TEN PAO GROUP HOLDINGS LIMITED
天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2019 increased by 13.5% to HK$3,636.3 million.
- Gross profit for the year ended 31 December 2019 increased by 44.6% to HK$633.2 million. Gross profit margin increased by 3.7 percentage points to 17.4%.
- Profit before income tax for the year ended 31 December 2019 increased by 219.5% to HK$216.9 million.
- Profit attributable to owners of the Company for the year ended 31 December 2019 was HK$176.8 million, representing an increase of 219.0%.
- The Board recommended the payment of a final dividend of HK2.8 cents per ordinary share for the year ended 31 December 2019, which is subject to the approval of the Company's shareholders at the 2020 AGM.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth our consolidated statement of profit or loss for the years indicated:

		Year ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,636,291**	3,202,452
Cost of sales	*6*	**(3,003,095)**	(2,764,448)
Gross profit		**633,196**	438,004
Other income	*5*	**10,945**	15,656
Other (losses)/gains – net	*5*	**(4,912)**	1,940
Selling expenses	*6*	**(148,062)**	(140,459)
Administrative expenses	*6*	**(266,285)**	(228,367)
Net impairment losses on financial assets		**(305)**	(10,512)
Operating profit		**224,577**	76,262
Finance income		**615**	588
Finance expenses		**(8,272)**	(8,956)
Finance expenses – net		**(7,657)**	(8,368)
Profit before income tax		**216,920**	67,894
Income tax expense	*7*	**(40,461)**	(12,478)
Profit for the year		**176,459**	55,416
Profit for the year attributable to:			
Owners of the Company		**176,752**	55,416
Non-controlling interests		**(293)**	—
		176,459	55,416
Earnings per share			
– basic and diluted per share	*8*	**HK17.7 cents**	HK5.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statement of comprehensive income for the years indicated:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**176,459**	55,416
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(15,417)**	(35,022)
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**236**	—
Total comprehensive income for the year attributable to:		
Owners of the Company	**161,571**	20,394
Non-controlling interests	**(293)**	—
	161,278	20,394

CONSOLIDATED BALANCE SHEET

The following table sets forth our consolidated balance sheet as at the dates indicated:

		As at 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**4,763**	9,936
Property, plant and equipment		**495,038**	419,730
Right-of-use assets	*10*	**11,881**	—
Investment properties		**7,500**	6,400
Intangible assets		**10,600**	7,075
Deferred income tax assets		**22,517**	19,383
Derivative financial instruments		**—**	47
Financial assets at fair value through profit or loss		**3,043**	2,989
Financial assets at fair value through other comprehensive income	*15*	**17,017**	17,119
Prepayments for the purchase of property, plant and equipment		**27,721**	7,786
		600,080	490,465
Current assets			
Inventories		**574,382**	490,053
Trade and other receivables	*11*	**867,514**	668,505
Amounts due from related parties		**1,320**	1,096
Cash and cash equivalents		**158,031**	193,797
Restricted bank deposits		**13,058**	10,871
		1,614,305	1,364,322
Total assets		**2,214,385**	1,854,787
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*14*	**10,005**	10,005
Share premium	*14*	**125,788**	125,788
Other reserves		**37,280**	15,891
Retained earnings		**521,810**	431,651
Non-controlling interests		**(293)**	—
Total equity		**694,590**	583,335

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	**As at 31 December 2019** **HK$'000**	2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*13*	**41,580**	59,690
Lease liabilities			
— non-current	*10*	**5,775**	—
Derivative financial instruments			
— non-current		**153**	—
Deferred income tax liabilities		**59,726**	54,128
Deferred government grants		**27,225**	9,390
		134,459	123,208
Current liabilities			
Trade and other payables	*12*	**1,215,452**	971,788
Contract liabilities		**8,948**	4,181
Amounts due to related parties		**22,164**	12,802
Dividend payable		**12**	12
Income tax liabilities		**17,214**	11,554
Lease liabilities — current	*10*	**1,319**	—
Short-term bank borrowings	*13*	**63,091**	92,516
Current portion of non-current bank borrowings	*13*	**57,136**	55,391
		1,385,336	1,148,244
Total liabilities		**1,519,795**	1,271,452
Total equity and liabilities		**2,214,385**	1,854,787

NOTES:

1. GENERAL INFORMATION

Ten Pao Group Holdings Limited (天寶集團控股有限公司) (the "**Company**") was incorporated in the Cayman Islands on 27 January 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drives, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (collectively, the "**Group**") are principally engaged in the developing, manufacturing and sales of electric charging products in the People's Republic of China (the "**PRC**" or "**China**"). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) (the "**Controlling Shareholder**" or "**Chairman Hung**").

On 11 December 2015, shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for the followings: certain financial assets and liabilities (including derivative instruments at fair value through profit or loss and equity investments at fair value through other comprehensive income) and investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year beginning 1 January 2019.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting these new or amended standards. The Group's assessment of the impact of these new or amended standards is set out below.

HKFRS 16 Leases

The Group has adopted HKFRS 16 on 1 January 2019, which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under HKFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Hong Kong Accounting Standard ("**HKAS**") 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**7,081**
Discounted using the lessee's incremental borrowing rate as at the date of initial application	**6,777**
(Less): short-term leases recognised on a straight-line basis as expenses	**(6,777)**
Lease liability recognised as at 1 January 2019	**—**

Under the simplified transition approach, the right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights of prepaid operating lease payment for land which are held in the PRC are reclassified to right-of-use assets as of 31 December 2019 and 1 January 2019, respectively.

