820	7,351	32,793
Income tax expense	(3,167)	(5,127)	(3,952)	(8,753)
Profit for the year	6,588	11,693	3,399	24,040

	Years ended 31 December			
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>Assets and liabilities</b>				
Total assets	364,047	352,509	317,726	342,098
Total liabilities	(317,569)	(317,492)	(202,601)	(179,672)
Total equity	46,478	35,017	115,125	162,426

## Group's Properties

### PROPERTIES HELD FOR INVESTMENT

<b>Location</b>	<b>Existing use</b>	<b>Term of lease</b>
Factory B, 20/F, Block 1, Tai Ping Industrial Centre, No. 57 Ting Kok Road, Tai Po, New Territories	Warehouse	Medium