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Land use rights — decreased by HK$5,047,000
- Right-of-use assets — increased by HK$5,047,000

(i) Adjustments recognised on adoption of HKFRS 16

Impact on segment disclosures and earnings per share

Profit before income tax, total assets and total liabilities for December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in total liabilities. The following segment information were affected by the change in policy:

	2019
	HK$'000
Profit before income tax	**33**
Total assets	**7,100**
Total liabilities	**7,094**

Earnings per share increased by HK0.004 cent per share for the year ended 31 December 2019 as a result of the adoption of HKFRS 16.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- reliance on previous assessments on whether leases are onerous

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 12 to 72 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance expense. The finance expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease, and incentives received

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(iii) The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) New and amended standards not yet adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018		1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far the Group has identified no aspects of the new and revised standards and interpretations that are expected to have significant financial impact on the Group's performance and position.

4. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on the internal reports that are used to make strategic decisions. The executive directors considered the nature of the Group's business and determined that the Group's electric charging products can be categorised into six reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electrical home appliances, (iv) lighting, (v) smart chargers and controllers and (vi) others.

The segment information for the reportable segments is set out as below:

	Telecommunication *HK$'000*	**Media and entertainment** *HK$'000*	**Electrical home appliances** *HK$'000*	**Lighting** *HK$'000*	**Smart chargers and controllers** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
31 December 2019							
Revenue							
Revenue from external customers							
— At a point in time	**1,141,308**	**305,843**	**262,822**	**460,062**	**1,358,636**	**107,620**	**3,636,291**
Segment results	**145,748**	**64,274**	**40,561**	**95,057**	**262,128**	**25,428**	**633,196**
Other income							**10,945**
Other losses – net							**(4,912)**
Selling expenses							**(148,062)**
Administrative expenses							**(266,285)**
Finance expenses – net							**(7,657)**
Net impairment losses on financial assets							**(305)**
Profit before income tax							**216,920**

	Telecommunication *HK$'000*	Media and entertainment *HK$'000*	Electrical home appliances *HK$'000*	Lighting *HK$'000*	Smart chargers and controllers *HK$'000*	Others *HK$'000*	Total *HK$'000*
31 December 2018							
Revenue							
Revenue from external customers							
— At a point in time	1,146,393	371,569	255,329	315,611	1,058,193	55,357	3,202,452
Segment results	98,435	69,485	38,355	51,153	170,098	10,478	438,004
Other income							15,656
Other gains – net							1,940
Selling expenses							(140,459)
Administrative expenses							(228,367)
Finance expenses – net							(8,368)
Net impairment losses on financial assets							(10,512)
Profit before income tax							67,894

5. OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

(a) Other income

	2019	2018
	HK$'000	*HK$'000*
Sales of scrap materials	**3,009**	5,687
Sales of raw materials, samples and moulds	**1,840**	2,481
Others	**6,096**	7,488
	10,945	15,656

(b) Other (losses)/gains – net

	2019	2018
	HK$'000	*HK$'000*
Fair value changes on derivative financial instruments	**(200)**	40
Fair value changes on financial assets at fair value through profit or loss	**54**	88
Fair value changes on investment properties	**1,100**	700
Net foreign exchange loss	**(11,559)**	(3,518)
Government grants	**9,887**	6,966
Loss on disposal of property, plant and equipment	**(259)**	(216)
Others	**(3,935)**	(2,120)
	(4,912)	1,940

6. EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work in progress	**(81,396)**	(48,107)
Raw materials and consumables used	**2,583,507**	2,296,703
Employee benefit expenses	**499,374**	505,686
Research and development expenses		
— Employee benefit expenses	**93,221**	76,822
— Raw materials, consumables used and others	**29,842**	25,218
— Depreciation and amortisation	**7,861**	12,373
Depreciation, amortisation and impairment charges	**77,120**	68,021
Transportation and travelling expenses	**32,882**	29,930
Water and electricity expense	**31,269**	30,973
Commission expenses	**23,623**	20,832
Maintenance expenses	**23,130**	21,995
Operating lease payments	**16,086**	14,197
Consultancy fee	**12,881**	11,470
Business tax and surcharge	**11,243**	9,093
Allowance for impairment of inventory	**9,107**	4,918
Commercial insurance	**7,634**	7,724
Certificate and detection fees	**7,392**	9,037
Auditors' remuneration		
— Audit services	**3,966**	4,005
— Non-audit services	**1,446**	2,571
Entertainment expenses	**5,058**	7,580
Other taxes and levies	**4,505**	3,654
Communication expenses	**3,154**	2,934
Bank charges	**2,902**	3,622
Advertising expenses	**2,878**	3,234
Other expenses	**8,757**	8,789
Total cost of sales, selling expenses and administrative expenses	**3,417,442**	3,133,274

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
− PRC corporate income tax ("**CIT**")	**26,474**	2,303
− Hong Kong profits tax	**10,689**	7,553
Subtotal	**37,163**	9,856
Deferred income tax	**3,298**	2,622
	40,461	12,478

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC CIT

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the "**CIT Law**"), the CIT rate for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Ten Pao Electronic (Huizhou) Co., Ltd. was recognised as "New and High Technology Enterprises" and enjoys a preferential CIT rate of 15%. Its CIT rate for the year ended 31 December 2019 was 15% (2018: 15%).

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

(e) British Virgin Islands ("BVI") and Samoa income tax

No provision for income tax in BVI and Samoa has been made as the Group has no income assessable to income tax in BVI and Samoa during the year (2018: Nil).

(f) Hungary corporate income tax

No provision for corporate income tax in Hungary has been made as the Group has no income assessable to corporate income tax in Hungary during the year (2018: Nil).

(g) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the main statutory tax rate applicable to profit of the Group as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**216,920**	67,894
Tax calculated at applicable corporate income tax rate of 25%	**54,230**	16,974
Effect of differences in tax rates	**(4,507)**	(2,601)
Preferential tax treatment of CIT	**(10,327)**	(5,241)
Withholding tax	**6,876**	3,124
Tax losses and deductible temporary difference for which no deferred income tax asset was recognised	**2,876**	6,085
Utilisation of tax losses previously not recognised	**(1,374)**	(30)
Expenses not deductible for taxation purposes	**4,744**	4,919
Accelerated research and development deductible expenses	**(11,805)**	(10,457)
Income not subject to tax	**(252)**	(295)
	40,461	12,478

The effective corporate income tax rate was 19% for the year (2018: 18%). The increase in the effective corporate income tax rate of 2019 compared to 2018 was primarily due to the increase in the profits of its subsidiaries in the PRC.

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

	2019	2018
Profit attributable to owners of the Company (HK$'000)	**176,752**	55,416
Weighted average number of shares issued (thousands)	**1,000,456**	1,000,456
Basic earnings per share (HK cents)	**17.7**	5.5

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceed are share issues for no consideration which causes dilution to earnings per share. Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares at the year ended 31 December 2019. (For the year ended 31 December 2018, the outstanding share options did not have any material dilutive impact. Therefore, the diluted earnings per share of the Company approximated the basic earnings per share).

9. DIVIDENDS

	2019 ***HK$'000***	2018 *HK$'000*
Interim dividend paid per ordinary share: HK2.5 cents (2018: Nil)	**25,011**	—
Proposed final dividend per ordinary share: HK2.8 cents (2018: HK1.5 cents)	**28,013**	15,007
Proposed special final dividend per ordinary share: Nil (2018: HK1.0 cent)	**—**	10,005
	53,024	25,012

The dividends paid in 2019 and 2018 were HK$50,023,000 and HK$25,011,000 respectively.

A final dividend of HK2.8 cents per ordinary share, amounting to HK$28,013,000 in respect of the year ended 31 December 2019 is to be proposed at the annual general meeting of the Company to be held on 29 May 2020.

10. LEASE

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Right-of-use assets		
Land use rights	**4,781**	—
Buildings	**7,100**	—
	11,881	—
Lease liabilities		
Current	**1,319**	—
Non-current	**5,775**	—
	7,094	—

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2019, the remaining lease periods of the Group's land use rights ranged from 17 to 33 years (2018: 18 to 34). Amortisation was included in administrative expenses.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019 *HK$'000*	2018 *HK$'000*
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**163**	—
Buildings	**875**	—
	1,038	—
Interest expense	**67**	—
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**16,086**	—

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**838,549**	635,572
Less: allowance for impairment	**(15,186)**	(15,207)
Trade receivables, net	**823,363**	620,365
Bills receivable	**4,064**	132
Prepayments	**13,976**	17,588
Deposits	**10,933**	14,739
Advances to employees	**922**	301
Value added tax allowance	**—**	9,155
Others	**14,256**	6,225
	867,514	668,505

(a) The carrying amounts of the trade receivables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
USD	**366,580**	318,431
RMB	**381,033**	218,087
HK$	**90,934**	97,672
Others	**2**	1,382
	838,549	635,572

(b) The credit period granted to customers is generally between 30 and 90 days based on invoices date. The ageing analysis of the trade receivables from the date of sales is as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 3 months	**778,366**	583,367
More than 3 months but not exceeding 1 year	**46,981**	39,896
More than 1 year	**13,202**	12,309
	838,549	635,572

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,011,732**	792,672
Notes payable	**7,391**	1,248
Wages and staff welfare benefits payable	**155,380**	128,085
Accrual for expenses and other payables	**40,949**	36,657
Other taxes payable	**—**	13,126
	1,215,452	971,788

(a) The ageing analysis of trade payables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 3 months	**760,195**	572,064
More than 3 months but not exceeding 1 year	**251,537**	220,605
More than 1 year	**—**	3
	1,011,732	792,672

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2019 and 2018.

13. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
− secured (a)	**98,716**	115,081
Less: current portion of non-current borrowings	**(57,136)**	(55,391)
	41,580	59,690
Current		
Bank borrowings		
− secured (a)	**63,091**	79,933
− unsecured	**—**	12,583
Total short-term bank borrowings	**63,091**	92,516
Current portion of non-current borrowings	**57,136**	55,391
	120,227	147,907
Total borrowings	**161,807**	207,597

(a) As at 31 December 2019, bank borrowings amounting to HK$161.8 million (2018: HK$195.0 million) are secured over the following assets:

	2019	2018
	HK$'000	*HK$'000*
Restricted bank deposits	**13,058**	10,871
Financial assets at fair value through profit or loss	**3,043**	2,989
Investment properties	**7,500**	6,400
Trade and other receivables	**305,302**	192,829
	328,903	213,089

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	**Share capital**	**Share premium**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	1,000,456,000	10,005	125,788	135,793
At 31 December 2018 and 31 December 2019	1,000,456,000	10,005	125,788	135,793

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income comprise the following individual investments:

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Unlisted securities		
GCteq Wireless	**5,741**	5,706
EOLOCK Co.	**11,276**	11,413
	17,017	17,119

Movement of financial assets at fair value through other comprehensive income is analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**17,119**	—
Additions	**—**	17,119
Fair value change	**236**	—
Currency translation differences	**(338)**	—
At 31 December	**17,017**	17,119

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the audited consolidated results of the Group for the year ended 31 December 2019.

In 2019, the global economy experienced multiple challenges. Uncertainties resulting from trade friction and geopolitical tensions presented formidable obstacles to economic development around the world. Despite the impact posed by these external factors on the industry, Ten Pao, as a pioneer among one-stop smart power supply solutions providers in the PRC on the 40th anniversary of its business, was able to muster the concerted efforts of all staff under the wise leadership of its management to bring in a steady increase in customer orders and enhancement in production efficiencies. In addition, the opportune decline in raw material costs in the first half of the year and continued stable prices in the second half of the year contributed to steady growth of the Group's business. Total revenue increased by 13.5% to HK$3,636.3 million. The segment of smart chargers and controllers for power tools continued to maintain dynamic development momentum, with revenue reaching HK$1,358.6 million, representing an increase of 28.4%, while revenue of switching power supply units for consumer products rose by 6.2% to HK$2,277.7 million.

Reviewing the past year, the Group has proactively kept abreast with the development of the industry and thereby has gained a larger market share. The roll-out of 5G networks will be very favourable to smartphone manufacturers, according to the first 5G forecast report[1] published by International Data Corporation (IDC), a market research institute. To prepare for this opportunity, the Group has further deepened cooperation with its existing leading smartphone manufacturer customers in the PRC. Apart from advancing cooperation on new 5G-related products, promotion of existing products will extend to emerging markets. With the gradual realisation of 5G's potential, the future development of the mobile phone market will spur greater demand for chargers with upgraded configuration. The Group is prudently optimistic about the flourishing of the mobile phone market in the coming years, and will continue to deepen its penetration of this sector.

[1] https://www.idc.com/getdoc.jsp?containerId=IDC_P35328

As for production capacity, the Group has optimally leveraged the advantages afforded by the "Belt and Road" policy initiative to map out its global strategy. In Hungary, phase three expansion of the Group's factory was successfully launched in the second half of 2019; in Dazhou City, Sichuan Province, the new production base began operations in September; and the Group's production base in Vietnam also went into operation in the second half of 2019. These new factories could effectively serve to mitigate the pressure on operations brought about by rising labour costs and labour shortage. Besides, the Group could take advantage of the unique geographical location of its production facility in Dazhou City, Sichuan Province to link up with its factory in Hungary through a railway connection, thus providing powerful and strong support to the Group to further prospect for new customers, and boost its effectiveness and efficiency while achieving sustainable profit growth.

Looking ahead to 2020, despite the constantly changing market situation, the Group is confident that it will be able to proactively respond to market conditions with flexible measures and prudent strategies to ensure steady business development. Ten Pao will further expand its business in Mainland China, strengthen cooperation with its existing customers and continue to develop new customer clusters. Concurrently, Ten Pao will optimise its domestic and overseas business footprint. It will actively evaluate the opportunities of setting up new factories in Asia outside the PRC, consolidate and optimise its existing factories in Huizhou and further improve the level of automation at all of its production bases. We strive to offer customers power supply solutions incorporating state-of-the-art technology through accelerating our R&D and innovation capability. Exciting directions of development here would include pushing forward the development of "green mobility" products, improving the effectiveness of ultra-fast charging technology for smartphones and enhancing the high-power electric supply-related product technology so as to cater to continuing changing market demand.

Last but not least, on behalf of the Board and the management, I would like to extend my sincere gratitude to all staff for their tireless diligence as well as their outstanding contributions to the Group's development during the year. I would also like to express my appreciation to all shareholders, investors, customers and partners for their unwavering support to the Group. With the management team's extensive operating experience and the Group's solid foundation built in the industry over the past four decades, Ten Pao will spare no effort to continue its dynamic advance. Ten Pao will continue to reinforce its leading position in the switching power supply unit industry and deliver satisfactory returns to shareholders.

BUSINESS REVIEW

Overview

Ten Pao is a leading one-stop smart power supply solutions provider in the PRC with a history of four decades in this industry. Capitalising on its outstanding R&D capabilities and one-stop production model, Ten Pao has grown into a major supplier for leading domestic as well as internationally-renowned brands. During 2019, the management has made unremitting efforts in various aspects of its business to counter headwinds in the macroeconomy, tensions in the international political environment, global trade conflicts and slowing market demand. The Group has continued its principal focus on developing electric power supply technologies, launching innovative products, actively expanding the customer base while effectively controlling costs, in turn delivering excellent operational results.

During the year, the management and all staff of Ten Pao have risen to the challenges and reinforced the Group's industry-leading presence through consolidating operational systems, optimising technologies and strengthening R&D capabilities. The Group has also maintained good relationships with existing customers while further enhancing business transactions, made continued efforts to diversify the customer base and to increase the profitability of customer orders. Higher efficiency in production through increasing automation has also been implemented, as a way to alleviating the rising cost pressure from higher wages. These measures contributed steady growth to the Group's results for the year ended 31 December 2019. Revenue for the year ended 31 December 2019 increased by 13.5% from last year to HK$3,636.3 million. The increase was mainly attributable to a larger market share in the power tools segment, a surge in orders of switching power supply units for consumer products and increasing demand for power supply units for lighting products. Gross profit also climbed by 44.6% to HK$633.2 million and gross profit margin rose by 3.7 percentage points to 17.4%, compared with the previous year. Profit before income tax was HK$216.9 million, and profit attributable to owners of the Company increased by 219.0% to HK$176.8 million. Basic earnings per share amounted to HK17.7 cents (2018: Basic earnings per share HK5.5 cents).

To reward the Group's shareholders for their full support over the years, the Board has recommended the payment of a final dividend of HK2.8 cents per ordinary share for the year ended 31 December 2019. Together with the interim dividend of HK2.5 cents per ordinary share for the six months ended 30 June 2019 already paid out, total dividend for the year ended 31 December 2019 will be HK5.3 cents per ordinary share (2018 full year: HK2.5 cents per ordinary share), representing a dividend payout ratio of 30.0%.

Market and Business Review

A major trend during the year under review was the smartphone and electric vehicle industries entering an adjustment period. An important factor during the first half of the year was the alleviation of pressure posed by material costs on the Group's operations. In the second half of the year, the supply and overall prices of raw materials essential for consumer electronic products such as active components, passive components including multi-layer ceramic capacitors ("**MLCC**"), metals and plastics remained relatively stable. This has benefitted the Group's operational strategy and ability to control costs. The Group's supplier system also has the merits of effective control on material costs and supply. By exploring new local suppliers, the Group has reduced reliance on imported raw materials, enhanced its negotiating leverage, and, ultimately, helped to secure a stable supply of raw materials. Together with a solid and expanding customer base, the Group's profitability was significantly strengthened.

The smart chargers and controllers for power tools segment continued to be Ten Pao's major growth driver in the year, with revenue totalling HK$1,358.6 million, an increase of 28.4% when compared with the previous year, taking up 37.4% of total revenue of the Group for the year ended 31 December 2019. Gross profit increased by 54.1% to HK$262.1 million and gross profit margin was 19.3% respectively. The growth in segmental revenue was mainly driven by a breakthrough in business growth with long-term customers. Through the maintenance of a good cooperative relationship with customers and a diversified mode of cooperation, the Group has gained the trust and support of existing core customers, thus generating stable growth of its gross profit. The Group's manufacturing plant has complemented the production capacity layout of customers overseas, which, together with its efforts to maintain a close business relationship with customers, have succeeded in securing more orders from customers and opening up more opportunities for cooperation and development for the Group, resulting in increased profit margin and significant growth in segmental business.

The Group's switching power supply units for consumer products are not only designed for telecommunications equipment, but are also widely utilised across various industries, including media and entertainment equipment, electrical home appliances, lighting equipment and other products. Most of these products are incorporated into and/or applied in customers' own-label end products. Revenue of the segment remained stable, rising by 6.2% year-on-year to HK$2,277.7 million and occupying 62.6% of the Group's total revenue for the year ended 31 December 2019. Gross profit amounted to HK$371.1 million, and gross profit margin was 16.3%. According to the 2019 Worldwide Quarterly Mobile Phone Tracker published by International Data Corporation (IDC), worldwide smartphone shipments will resume growth and rise slightly in 2020 at 1.5% year over year, benefitting from 5G commercial development in the PRC. In 2019, the Group strengthened cooperation with two out of the top five leading mobile phone manufacturers in the PRC. Ten Pao believes that this will bring in more opportunities and projects for cooperation in future and expects that the next "replacement trend" will further boost the Group's results. Besides, the Group has carried out strategic transfer and distribution of its mobile phone production bases in order to fit in with the business development needs of its customers in different regions. The evolving 5G technology has numerous commercial applications extending far beyond smartphones. To target these applications, the Group will invest more R&D resources to strengthen technological research and enlarge its market share, aiming to enhance its core competitiveness while maintaining stable growth in its business segments.

Among the other products under the switching power supply units for consumer products segment, lighting equipment products delivered the most satisfactory performance with revenue of HK$460.1 million. This accounted for 12.6% of the Group's total revenue for the year ended 31 December 2019 with gross profit margin of 20.7%, emerging as another key growth driver. The application focus of related products has changed from mainly items for individual use in the past to a small indoor solar product mix for family use at present. The change has been brought about by the preferences of and changes in applications of lighting equipment products among consumers. This shift has created more development opportunities for the Group to explore wider markets with rich potential.

As regards cost control, the Group's continuing implementation of a tendering system for qualified suppliers has become more mature. This has not only helped to ensure the Group's high product quality and on-time delivery, hence strengthening customers' recognition and trust, but has also served to maintain raw material prices at a reasonable level through standardisation. The Group's execution of standardisation and localisation strategies of raw materials over the past years has continued to yield results. Benefits include streamlining the number of suppliers, facilitating bulk purchases from quality suppliers, enhancing bargaining power and effectively stabilising the supply chain, thus alleviating the cost pressure arising from imbalance in the supply and demand of raw materials. In the long term, automated production is set to become an important development trend in the industry. Ten Pao, for its part, will continue to commit more resources to the development of intelligent production and increase the proportion of automated production lines, enhancing overall the technology and efficiency of production and ensuring the delivery of consistently high-quality products so as to mitigate the adverse impact of rising labour costs on the Group.

To complement the continuing steady development of its business, Ten Pao has expanded both domestic and overseas production during the year under review to further consolidate and optimise its business network. Domestically, the Group's production base in Dazhou City, Sichuan Province, the PRC, has commenced operation and serves smartphone and other consumer electronics manufacturers in peripheral geographies. Aiming to raise efficiency and effectiveness while promoting quality, the Group has also increased the proportion of automated production lines. Turning to overseas, phase three expansion of the Group's factory in Hungary has been successfully launched in the second half of 2019, further raising the level of automation and expanding the production capacity to meet the needs of European customers and orders from new customers. The Group's production base in Vietnam has also opened for service in the second half of 2019 to meet the business expansion needs of customers.

Outlook

In the year ahead, uncertainties in the global economy loom large. Nonetheless, the Group will closely monitor market trends and continue to commit more resources to diversify its product portfolio, improve production technologies, optimise automation equipment applications, and extend its domestic and overseas presence in order to enhance its profitability on a continuous basis.

To address the constantly changing demand in the market, the Group will continue to invest in R&D and technological innovation. With the gradual unleashing of its potential in 2020, the popularity of 5G smartphones is expected to gain momentum in the second half of 2020, sparking quicker growth of the 5G smartphone market and creating a favourable operating environment for the Group. The Group will seize the strong demand for quality portable fast-charging and flash-charging products and also strengthen the R&D of high-tech embedded solutions in order to strengthen its product mix and cement its industry-leading position. In addition to smartphones, 5G technology can be applied within the industrial, medical and commercial sectors. To tap the burgeoning opportunities, the Group will continue to step up its development in these sectors, actively develop high-power electric supply technologies and apply the technologies in other industries in efforts to enlarge its market share and customer base.

The PRC has implemented various environmental policies in recent years to promote the concept of "green mobility", focusing on green, low carbon and environmental-protection principles. Based on these principles, the country plans to build a convenient, safe, green and smart society and environment, and will also integrate energy-saving and emissions reduction measures as well as ecological living elements in urban development to further advance sustainable green development. Many provinces and cities in the PRC have also actively promoted the concept of "green mobility" in recent years. The Group believes that this emerging market with huge potential will create large room for its business growth. To tap into this market, the Group has engaged in discussions with a number of customers over possible cooperation and has devoted more resources to the R&D of products that can harness the power of the "green mobility" concept. These efforts will align the Group's business with national environmental policies and facilitate stronger revenue growth.

Over the years, the Group has strived to expand and diversify its sources of customers, upgrade its automated production technologies and consolidate its domestic and overseas market presence. Going forward, the Group will optimise and integrate operations at its plant in Huizhou, Guangdong Province, the PRC so as to achieve optimum efficiency in plant layout and operations and provide strong back-end support to push its business development. In December 2019, the Group acquired another land parcel in Huizhou for constructing a factory as part of its long-term strategy. This transaction has the objective of further enhancing automation, including automated production on a regular basis while expanding production capacity, so as to cope with fast-changing customer demand. Moreover, Ten Pao will actively explore opportunities of building new factories elsewhere in Asia (such as in India) outside the PRC. It is currently conducting active evaluation of possibilities that are expected to help boost production efficiency and capability in the near future, satisfy increasing market demands and fuel the growth momentum of the Group's business.

Capitalising on the strong foundation that Ten Pao has built over the past 40 years, the Group will continue to allocate more resources to R&D and improve its product portfolio, further optimise and strengthen its domestic and overseas business structure, increase the proportion of its automated production lines and enhance its automated production technologies, all in all adopting flexible measures to match changes in the industry. Ten Pao will, as always, uphold a pragmatic approach, continue to capture the opportunities and realise the full potential of the market, enhance the Group's profitability, continue to consolidate its leading position in the switching power supply unit industry, and strive to deliver long-term sustainable returns to shareholders.

The recent outbreak of the Covid-19 in China and the rest of the world will remain a great challenge to the world economy and our production in the foreseeable future. So far, we have not experienced any cancelled orders due to the incident and we will keep constant contact with our customers about the development of the incident. Furthermore, we have not experienced any significant disturbance in the supply chain or any major hindrance in our manufacturing bases in China. We will remain highly alert about the impact of incident on our supply chain, our employees and compliance matters. The Board will not hesitate to take all necessary and appropriate measures to safeguard our employees and our business operation.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from sales of switching power supply units for consumer products and sales of smart chargers and controllers for industrial use.

The total revenue increased by 13.5% from HK$3,202.5 million for the year ended 31 December 2018 to HK$3,636.3 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in the volume of products sold as a result of the increase in the demand from our customers, particularly the demand from smart chargers and controllers' segment which achieved a growth of 28.4% during the year ended 31 December 2019.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2019 and the comparative figures.

	Year ended 31 December			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**1,141,308**	**31.4**	1,146,393	35.8
Media and entertainment	**305,843**	**8.4**	371,569	11.6
Electrical home appliances	**262,822**	**7.2**	255,329	8.0
Lighting equipment	**460,062**	**12.6**	315,611	9.9
Others	**107,620**	**3.0**	55,357	1.7
Subtotal	**2,277,655**	**62.6**	2,144,259	67.0
Smart chargers and controllers for industrial use	**1,358,636**	**37.4**	1,058,193	33.0
Total revenue	**3,636,291**	**100**	3,202,452	100

During the year ended 31 December 2019, the sales of smart chargers and controllers for industrial use increased by 28.4% from HK$1,058.2 million for the year ended 31 December 2018 to HK$1,358.6 million for the year ended 31 December 2019 as a result of increasing demand from our existing customers and certain newly developed customers in recent years. Sales of switching power supply units for telecommunication equipment decreased by 0.4% to HK$1,141.3 million for the year ended 31 December 2019 when compared with last year, mainly due to the overall decline in smartphone shipments in the global market during the year under review and the cut in average selling price to the existing leading smartphone manufacturers in the PRC. Sales of switching power supply units for lighting equipment increased by 45.8% to HK$460.1 million for the year ended 31 December 2019 when compared with last year as new orders were received from existing customers.

Revenue by Geographic Location

The following table sets out an analysis of the total revenue by geographic location, and is based on the destination to which we delivered our products to our customers, whereas the ultimate products produced by our customers were sold globally. As such, the delivery destination of our products might not be the same as the countries in which the relevant final products were sold.

	Year ended 31 December			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
PRC, excluding Hong Kong	**2,267,166**	**62.4**	1,904,866	59.5
Europe	**422,365**	**11.6**	434,040	13.6
Asia, excluding PRC	**462,901**	**12.7**	427,438	13.3
US	**190,523**	**5.2**	191,683	6.0
Africa	**212,467**	**5.9**	161,938	5.0
Others	**80,869**	**2.2**	82,487	2.6
Total revenue	**3,636,291**	**100**	3,202,452	100

Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and production overheads. Cost of raw materials mainly includes expenses relating to our purchases of raw materials such as plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, printed circuit board components, triodes, copper and aluminium materials, and resistors. Direct labour costs mainly comprise wages, pension costs and social security costs for those who are directly involved in the manufacturing of our products. Production overheads mainly comprise depreciation of plant and machinery, administrative staff costs relating to production, subcontracting expenses, utility expenses and other miscellaneous production costs.

Cost of sales increased by 8.6% only for the year ended 31 December 2019 when compared with last year despite the revenue increased by 13.5% during the year. This was mainly attributable to the increase in business and the effect of the significant decrease in the price of various kinds of raw materials, particularly the passive electronic components, and the improvement in the production efficiency.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2019, the Group recorded a gross profit of HK$633.2 million, representing an increase of 44.6% from the year ended 31 December 2018.

The gross profit margin of the Group increased from 13.7% for the year ended 31 December 2018 to 17.4% for the year ended 31 December 2019. The increase in gross profit margin of the Group was primarily due to the decrease in the prices of raw materials and the improvement in the production efficiency.

Other Income

Other income mainly consists of sales of scrap materials from our manufacturing process, sales of raw materials, samples and moulds, inspection and certification fee income for obtaining standard certifications as requested by customers and others. The decrease in other income is mainly attributable to the decrease in the income from the sales of scrap materials and the reimbursement of the development costs of new project from the customers.

Other (Losses)/Gains — Net

Other losses/gains — net mainly consists of fair value changes on derivative financial instruments, net foreign exchange difference for transactions denominated in foreign currencies, government grants for approved technology projects, and loss on disposal of property, plant and equipment. Net other losses recorded during the year ended 31 December 2019 were primarily due to exchange loss recorded as a result of the depreciation of Renminbi during the year ended 31 December 2019 when the Group switched to purchase raw materials from outside the PRC and settled in USD during the year.

Selling Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, transportation and travelling expenses, commission expenses to salespersons and agents, certificate and detection fees mainly for obtaining safety certifications, consultancy fee, entertainment fee, operating lease payments, advertising costs, commercial insurance for our trade receivables and others.

Selling and marketing expenses increased by 5.4% from HK$140.5 million for the year ended 31 December 2018 to HK$148.1 million for the year ended 31 December 2019. The increase was primarily attributable to the increase in the business of the Group and the increase in employee benefit expenses paid for the sales team.

Administrative Expenses

Administrative expenses primarily consist of employee benefit expenses for administrative staff, depreciation, amortisation and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, R&D costs and others.

Administrative expenses increased by 16.6% from HK$228.4 million for the year ended 31 December 2018 to HK$266.3 million for the year ended 31 December 2019. The increase was primarily attributable to the increase in the research and development expenses of HK$16.5 million to prepare for the coming challenge of new business opportunity. In addition, the automation of the production facility and the setting up of the new factory overseas had resulted in the increase of depreciation of HK$9.1 million during the year ended 31 December 2019.

Finance Expenses — Net

Net finance expenses represent interest charges on our interest-bearing bank borrowing and interest income on our bank deposits. The Group had net finance expenses of HK$7.7 million and HK$8.4 million for the years ended 31 December 2019 and 2018, respectively, representing a decrease of 8.3% as the Group's average bank borrowings decreased during the year under review.

Income Tax Expense

Income tax expense represents income tax payable by the Group under relevant income tax rules and regulations where the Group operates.

Income tax expense consists of current income tax and deferred income tax. Current income tax consists of the PRC corporate income tax at a rate of 15% for a PRC subsidiary of the Company which was recognised as "New and High Technology Enterprises" and enjoys a preferential corporate income tax rate and at a rate of 25% for the other PRC subsidiaries of the Company, respectively. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Company's subsidiaries in Hong Kong. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense increased from HK$12.5 million for the year ended 31 December 2018 to HK$40.5 million for the year ended 31 December 2019. The increase in income tax expense was primarily due to the increase in profit before income tax from HK$67.9 million for the year ended 31 December 2018 to HK$216.9 million for the year ended 31 December 2019. Profits contribution from the Hong Kong subsidiaries of the Company increased during the year under review and were taxed at the rate of 16.5%. As of 31 December 2019, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Total comprehensive income for the year attributable to owners of the Company increased by 692.2% to HK$161.6 million for the year ended 31 December 2019 from HK$20.4 million for the year ended 31 December 2018, including currency translation loss of HK$15.4 million as a result of the depreciation of Renminbi in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2019, net current assets was HK$229.0 million as compared with HK$216.1 million at 31 December 2018. As of 31 December 2019, current ratio was 1.17 times (2018: 1.19 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 23.3% (2018: 35.6%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The decrease in gearing ratio was mainly attributable to additional funds used in the addition of property, plant and equipment during the year contrary to the decrease in average bank borrowing as the operating profit increased from HK$76.3 million in last year to HK$224.6 million during the year ended 31 December 2019.

Cash generated from operations for the year ended 31 December 2019 was HK$249.8 million (2018: HK$163.5 million) and the increase was mainly attributable to the increase in operating profit from HK$76.3 million in last year to HK$224.6 million during the year ended 31 December 2019.

Cash used in investing activities for the year ended 31 December 2019 was HK$145.4 million (2018: HK$139.6 million). The Group acquired additional property, plant and equipment of HK$170.2 million during the year ended 31 December 2019 as compared to HK$125.2 million for the year ended 31 December 2018 as a result of the opening of production bases in Sichuan Province and Vietnam during the year ended 31 December 2019. On the other hand, local government where the production bases located had granted investment subsidies of HK$24.2 million to the Group during the year ended 31 December 2019.

During the year ended 31 December 2019, net cash used in financing activities was HK$98.7 million (2018: net cash generated HK$12.3 million) as the Group repaid certain bank loans during the year ended 31 December 2019.

DEBT MATURITY PROFILE

The maturity profile of the Group's borrowing is set out below:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**120,227**	147,907
Between 1 and 2 years	**30,360**	41,843
Between 2 and 5 years	**11,220**	17,847
	161,807	207,597

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group operates mainly in the PRC, with notable portion of our revenue is derived from our export sales to overseas countries. The Group is exposed to foreign currency risks, in particular fluctuation in currency exchange rates of HK$ and USD against RMB.

The Group generates a notable portion of revenue and receivables in USD and HK$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2019, our revenue denominated in USD and HK$ amounted to approximately 67.6% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2019, no new forward foreign exchange contracts had been entered into by the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2019, the Group had bank borrowings of HK$161.8 million (2018: HK$207.6 million) which were primarily denominated in HK$ and USD.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to customers with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balances when they are past due and the management considers the default risk is high.

As at 31 December 2019, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at 31 December 2019 and 2018, the Group held bank balances, term deposits and restricted bank deposits totalling HK$171.1 million, and HK$204.7 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

The liquidity position is monitored closely by the management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 6,500 full-time employees as of 31 December 2019 (2018: approximately 6,500). The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favourable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to abiding by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established an audit committee (the "**Audit Committee**"), a nomination committee and a remuneration committee with defined terms of reference in accordance with the requirements set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2019 and up to the date of this announcement, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this code provision because Chairman Hung performs both the roles of the chairman of the Board and the chief executive officer of the Company. Chairman Hung, the founder of the Group with the established market reputation in the switching power supply industry in the PRC, has extensive experience in its business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Chairman Hung, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non- executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct governing Directors' dealings in the Company's securities. Employees of the Group (the "**Relevant Employees**") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors has confirmed compliance with the Model Code throughout the year ended 31 December 2019 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 2019 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.8 cents (2018: a final dividend of HK1.5 cents and a special final dividend of HK1.0 cent) per ordinary share of the Company for the year ended 31 December 2019 to the Company's shareholders. The proposed final dividend, subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Friday, 29 May 2020 (the "**2020 AGM**"), is expected to be paid on Tuesday, 30 June 2020 to all shareholders whose names are to be appeared on the register of members of the Company on Monday, 15 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive) for the purpose of determining the right to attend and vote at the 2020 AGM. In order to be qualified for attending and voting at the 2020 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 25 May 2020.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2020 AGM, the register of members of the Company will also be closed from Thursday, 11 June 2020 to Monday, 15 June 2020 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2019. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders of the Company at the 2020 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 10 June 2020.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Chu Yat Pang Terry (chairman), Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung.

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year ended 31 December 2019 in conjunction with the Company's management. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considered the risk management and internal control systems to be effective and adequate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's annual results for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement of results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com). The annual report for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Ten Pao Group Holdings Limited
天寶集團控股有限公司
Hung Kwong Yee
Chairman & Chief Executive Officer

Hong Kong, 19 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Hung Kwong Yee, Mr. Hung Sui Tak and Ms. Yang Bingbing; and three independent non-executive Directors, namely Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung.