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

2020 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kwong Yee
(Chairman and Chief Executive Officer)
Mr. Hung Sui Tak *(passed away on 10 October 2020)*
Ms. Yang Bingbing

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung

BOARD COMMITTEES

Audit Committee

Mr. Chu Yat Pang Terry *(Chairperson)*
Mr. Lam Cheung Chuen
Mr. Lee Kwan Hung

Remuneration Committee

Mr. Lee Kwan Hung *(Chairperson)*
Mr. Hung Kwong Yee
Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry

Nomination Committee

Mr. Hung Kwong Yee *(Chairperson)*
Mr. Chu Yat Pang Terry
Mr. Lam Cheung Chuen
Mr. Lee Kwan Hung

COMPANY SECRETARY

Mr. Tse Chung Shing, *ACCA*

AUTHORIZED REPRESENTATIVES

Mr. Hung Kwong Yee
Mr. Tse Chung Shing

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 610–612, 6th Floor
Kwong Sang Hong Centre
151–153 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongjiang Industrial Estate
Shuikou Street
Huicheng District
Huizhou City 516005
Guangdong Province
The People's Republic of China

SHARE REGISTRARS

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISOR

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

1979

COMPANY'S CORPORATE WEBSITE

www.tenpao.com

INVESTOR RELATIONS CONTACT

www.tenpao.com/investor.html

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2020	2019	Change
Revenue	HK$'000	**4,488,625**	3,636,291	+23.4%
Operating profit	HK$'000	**380,445**	224,577	+69.4%
Profit for the year attributable to owners of the Company	HK$'000	**289,057**	176,752	+63.5%
Gross profit margin	%	**18.4**	17.4	+5.7%
Operating profit margin	%	**8.5**	6.2	+37.1%
Profit margin attributable to owners of the Company	%	**6.4**	4.9	+30.6%
Earnings per share				
— basic and diluted per share	HK cents	**28.9**	17.7	+63.3%
Dividend per share				
— interim	HK cents	**3.0**	2.5	
— final	HK cents	**5.5**	2.8	

		As at 31 December		
		2020	2019	Change
Gearing ratio	%	**30.9**	23.3	+32.6%
Current ratio	times	**1.18**	1.17	+0.9%
Average inventory turnover period	days	**77**	65	+18.5%
Average trade receivables turnover period	days	**81**	84	−3.6%
Average trade payables turnover period	days	**138**	114	+21.1%

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Ten Pao Group Holdings Limited ("Ten Pao" or the "Company" and, together with its subsidiaries, the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2020.

Ten Pao achieved remarkable results again in 2020 under the leadership of the Board and its management team. Despite the unprecedented challenges brought about by the global outbreak of COVID-19 and intensified international trade disputes, Ten Pao, as an industry leading one-stop smart power supply solutions provider, was able to prosper amid market headwinds. Leveraging on Ten Pao management team's extensive industry experience, keen foresight and effective leadership, the Group managed to significantly mitigate risks associated with external factors via the prudent utilisation of resources and the deployment of optimum operation strategies during the year under review. Moreover, the Group devoted additional resources in the automation and digital upgrading of production lines and operation processes, enhanced the risk aversion capability of the supply chain, and successfully reduced operation costs, in good preparation for the post epidemic market recovery and business development, and for capturing of market opportunities. Over the year under review, the business segment of switching power supply units for consumer products acted as a major driver for the development of the Group. The number of orders increased significantly, and revenue of the segment rose by about 21.5% to HK$2,767.0 million. The segment of smart chargers and controllers for power tools also achieved remarkable growth, with revenue reaching HK$1,721.6 million, representing an increase of 26.7% over year 2019. The above outstanding segment performance uplifted total revenue by about 23.4% to hit a record-high of HK$4,488.6 million. I would like to take this opportunity to extend my sincere gratitude to all staff for their tireless diligence as well as their outstanding contributions to Ten Pao amidst the difficult market environment in the past year.

Although the economy in the People's Republic of China (the "PRC") was affected by the outbreak of the COVID-19 pandemic at the beginning of 2020, the outbreak was swiftly put under control on account of the PRC government's stringent prevention and control measures. Along with the commitment to curb the pandemic, the "dual circulation" economic strategy actively promoted by the PRC government in year 2020 stimulated economic rebound, thus supporting the PRC in becoming the only major world economy to have achieved positive economic growth in 2020. The remarkable increase in market demand for 5G smartphones and other telecommunications consumer products, given the gradual economic recovery, drove the demand for peripheral products such as high-end smart fast charging and flash-charging products, and led to an increase in orders secured from our telecommunications equipment clients during year 2020, including two of the top five leading smartphone manufacturing clients in the PRC, further stimulating growth of the Group's business. The Group is optimistic about the future development of the smartphone market and will strategically plan deployment locations for production facilities to be in proximity with the production bases of key clients, so as to create dual advantage in terms of geographical and logistical convenience, and to meet the continuous growth of clients' demand.

Customer portfolio for the Group's segment of smart chargers and controllers for power tools consists of international enterprises with solid fundamentals, high risk-bearing capabilities and well-established distribution channels. On top of that, the long-term business relationships built over years of cooperation with the Group have bolstered these multi-national clients' confidence in the quality of our products. Moreover, international exchanges and logistics are expected to gradually recover in 2021, as the impact of the COVID-19 pandemic begins to fade, which, coupled with the Group's longstanding customer relationship and attentive communication, should give momentum to the growth of this segment.

Looking ahead, the Group's mid to long-term development plan will focus on three major directions, namely resources investing into the research and development of charging products for the new energy industry, continual global expansion of production capacity, and integration of the automation and digitalisation model into the whole production and operation systems. These measures, along with the commitment to refine the Group's business strategy and stringent cost-control framework and systems, will lay a solid foundation for the long-term development of Ten Pao, against the ever-changing market environment.

The pandemic and geopolitical instability not only brought challenges to the industry, but also accelerated the transformation of industry structure, resulting in the rapid emergence of individual industry sectors. Among these, the new energy industry has demonstrated strong growth potential, benefitting from subsidy policies launched by various overseas countries in recent years and their implementation of plans for the construction of infrastructure for charging facilities. In view of the favourable outlook, Ten Pao will actively involve by investing resources in the new energy industry, and make good use of this business opportunity to strengthen the Group's long-term development base. During the year under review, the Group has set up a new energy business division to explore business opportunities in related fields such as automotive electronics, and green mobility. The Group has also deployed resources to research and develop a range of new energy charging equipment, portable power supply/charging products, and other peripheral automotive electronic products so as to create new sustainable income streams for Ten Pao.

Ten Pao is in constant pursuit for comprehensive coverage of production capacity to meet the ever-growing market demand, and to diversify any operational risk that may arise due to geopolitical instability. In the past year, the Group continued to optimise domestic and overseas production capacity. The third phase expansion of the Hungary plant was successfully completed and had commenced operation. In addition, development of the production base in Vietnam went smoothly during the year. Domestically, the second phase expansion of the production base in Dazhou City, Sichuan also completed and commenced production within the year. Moving forward, the Group will continue to identify opportunities to expand its production capacity, while implementing the automation of the production system and smart digitalisation of the operating system. Meanwhile, the Group has, as scheduled, begun the construction of a new smart manufacturing plant in the second half of 2020 in Huizhou, and it is estimated that the construction will complete in 2022.

The popularisation of 5G technology has created new norms in daily lives, and opportunities for upgrade in production management. The Group is actively promoting smart production management and digitalisation upgrade plans to enhance production efficiency. The Group has set up a smart manufacturing department to digitalise and upgrade production lines and production management platforms, in order to facilitate the timely accumulation of big data for more accurate management, and hence, ensuring product quality and multi-faceted enhancement of long-term production efficiency. The new plant under construction in Huizhou will be the first pilot project of the Group's upgrade plan towards smart and digital production. Going forward, the Group will expand its digital reform to other production bases to unify all production models and build a centralised global smart and digitalised production network, leading Ten Pao to a new era of smart and digitalised production.

On behalf of the Board and the management team of the Group, I would like to take this opportunity to express once again my heartfelt gratitude to all staff for their dedication and professionalism, especially under such unprecedented pressure on the international economy due to the pandemic and geopolitical tension over the year. Hard work and perseverance from all employees are indispensable for Ten Pao to achieve one of the best performances in the year. In addition, I would like to express my appreciation to all shareholders, investors, customers, and partners for their unwavering support to the Group. Looking ahead, Ten Pao will endeavour to improve and develop as a one-stop smart power supply solutions provider for globally renowned consumer electronics brands and to solidify the Group's leading position in the industry to deliver long-term and sustainable returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Ten Pao is an industry leading smart power supply solutions provider. Capitalising on its competitive advantages, including diverse client portfolio, prominent research and development capabilities, unwavering commitment to maintain high product quality and safety, as well as its one-stop production model, Ten Pao has gained recognition from internationally-renowned brands. For over four decades, the Group has been innovating and making advances in the power supply industry to meet the ever-changing market demand.

The year 2020 was a bumper year for the Group. While the outbreak of the COVID-19 along with the intensified international trade dispute had significantly derailed the global economy, the Group achieved remarkable performance and drove up both sales revenue and net profit to a record high in the year through the rigorous management of external risks, close monitoring of market movements, flexible deployment of resources and operations strategy to meet changing situations, and continuing commitment to automation and enhancing smart production lines to strengthen the risk-aversion capability of its supply chain, thus enabling Ten Pao to deal with fluctuations in market demand effectively. For the year ended 31 December 2020, the Group's revenue increased to HK$4,488.6 million, representing a year-on-year growth of approximately 23.4%. The increase was mainly attributable to the increase in orders of the business segment of switching power supply units for consumer products, particularly the telecommunication sector, and the strong demand from customers of the segment of smart chargers and controllers. In addition, the Group recorded substantial growth in profit in 2020 owing to economies of scale and operational efficiency brought about by highly effective cost control and continuous progress in automated production. Gross profit climbed by 30.7% to approximately HK$827.3 million and gross profit margin rose by 1.0 percentage point to 18.4%, compared with year 2019. Profit before income tax was approximately HK$373.8 million, representing an increase of 72.3% compared to HK$216.9 million in 2019. Profit attributable to owners of the Company increased by 63.5% to HK$289.1 million, compared to HK$176.8 million in 2019. Basic earnings per share amounted to HK28.9 cents (2019: HK17.7 cents).

To reward the Company's shareholders for their continuous support, the Board has recommended the payment of a final dividend of HK5.5 cents per ordinary share for the year ended 31 December 2020 (2019: HK2.8 cents per ordinary share). Together with the interim dividend of HK3.0 cents per ordinary share for the six months ended 30 June 2020 already paid out (2019: HK2.5 cents per ordinary share), total dividend for the year ended 31 December 2020 will be HK8.5 cents per ordinary share, representing a dividend payout ratio of 29.5%.

Market and Business Review

Looking back the start of 2020, the manufacturing industry in the PRC had been brought to a halt by the outbreak of the COVID-19 pandemic, sending shockwaves to the international logistics industry and putting economic pressure on various industry sectors. Nevertheless, the domestic manufacturing industry, with its solid foundation, demonstrated strong resilience under the pandemic. According to the National Bureau of Statistics of PRC, the PRC was the only major world economy to have achieved positive economic growth in 2020, with the gross domestic product (GDP), for the first time, outreached one trillion Renminbi (RMB). Favorable factors in the domestic market, coupled with the global production coverage and diversified business and client portfolio in both the domestic and overseas markets, have enabled the Group to outperform the market during the year under review. In recent years, Ten Pao has placed more emphasis on enhancing its core competitiveness, and strengthening the flexibility and adaptability of its operations and production. These have helped the Group quickly adapting to any uncertainties and the ever-changing operating environment and maintaining sustainable growth in the long run. With the Group's persistent efforts in internal improvements over the past few years, Ten Pao has reached the stage of harvest, and has successfully seized market opportunities during the year and achieved exceptional results.

For the year under review, the Group had continued to expand the business segment of switching power supply units for consumer products, which acted as a major driver to the Group's business growth. Revenue of this segment increased from approximately HK$2,277.7 million in 2019 to HK$2,767.0 million, rising by 21.5% year-on-year and occupying 61.6% of the Group's total revenue for the year ended 31 December 2020. Gross profit of this segment amounted to approximately HK$450.9 million, representing an increase of 21.5% over year 2019. Gross profit margin remained steady at 16.3% (2019: 16.3%). In 2020, the "dual circulation" economic strategy actively promoted by the PRC government had helped stimulating consumption. This, together with the consistent launch of new 5G smartphones, had stimulated rapid development for our clients in the telecommunications sector, including two of the top five leading mobile phone manufacturers in the PRC. Ten Pao's earlier forward-looking strategic plan played a crucial role in capturing opportunities. The Group's production facility located in Dazhou City, Sichuan has geographical and logistical advantages, since it is in close proximity to the main production centers of a number of telecommunications equipment clients. The Group was able to capture this opportunity, brought by increasing demand for client products, to successfully obtain a substantial amount of additional orders, particularly for high-end smart fast charging and flash-charging products. Thanks to the Group's efforts in resources reallocation, active expansion of sales contribution from domestic customers and further client portfolio diversification during the year under review, the negative revenue impact of overseas markets was significantly mitigated.

For the year ended 31 December 2020, the business segment of smart chargers and controllers also achieved remarkable growth with revenue increased by 26.7% over year 2019 to HK$1,721.6 million, contributing 38.4% of the total revenue. Gross profit from this segment amounted to HK$376.5 million, indicating a 43.6% increase from HK$262.1 million in 2019, and gross profit margin was 21.9%, as compared with 19.3% in 2019. The increase of segment revenue was primarily attributable to the Group's efforts in maintaining a good and long-term cooperative relationship with existing customers who are mainly international enterprises with solid foundations, high risk-bearing capabilities, as well as diversified distribution channels and they have full confidence in the quality of the Group's products. Leveraging our close business relationship over the years with these core customers, the Group maintained active communication with them and strengthened cooperation over the year, resulting in a steady increase in the number of orders.

Ten Pao is committed to the continuous improvement on production efficiency and cost management. As the pandemic gradually came under control in the PRC, the Group swiftly caught up with delayed development plans and orders in the second quarter of 2020. During the year, prices of major raw materials had remained relatively stable; but as the economy gradually recovered, the supply of raw materials became unstable and prices fluctuated in the fourth quarter of 2020. Nevertheless, the Group's well-established and effective supplier tendering system, strategic localisation and standardisation of raw materials, as well as ongoing diversification of suppliers have helped the Group to maintain a steady supply of raw materials and control of their price levels. The Group has also strengthened communication with suppliers, solidified strategic partnerships with suppliers, and strategically established sufficient inventories of key raw materials in order to ensure a stable source of raw material supply and to reduce the impact of raw material price fluctuation on the Group's product pricing and thus, gross profit. The market expects an upward trajectory on the price of raw materials in 2021, and the possibility of a product price hike will largely depend on the future market supply and demand. At the same time, the Group has continued to increase the proportion of automated production lines during the year, which not only reduced the impact of rising labour costs and employee turnover, but also offered a more efficient channel to monitor product quality and production efficiency. Notably, the sudden emergence of the pandemic has underlined the importance of an automated production system and smart operational model. Moving forward, the Group will accelerate the integration of the automation and digitalisation model into its production and operation systems as a whole, to strengthen the Group's ability in providing customers with its premium one-stop solutions, and enhance the Group's operational flexibility and control in the long run.

The PRC economy displayed strong resilience amidst market headwinds in 2020, and thus, the market anticipated rapid recovery for the PRC economy. This optimistic market outlook has led to a continuous appreciation in the exchange rate of Renminbi since end of May 2020, putting mild economic pressure on the Group's export business. However, the Group's diverse and balanced production layout in domestic and overseas regions played a role in the year, enabling the Group to optimise the use of resources, increase investment in and development of resources for domestic sales, seize the opportunities brought about by domestic economic recovery, and mitigate the impact of exchange rate changes. The Group will also closely monitor exchange rate volatility and continue to regulate the allocation of resources in domestic and overseas markets, in order to minimise the impact caused by exchange rate fluctuations.

During the year under review, the Group actively refined its overseas and domestic production layout to strengthen its global production network, in order to alleviate risks from changes in geopolitics and align with long-term business development plans of its customers. In terms of overseas production capacity, phase three expansion of the Hungary plant was successfully completed, installment of production lines went smoothly and the plant commenced operation in the third quarter of 2020. In addition, the production base in Vietnam also began to contribute to the Group's production capacity during the year. The Group has also been planning for capacity expansion in the Vietnam base. Domestically, the production capacity of the plant in Dazhou City, Sichuan has gathered momentum, as phase two expansion of the facility commenced production in the second half of 2020. Meanwhile, the Group has begun the construction of a new plant on an additional piece of land in Huizhou purchased by the Group during the second half of 2020, as scheduled. It is estimated that construction will complete in 2022. This plant in the Huizhou Industrial Park will serve as Ten Pao's pilot project in realising a digital and intelligent manufacturing base.

Outlook

The COVID-19 pandemic, international trade disputes and other market uncertainties have created a new normality. These have accelerated the establishment of new industries, operation methods and production mode upgrade and acted as catalysts to fundamentally challenge the production methods of today and the business models of tomorrow. As an industry leading one-stop smart power supply solutions provider, Ten Pao has always actively contributed to the evolvement of the industry. On top of the current expansion in production capacity for staying in line with the growth of existing customers' orders and enlargement of the customer network, the Group will also invest its key resources in the development of the new energy industry and smart production, so as to lay a solid foundation for the long-term development of the Group.

Looking ahead, the new energy industry will continue to draw global attention. Many countries from around the world including the PRC have actively promoted government subsidy schemes and has sped up the development of infrastructural charging facilities. Numerous automotive manufacturers, real estate developers and internet industry giants have also entered the new energy arena, indicating the determination and confidence from the government, market and corporations towards developing the industry. This has also opened up opportunities for Ten Pao to venture into various promising industries, including automotive electronics, green mobility and others. During the year, the Group has established a new energy business division, and plans to invest resources in product research and development and production, with the goal of building a one-stop new energy product and service support center in the western region of the PRC, one of the major production hubs for new energy vehicles. The Group is also in active discussion with potential customers on collaboration opportunities, and will direct more resources to developing more new energy charging facilities, portable power supply/charging products, and other complimentary automotive electronic products, establishing a new key development area for the Group. Apart from domestic investment of resources, in the year, the Group has also entered into an agreement with an internationally renowned energy company — Shell Oil Company, and has been granted a license for the use of its trademark on portable power supply/charging products and portable charging station for new energy vehicles and merchandising rights in the market. Plans have been made to launch these products on both online and offline platforms in North America in the second half of 2021, which will broaden the international sales network and platform of automotive electronics for Ten Pao. In addition, Ten Pao will continue to cultivate existing innovations, including high-end smart fast chargers, portable power supply/charging products, and other charging products with higher power, flash-charging and wireless charging products. With the advancement of 5G technology driving technological innovation and various commercialisation, including the Internet of Things, Ten Pao shall continue to research and develop broader applications in the 5G field and explore market opportunities.

The Group has actively developed its global production network to better align with Ten Pao's goals of long-term sales growth and avoid risks brought by trade disputes. In terms of overseas production, despite the delayed development schedule due to the pandemic in the first half of 2020, the Group has made every effort to catch up on affected projects. Among these, Ten Pao made plans in the second half of 2020 to expand its production base in Vietnam and considered the establishment of a self-owned plant. Although the plan was delayed due to the impact of the pandemic, it is now back on the track. The plant is expected to contribute additional production capacity by the second quarter of 2021, which will further expand Ten Pao's customer network and business areas. The Group will also continue to look for more opportunities to expand its global production capacity in Southeast Asia, South Asia and North America to mitigate the impact of geopolitical tension. On the domestic front, the Group is committed to promoting the expansion of the third phase of the plant in Sichuan, aiming at securing more new customers and developing more business areas by leveraging its geographical advantage. Furthermore, it is estimated that construction of the new plant at the headquarters of the Huizhou Industrial Park will be completed and put into operation by 2022 as scheduled.

Aside from expanding its production capacity, Ten Pao is also actively promoting smart production management and digitalisation upgrade plans to enhance the Group's production efficiency, risk resistance and flexibility to respond to future uncertainties. The Group has set up a smart manufacturing department to digitalise production lines and production management platforms, in order to facilitate the accumulation of big data for a more accurate management and the upgrade of the production chain, and hence, ensuring product quality and multi-faceted enhancement of long-term production efficiency. The new plant in Huizhou will be the first pilot project of the Group's upgrade plan towards smart and digital production. Going forward, Ten Pao will expand its digital reform to other production bases to unify all production models and build a centralised global smart production network for Ten Pao, leading Ten Pao to a new era of smart production.

The accomplishments of Ten Pao were built upon years of hardwork, which have laid the foundation for its long-term development. Going forward in 2021, we will stay ever-prepared and competitive for sustainable development by improving the proportion and technology of smart and automated production lines, constructing a global production capacity network, upholding a prudent management plan on cost and quality, while focusing on research and development, and making continuous effort to identify new business opportunities. Furthermore, the Group will effectively enhance its risk-weathering capabilities to navigate the unpredictable macro market. Ten Pao will continue to consolidate its leading position in the switching power supply industry and strive to bring long-term and sustainable returns to our shareholders.

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 23.4% from HK$3,636.3 million for the year ended 31 December 2019 to HK$4,488.6 million for the year ended 31 December 2020. 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 telecommunication segment which achieved a growth of 38.9% and the demand from smart chargers and controllers segment which achieved a growth of 26.7% during the year ended 31 December 2020.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2020 and the comparative figures.

	Year ended 31 December			
	2020		2019	
	HK$'000	**%**	HK$'000	%
Switching power supply units for consumer products				
Telecommunication	**1,585,568**	**35.3**	1,141,308	31.4
Media and entertainment	**396,256**	**8.8**	305,843	8.4
Electrical home appliances	**172,496**	**3.8**	262,822	7.2
Lighting equipment	**456,064**	**10.2**	460,062	12.6
Others	**156,601**	**3.5**	107,620	3.0
Subtotal	**2,766,985**	**61.6**	2,277,655	62.6
Smart chargers and controllers for industrial use	**1,721,640**	**38.4**	1,358,636	37.4
Total revenue	**4,488,625**	**100**	3,636,291	100

During the year ended 31 December 2020, the sales of switching power supply units for telecommunication equipment increased by 38.9% from HK$1,141.3 million for the year ended 31 December 2019 to HK$1,585.6 million for the year ended 31 December 2020, mainly due to the increase in demand from two of the top five leading smartphone manufacturing clients in the PRC for the high-end fast-charging products of the Group. Sales of smart chargers and controllers increased by 26.7% to HK$1,721.6 million for the year ended 31 December 2020 when compared with year 2019, mainly due to additional orders from 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			
	2020		2019	
	HK$'000	**%**	HK$'000	%
PRC, excluding Hong Kong	**2,615,248**	**58.2**	2,267,166	62.4
Europe	**575,345**	**12.8**	422,365	11.6
Asia, excluding PRC	**546,300**	**12.2**	462,901	12.7
US	**541,018**	**12.1**	190,523	5.2
Africa	**166,755**	**3.7**	212,467	5.9
Others	**43,959**	**1.0**	80,869	2.2
Total revenue	**4,488,625**	**100**	3,636,291	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 21.9% for the year ended 31 December 2020 as compared with 2019, which was consistent with the increase in revenue by 23.4% during the year.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2020, the Group recorded a gross profit of HK$827.3 million, representing an increase of 30.7% from the year ended 31 December 2019.

The gross profit margin of the Group increased from 17.4% for the year ended 31 December 2019 to 18.4% for the year ended 31 December 2020. Such increase was primarily due to the improvement in the production efficiency and the rise in the level of automation.

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 increase in other income is mainly attributable to the increase in the sales of raw materials, samples and moulds to customers.

Other Losses — Net

Net other losses 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 2020 were primarily due to net exchange loss of HK$32.9 million recorded as a result of the depreciation of US dollars against Renminbi during the year ended 31 December 2020.

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 5.1% from HK$148.1 million for the year ended 31 December 2019 to HK$155.7 million for the year ended 31 December 2020. 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 4.8% from HK$266.3 million for the year ended 31 December 2019 to HK$279.0 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in the employee benefit expenses, research and development expenses, operating lease payments and certificate and detection fees as a result of the increase in the business of the Group.

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$6.6 million and HK$7.7 million for the years ended 31 December 2020 and 2019, respectively, representing a decrease of 13.5% as the Group's average bank borrowing costs 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$40.5 million for the year ended 31 December 2019 to HK$85.2 million for the year ended 31 December 2020. The increase in income tax expense was primarily due to the increase in profit before income tax from HK$216.9 million for the year ended 31 December 2019 to HK$373.8 million for the year ended 31 December 2020. 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 2020, 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 125.7% to HK$364.7 million for the year ended 31 December 2020 from HK$161.6 million for the year ended 31 December 2019, including currency translation gain of HK$80.1 million as a result of the appreciation of Renminbi in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2020, net current assets was HK$425.0 million as compared with HK$229.0 million at 31 December 2019. As of 31 December 2020, current ratio was 1.18 times (2019: 1.17 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 30.9% (2019: 23.3%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The increase in the gearing ratio was mainly attributable to the increase of the average borrowings in 2020 to finance the expansion of the business, particularly used in the working capital and the expansion in the production capacity.

Cash generated from operations for the year ended 31 December 2020 was HK$599.8 million (2019: HK$249.8 million) and the increase was mainly attributable to the increase in operating profit from HK$224.6 million in the year ended 31 December 2019 to HK$380.4 million during the year ended 31 December 2020 and the increase in credit from the supplier.

Cash used in investing activities for the year ended 31 December 2020 was HK$251.5 million (2019: HK$145.4 million). During the year, the Group made a payment of HK$105.7 million for the acquisition of the land use rights of a piece of land in Huizhou for the construction of a smart manufacturing plant.

During the year ended 31 December 2020, net cash used in financing activities was HK$36.5 million (2019: HK$98.7 million) as the Group increased the level of borrowings to finance the expansion of business during the year ended 31 December 2020.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Within 1 year	**223,168**	120,227
Between 1 and 2 years	**22,736**	30,360
Between 2 and 5 years	**63,373**	11,220
	309,277	161,807

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group operates mainly in the PRC, with notable portion of our revenue 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$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2020, our revenue denominated in USD and HK$ amounted to approximately 57.0% 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 2020, 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 2020, the Group had bank borrowings of HK$309.3 million (2019: HK$161.8 million) which were primarily denominated in HK$, RMB 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 2020, 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 2020 and 2019, the Group held bank balances, term deposits and restricted bank deposits totalling HK$565.4 million, and HK$171.1 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 2020, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 8,000 full-time employees as of 31 December 2020 (2019: 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of five Directors, of whom two are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Hung Kwong Yee (洪光椅先生) ("Chairman Hung"), aged 62, is the Chairman of the Board, an executive Director, the chief executive officer, the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. He is also a director of certain subsidiaries of the Company. Chairman Hung is responsible for the overall strategic planning and overseeing the general management of the Group. He was appointed as a Director in January 2015 and redesignated as the Chairman of the Board and an executive Director with effect from June 2015. Chairman Hung is the father of Mr. Hung Sui Tak, another executive Director until his passing away on 10 October 2020. Besides, Chairman Hung is the director and sole shareholder of "Even Joy Holdings Limited", a substantial shareholder of the Company (the "Shareholder"), and the director of "TinYing Investments Limited" and "TinYing Holdings Limited", both being substantial Shareholders.

Chairman Hung is the founder of the Group. He established his business under the trading name "Ten Pao Company (天寶公司)" in Hong Kong in December 1979 and established the production plant in Huizhou, Guangdong Province in October 1988. Accordingly, he has accumulated over 40 years of experience in the power supply industry. Chairman Hung holds social titles and offices in various statutory bodies and charitable organizations, including a member of the Chinese People's Political Consultative Conference, Anhui Province (安徽省中國人民政治協商會議); the executive vice president of the Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會); the chairman of Huizhou Ganghui Love Foundation (惠州市港惠愛心基金會); the executive vice president of Huizhou Overseas Chinese Enterprises Association (惠州市僑商協會); the honorary president of the Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會); the chairman of the Huizhou Division of the Federation of Hong Kong Industries of Pearl River Delta Council (香港工業總會珠三角工業協會惠州分部); the vice chairman of the Hong Kong Shine Tak Foundation (香港善德基金會); the honorary life chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金會). In addition, the Hong Kong Baptist University has conferred Honorary University Fellowship on Chairman Hung.

Chairman Hung graduated from the High School of Yinglin Middle School of Jinjiang City, Fujian Province (福建省晉江市英林中學高中部) in the PRC in July 1976.

Ms. Yang Bingbing (楊冰冰女士), aged 52, has been appointed as an executive Director with effect from 12 July 2019. She is the vice president of Business Group ("BG") 1(1) of the Group and is responsible for the sales and manufacturing affairs of BG 1(1). Ms. Yang joined the Group in August 2005 as a technical assistant to the chairman in the research and development ("R&D") center and was appointed as the general manager of Business Unit 1 of the Group with effect from April 2013, respectively. She was appointed as the vice president of the Group with effect from 21 December 2017 and as the vice president of BG 1(1) of the Group with effect from 1 January 2019. Ms. Yang has approximately 24 years of experience in design and manufacturing in the power supply industry. Prior to joining the Group, Ms. Yang worked as a manager of automatic instrumentation workshop in Anhui Anqing Nanfeng Household Chemicals Co., Ltd. (安徽安慶南風日化有限責任公司) (formerly known as Anqing City Synthetic Detergent Factory of Anhui Province (安徽省安慶市合成洗滌劑廠)), a detergent manufacturing factory in the PRC, from 1991 to 1996. From 1996 to 2004, she worked as a manager of R&D in Shenzhen Pan Tai Electronic Co., Ltd. (深圳品泰電子有限公司), a power supply product manufacturing company in the PRC. From 2004 to 2005, she worked as a manager of R&D in Leitong Technology Development Co., Ltd. (雷通科技發展有限公司), a power supply product manufacturing company in Hong Kong. Ms. Yang received a bachelor's degree in applied electronic technology from the East China University of Science and Technology (華東理工大學) (formerly known as East China College of Chemical Technology (華東化工學院)) in the PRC in July 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Cheung Chuen (林長泉先生), aged 67, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also a member of the Company's audit committee (the "Audit Committee"), the Remuneration Committee and the Nomination Committee. Mr. Lam is a founder of Sun Tin Lun Garment Accessories (Huizhou) Co., Ltd. (新天倫服裝配料(惠州)有限公司), a garment accessories manufacturing company in the PRC, and Sun Tin Lun Apparel Accessories (Huizhou) Co., Ltd. (新天倫服裝輔料(惠州)有限公司), an apparel accessories manufacturing company in the PRC.

Mr. Lam completed his primary school education in the PRC in July 1966 and was conferred Honorary University Fellowship by the Hong Kong Baptist University in September 2015. Mr. Lam has over 28 years of experience in the garment accessories manufacturing industry. Mr. Lam was a special committee member of the 11th session and a member of the 12th session of Huizhou City Committee of Guangdong Province of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會). Mr. Lam holds a number of social titles including the president of the 6th council of Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會), the executive vice president of the 7th council of Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), the executive vice chairman of the 1st council of Huizhou Overseas Chinese Enterprises Association (惠州市僑商投資企業協會), an executive member of the Huizhou Division of the Federation of Hong Kong Industries of Pearl River Delta Council (香港工業總會珠三角工業協會惠州分部), a consultant of the Hong Kong Shine Tak Foundation (香港善德基金會), the honorary life chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金會) and the vice president of the Hong Kong Lin Commerce of Chamber (香港林氏總商會). Mr. Lam is also the chairman of the board of directors and a non-executive director of Reach New Holdings Limited (stock code: 8471), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chu Yat Pang Terry (朱逸鵬先生), aged 49, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. At present, Mr. Chu is a Managing Director of Halcyon Capital Limited which specializes in initial public offerings and corporate advisory in mergers and acquisitions. Mr. Chu possesses over 27 years of experience in corporate finance and auditing. Mr. Chu used to work for an international accounting firm and other corporate finance arms of listed financial institutions in Hong Kong. Mr. Chu graduated from the University of Western Ontario in Canada with a Bachelor of Arts degree in 1992 and from the University of Hull in the United Kingdom with a Master of Business Administration (Investment & Finance) degree in 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chu is also an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange: Hong Kong Finance Group Limited (stock code: 1273) and AB Builders Group Limited (stock code: 1615).

Mr. Lee Kwan Hung (李均雄先生), aged 55, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Lee has approximately 30 years of experience in legal services. Mr. Lee commenced working in Woo Kwan Lee & Lo, a law firm in Hong Kong, in 1989 and worked as a partner from 2001 to 2011. He worked in the Listing Division of the Stock Exchange, where he successively served as a manager and senior manager from 1992 to 1994. He joined Howse Williams, a law firm in Hong Kong, as a consultant in 2014. Mr. Lee received a bachelor's degree in laws (honours) and a postgraduate certificate in laws from The University of Hong Kong in November 1988 and September 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

Currently, Mr. Lee is acting as an independent non-executive director of the following companies listed on the Stock Exchange:

Name of listed company	Stock code
China BlueChemical Ltd.	3983
Embry Holdings Limited	1388
FSE Services Group Limited	331
Glory Sun Financial Group Limited	1282
NetDragon Websoft Holdings Limited	777
Newton Resources Ltd	1231
Red Star Macalline Group Corporation Ltd.	1528
Tenfu (Cayman) Holdings Company Limited	6868

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business.

Mr. Tse Chung Shing (謝仲成先生), aged 50, is the vice president of our Group, the company secretary and chief financial officer of our Company. He is responsible for the financial reporting and investors' relationship matters of our Group. He joined our Group in December 2010 as a financial controller, and was appointed as the company secretary and chief financial officer of our Company with effect from June 2015 and November 2015, respectively. He was appointed as the vice president of our Group with effect from 21 December 2017. Mr. Tse has approximately 28 years of experience in auditing, accounting and corporate finance. Prior to joining our Group, he worked in the advisory assurance department in Ernst & Young, an international accounting firm, from 1992 to 2003, with his last position as a senior manager. From 2004 to 2009, he worked as a financial controller in Fung Yue Electrical Machinery Co., Ltd. (豐裕電機工程有限公司), an automation equipment manufacturing company in Hong Kong. Mr. Tse received a bachelor's degree in accountancy (honours) from the City University of Hong Kong in November 1992. Mr. Tse has been a member of the Association of Chartered Certified Accountants since December 1997 and became a fellow member in December 2002.

Mr. Philip Yue (余德輝先生), aged 61, is the vice president of Business Group (BG) 2[(2)] and the chief strategy officer of our Group. Mr. Yue joined our Group and was appointed as the vice president and the chief strategy officer with effect from 21 December 2017 and as the vice president of BG 2[(2)] of our Group with effect from 1 January 2019. He has approximately 38 years of experience in senior management role, with Greater China, Asia Pacific as well as Global responsibilities. Prior to joining Ten Pao, from 1999 to 2008, Mr. Yue was Managing Director China and APAC vice president for Atos Origin, a leading European consulting and IT service company headquartered in France (Euronext: ATO). From 2008 to 2012, Mr. Yue served as Group vice president for Suntech Power Holdings Limited (尚德電力控股集團) (NYSE: STP), an integrated PV manufacturer, leading strategic value chain integration and global supply chain functions. From 2013 to 2014, he served Sky Solar Holdings Limited (天華陽光控股集團), a US listed (Nasdaq: skys), global renewable power asset developer, as Group vice president operations. From 2015 to 2017, Mr. Yue was director and partner of Quality Link Consultants (Shanghai) Limited (上海淩駿科技諮詢有限公司), a Shanghai based consulting and advisory firm providing advisory service on business strategies, M&A, organization development and performance improvement programs. Before moved to China in 1999, Mr. Yue was board member and chief executive officer for several leading information technology companies in Hong Kong and Australia. Earlier in his career, Mr. Yue had served Citibank as vice president in Corporate Banking, based in Hong Kong. Mr. Yue received a bachelor of science degree from University of London in 1980 and a MBA from University of East Asia in 1986.

Mr. Li Hongxing (李紅星先生), aged 44, is the director of strategic procurement of our Group. He joined the Group in September 2012 and is responsible for the strategic procurement of our Group. Mr. Li has approximately 21 years of experience in the procurement industry. Prior to joining our Group, Mr. Li worked as a vice manager of supply chain in Fuhuajie Industrial (Shenzhen) Co., Ltd. of Foxconn Technology Group (富士康科技集團富華傑工業(深圳)有限公司), an electronic product manufacturing company in the PRC, from 1999 to 2011. From 2011 to 2012, he worked as an operation director responsible for procurement in Shenzhen Haoen Acoustics Co., Ltd. (深圳市豪恩聲學股份有限公司), an acoustic equipment manufacturing company in the PRC. From March 2012 to August 2012, Mr. Li worked as a director of supply chain center in Shenzhen Jasic Technology Co., Ltd. (深圳市佳士科技股份有限公司), a welder equipment manufacturing company listed on the Shenzhen Stock Exchange (stock code: 300193). Mr. Li received a diploma in industrial enterprise management from the Chengdu Electromechanical College (成都電子機械高等專科學校) in the PRC in July 1999 and a master's degree in business management from the University of Electronic Science and Technology (電子科技大學) in the PRC in June 2010.

Mr. Wang Xiu (王修先生), aged 46, is the general manager of the R&D department of our Group and is responsible for the R&D of the Group. Mr. Wang joined our Group in September 2002 as a head of the R&D department and was appointed as the general manager of the R&D department of our Group with effect from January 2016. He has approximately 18 years of experience in the development and management in the power supply industry. Mr. Wang received a bachelor's degree in applied electronics from the Nanchang Hankong University (南昌航空大學) (formerly known as Nanchang Hankong Industrial College (南昌航空工業學院)) in the PRC in July 1995.

Notes:

(1) Business Group 1 is principally engaged in the sales and manufacturing of smart chargers and controllers of power tools for industrial use and switching power supply units for telecommunications devices.

(2) Business Group 2 is principally engaged in the sales and manufacturing of switching power supply units for lighting, media & entertainment, electrical home appliances and others.

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on 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"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing code provision deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Company is headed by an effective Board which is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and the Shareholders at all times.

All Directors have full and timely access to all relevant information of the Group as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense for discharging his/her duties, upon reasonable request made to the Board.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The Executive Committee (the "Executive Committee") and senior management of the Company are delegated with the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board during the year ended 31 December 2020 and up to the date of this report is as follows:

Executive Directors (Note):

Mr. Hung Kwong Yee	*(Chairman of the Board, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Ms. Yang Bingbing	

Independent Non-executive Directors:

Mr. Lam Cheung Chuen	*(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Chu Yat Pang Terry	*(Chairman of the Audit Committee and Member of the Remuneration Committee and the Nomination Committee)*
Mr. Lee Kwan Hung	*(Chairman of the Remuneration Committee and Member of the Audit Committee and the Nomination Committee)*

Note: Mr. Hung Sui Tak (son of Chairman Hung) held the office of executive Director until his decease on 10 October 2020.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Save as disclosed above, none of the members of the Board is related to one another.

A3. Chairman and Chief Executive

According to code provision A.2.1 of the CG Code, 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 (representing more than one half of the Board members) 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.

A4. Independent Non-executive Directors

Throughout the year ended 31 December 2020, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting or related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees. Through participation in Board meetings, and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A5. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Each executive Director is engaged on a service contract for an initial term of 3 years, and will continue thereafter unless or until terminated by either party by giving to the other not less than 3 months' notice in writing. Each of the independent non-executive Directors is appointed for an initial term of 3 years, unless terminated by either party by giving to the other not less than 3 months' notice in writing.

According to clause 84 of the articles of association of the Company (the "Articles"), one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting (the "AGM") provided that every Director shall be subject to retirement by rotation at least once every three years and that any Directors so to retire shall be those who have been longest in office since their last re-election or appointment. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, pursuant to clause 83 of the Articles, any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the Company's forthcoming AGM to be held on Friday, 28 May 2021 (the "2021 AGM"), Chairman Hung and Mr. Lee Kwan Hung shall retire by rotation pursuant to Article 84 stated in the foregoing paragraph. Both of the two retiring Directors, being eligible, will offer themselves for re-election at the 2021 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this annual report, contains detailed information of these two Directors as required by the Listing Rules.

A6. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director shall receive a formal induction on the first occasion of his/her appointment to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, relevant reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their reference and studying.

Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of Directors. According to the training records currently maintained by the Company, during the year ended 31 December 2020, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows *(Note)*:

	Type of training	
	Attending training on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Mr. Hung Kwong Yee	✓	✓
Ms. Yang Bingbing	✓	✓
Mr. Lam Cheung Chuen	✓	✓
Mr. Chu Yat Pang Terry	✓	✓
Mr. Lee Kwan Hung	✓	✓

Note: Excluding the late Mr. Hung Sui Tak who passed away on 10 October 2020.

A7. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2020 are set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors:					
Mr. Hung Kwong Yee	4/4	N/A	1/1	1/1	1/1
Mr. Hung Sui Tak *(Note)*	3/3	N/A	N/A	N/A	1/1
Ms. Yang Bingbing	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Lam Cheung Chuen	4/4	3/3	1/1	1/1	1/1
Mr. Chu Yat Pang Terry	4/4	3/3	1/1	1/1	1/1
Mr. Lee Kwan Hung	4/4	3/3	1/1	1/1	1/1

Note: Prior to the cessation of the late Mr. Hung Sui Tak as an executive Director on 10 October 2020, three Board meetings and one general meeting were held.

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2020.

A8. Directors' and Employees' 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 its own code of conduct regarding Directors' dealings in the securities of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees of the Group who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the year ended 31 December 2020.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees of the Group in advance.

A9. Corporate Governance Functions

The Audit Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Audit Committee has performed corporate governance functions as follows: (i) reviewed and monitored the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees are established with specific written terms of reference which deal clearly with their authority and duties. These terms of reference are posted on the Stock Exchange's website and the Company's website (except for the terms of reference of the Executive Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Executive Committee

The Executive Committee comprises all the executive Directors with Chairman Hung acting as the chairman of the Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended 31 December 2020. The Audit Committee comprises all of the three independent non-executive Directors, with Mr. Chu Yat Pang Terry acting as the chairman of the Committee. Mr. Chu Yat Pang Terry possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; reviewing the Company's financial reporting system, internal control system and risk management systems and effectiveness of the internal audit function; and performing the Company's corporate governance functions.

During the year ended 31 December 2020, the Audit Committee has held three meetings (the attendance records of each Committee member at these meetings are set out in section A7 above) and performed the following major works:

— Reviewed and discussed the annual financial statements, results announcement and annual report for the year ended 31 December 2019, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

— Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2020 and the relevant review findings of the Company's external auditor;

— Reviewed the Group's continuing connected transactions and their renewal;

— Discussed the major internal audit issues;

— Reviewed the Group's financial reporting system and risk management and internal controls systems, and the existing internal audit function of the Company, and made relevant recommendations to the Board;

— Reviewed the compliance with and enforcement of the terms of the Deed of Non-competition by the controlling Shareholders;

— Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters;

— Performed the corporate governance functions as set out in section A9 above; and

— Discussed with the external auditor about the scope of audit work for the year ended 31 December 2020.

The Audit Committee met the external auditor once without the presence of the executive Directors.

Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

B3. Remuneration Committee

The Remuneration Committee consists of a total of four members, being one executive Director, Chairman Hung, and three independent non-executive Directors, Mr. Lee Kwan Hung (chairman of the Committee), Mr. Lam Cheung Chuen and Mr. Chu Yat Pang Terry. Throughout the year ended 31 December 2020, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The principal responsibilities of the Remuneration Committee include reviewing and making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2020, the Remuneration Committee has held one meeting and the attendance records of each Committee member at that meeting are set out in section A7 above. The work performed by the Committee during the year under review included review of the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company and giving relevant recommendations to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management, other than the Directors, by band for the year ended 31 December 2020 is set out below:

Remuneration band (HK$)	Number of individuals
0–1,000,000	1
1,000,001–2,000,000	3
2,000,001–3,000,000	—
3,000,001–4,000,000	—
4,000,001–5,000,000	—

Details of the remuneration of each Director for the year ended 31 December 2020 are set out in note 40 to the financial statements contained in this annual report.

B4. Nomination Committee

The Nomination Committee comprises a total of four members, being Chairman Hung (chairman of the Committee), and three independent non-executive Directors, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung. Throughout the year ended 31 December 2020, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive of the Company.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the Listing Rules, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company has also adopted the Director Nomination Policy, devising the criteria and process of selection and performance evaluation of the Directors. Such policy provides guidance to the Board on nomination and appointment of Directors. The Board believes that a defined selection process is good for corporate governance in ensuring Board continuity and appropriate leadership at Board level, and in enhancing better Board effectiveness and diversity as well as compliance with the applicable rules and regulations.

During the year ended 31 December 2020, the Nomination Committee has held one meeting and the attendance records of each Committee member at that meeting are set out in section A7 above. The works performed by the Committee during the year under review included: (i) review of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) recommendation of the reappointment of the retiring Directors standing for re-election at the Company's AGM held on 29 May 2020; and (iii) assessment of the independence of the existing independent non-executive Directors.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not yet set any measurable objectives for implementing the Board diversity policy.

C. DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditor's Report" in this annual report.

D. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, finance, human resources and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Company's internal audit unit is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit unit examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the year ended 31 December 2020, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

E. COMPANY SECRETARY

The secretary of the Company is Mr. Tse Chung Shing, who is also the chief financial officer of the Company. Mr. Tse fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Tse are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. For the year ended 31 December 2020, Mr. Tse has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

F. EXTERNAL AUDITOR'S REMUNERATION

The fees paid to PricewaterhouseCoopers, the Company's external auditor, in respect of audit and non-audit services for the year ended 31 December 2020 are set out below:

Type of services provided by the external auditor	**Approximate fees paid/ payable** HK$
Audit services — audit fee for the year ended 31 December 2020	2,696,000
Non-audit services — interim review fee for the six months ended 30 June 2020	697,000
TOTAL:	3,393,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and senior staff will be available to answer questions raised by the Shareholders at general meetings of the Company. The Company will also invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any.

In addition, the Company maintains a website at www.tenpao.com as a communication platform with its Shareholders and investors, where information about the Company's business developments and operations and other information are available for public access. Shareholders and investors of the Company may send written enquiries or requests to the Company via the following contact details:

Attention:	Company Secretary
Address:	Rooms 610–612, 6th Floor, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Email:	ir@tenpao.com
Tel:	(852) 2790 5566
Fax:	(852) 2342 0146

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles, any one or more Shareholders holding 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 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; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so 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 the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

I. CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to the Articles since its listing on the Stock Exchange. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. DEED OF NON-COMPETITION

In respect of the compliance of the provisions of the Deed of Non-competition by the controlling Shareholders, please refer to the section headed "Non-competition Undertakings by Controlling Shareholders" set out in the Directors' Report contained in this annual report.

K. POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year or period and any final dividend for a financial year will be subject to Shareholders' approval.

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in the sales and manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements on pages 61 to 67.

The Board has recommended the payment of a final dividend of HK5.5 cents (2019: HK2.8 cents) per ordinary share of the Company for the year ended 31 December 2020 to the Shareholders. The proposed final dividend, subject to the approval of the Shareholders at the 2021 AGM to be held on Friday, 28 May 2021, is expected to be paid on Tuesday, 13 July 2021 to all Shareholders whose names are to be appeared on the register of members of the Company on Friday, 2 July 2021.

BUSINESS REVIEW

A review of the Group's business during the year under review, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2020, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group complies with environmental legislation, encourages "Green Development, Energy Conservation and Emission Reduction", and promotes its awareness to all employees of the Group. The Group's business is inextricably linked to the use of energy. Therefore, the Group has achieved energy conservation and water saving through rectification of its operations and production models. In addition, the Group is closely following the national environmental protection laws and policies to achieve green development.

Further details of the Company's environmental policy and performance for the year under review are to be set out in the "Environmental, Social and Governance Report" of the Company, which will be published on the websites of the Company and of the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive) for the purpose of determining the right to attend and vote at the 2021 AGM. In order to be qualified for attending and voting at the 2021 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, 24 May 2021.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2021 AGM, the register of members of the Company will also be closed from Tuesday, 29 June 2021 to Friday, 2 July 2021 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2020. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the 2021 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 Monday, 28 June 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended 31 December 2020 are set out in the section headed "Five-year Financial Summary" on page 136 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year under review are set out in note 26 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Movements in the reserves of the Group and of the Company during the year under review are set out in the consolidated statement of changes in equity and notes 26, 28 and 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the reserves of the Company available for distribution to Shareholders amounted to approximately HK$262,846,000 (2019: HK$319,468,000).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2020 amounted to HK$1,050,000 (2019: HK$3,440,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year under review are set out in note 15 to the consolidated financial statements.

BORROWINGS

Details of borrowings are set out in note 29 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

During the year under review, other than the share option scheme adopted by the Company on 23 November 2015 (the "Share Option Scheme") as set out in the section headed "Share Option Scheme" and note 27 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the eligible participants (the "Eligible Participants") have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible Participants of the Share Option Scheme include: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including independent non-executive Directors) or any directors of the Company's subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted, but excluding shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme) under the Share Option Scheme shall not exceed 100,000,000 shares, being approximately 9.99% of the total number of issued shares of the Company as at the date of this annual report. Since the adoption of the Share Option Scheme, a total of 19,348,000 share options have been granted, of which 456,000 share options were exercised and 18,892,000 share options were lapsed in accordance with the terms of the Share Option Scheme. Accordingly, the total number of shares currently available for issue under the Share Option Scheme is 99,544,000 shares, being approximately 9.95% of the total number of issued shares of the Company as at the date of this annual report.

The total number of shares of the Company issued and to be issued upon exercise of the options granted under the Share Option Scheme (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The offer of a grant of share options under the Share Option Scheme may be accepted within 30 days from the date of offer upon payment of a consideration of HK$1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years from 23 November 2015, the date of adoption of the Share Option Scheme. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

No movement of share options for the year ended 31 December 2020 is shown in this annual report since (i) there were no outstanding share options as at 1 January 2020; and (ii) there was no grant of share options during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

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 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were 23.7% and 62.5% respectively (2019: 18.5% and 55.8% respectively).

During the year ended 31 December 2020, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were 2.4% and 11.1% respectively (2019: 1.7% and 7.5% respectively).

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the number of the Company's issued shares) had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in note 8 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors

Mr. Hung Kwong Yee
Mr. Hung Sui Tak *(Note)*
Ms. Yang Bingbing

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung

Note: Mr. Hung Sui Tak held the office of executive Director until his decease on 10 October 2020.

In the 2021 AGM, Mr. Hung Kwong Yee and Mr. Lee Kwan Hung will retire as Directors by rotation in accordance with Article 84 of the Articles. Both of the two retiring Directors, being eligible, will offer themselves for re-election at the 2021 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 37 "Related Party Transactions" to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity or a controlling Shareholder (or any of its subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2020 or at any time during the year ended 31 December 2020.

DIRECTORS' RIGHTS TO PURCHASE SHARE OR DEBENTURES

Apart from the Share Option Scheme as set out in the section headed "Share Option Scheme" above and note 27 to the consolidated financial statements, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such rights.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2020, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement under Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

Continuing connected transactions which are subject to the reporting and announcement requirements

(A) Leasing of properties from the associates of Chairman Hung

2020 Tenancy Agreements

The Group has entered into the following tenancy agreements, namely, the 2020 Sky Fortune Tenancy Agreement, the 2020 Golden Ocean Wire Tenancy Agreement and the 2020 Tiannengyuan Charging Tenancy Agreement (collectively, the "2020 Tenancy Agreements"):

2020 Sky Fortune Tenancy Agreement

Date	:	31 December 2019
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Sky Fortune Enterprise Limited ("Sky Fortune")
Lessee	:	Ten Pao International Limited ("Ten Pao International"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	HK$58,000
Term	:	1 January 2020 to 31 December 2020 (both days inclusive)
Usage	:	Office premises

The annual cap of rent payable by Ten Pao International to Sky Fortune for the year ended 31 December 2020 was HK$696,000. The rental under the 2020 Sky Fortune Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2019; and (ii) the prevailing market rent for comparable properties.

The actual transaction amount under the 2020 Sky Fortune Tenancy Agreement during the year ended 31 December 2020 was HK$696,000.

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune are held by Chairman Hung, an executive Director and a controlling Shareholder, and Ms. Yeh Chin Lian, the spouse of Chairman Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Sky Fortune Tenancy Agreement constituted continuing connected transaction for the Company.

2020 Golden Ocean Wire Tenancy Agreement

Date	:	31 December 2019
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City, the PRC* (中國惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Huizhou Golden Ocean Wire Co., Limited* (惠州市鑫洋線業有限公司) ("Golden Ocean Wire")
Lessee	:	Huizhou Jinhu Industrial Development Co., Ltd.* (惠州市錦湖實業發展有限公司) ("Jinhu Industrial"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	RMB260,000 (equivalent to approximately HK$289,658)
Term	:	1 January 2020 to 31 December 2020 (both days inclusive)
Usage	:	Production facilities and staff quarters

The annual cap of rent payable by Jinhu Industrial to Golden Ocean Wire for the year ended 31 December 2020 was RMB3,120,000 (equivalent to approximately HK$3,475,896). The rental under the 2020 Golden Ocean Wire Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2019; and (ii) the prevailing market rent for comparable properties.

The actual transaction amount under the 2020 Golden Ocean Wire Tenancy Agreement during the year ended 31 December 2020 was RMB3,120,000 (equivalent to approximately HK$3,380,000).

100% of the registered capital of Golden Ocean Wire is held by Golden Ocean Copper Manufacturer Co., Limited* (鑫洋銅工業有限公司) ("Golden Ocean Copper") and approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper are held by Year Industries Limited and Grateful World International Limited, respectively. The entire issued share capital of Year Industries Limited is held by Ms. Yeh Chin Lian, the spouse of Chairman Hung, on trust for and on behalf of Chairman Hung, an executive Director and a Controlling Shareholder, and Chairman Hung is able to control the exercise of voting power at general meetings and control the composition of board of directors of Golden Ocean Copper. Since Golden Ocean Wire is directly wholly-owned by Golden Ocean Copper, Golden Ocean Wire is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Golden Ocean Wire Tenancy Agreement constituted continuing connected transaction for the Company.

* For identification purpose only

2020 Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2019
Location	:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Huizhou Tiannengyuan Charging Technology Co., Ltd.* (惠州天能源充電技術有限公司) ("Tiannengyuan Charging")
Lessee	:	Ten Pao Electronic (Huizhou) Co., Ltd.* (天寶電子(惠州)有限公司) ("Ten Pao Electronic (Huizhou)"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	RMB430,000 (equivalent to approximately HK$479,050)
Term	:	1 January 2020 to 31 December 2020 (both days inclusive)
Usage	:	Production facilities and staff quarters

The annual cap of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for the year ended 31 December 2020 was RMB5,160,000 (equivalent to approximately HK$5,748,600). The rental under the 2020 Tiannengyuan Charging Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2019; and (ii) the prevailing market rent for comparable properties.

The actual transaction amount under the 2020 Tiannengyuan Charging Tenancy Agreement during the year ended 31 December 2020 was RMB5,160,000 (equivalent to approximately HK$5,481,000).

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging Technology Limited and 100% of the issued share capital of Ten Power Charging Technology Limited is held by Ease Bright Holdings Limited, which is a company wholly-owned by Chairman Hung, an executive Director and a controlling Shareholder, Tiannengyuan Charging is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Tiannengyuan Charging Tenancy Agreement constituted continuing connected transaction for the Company.

To aggregate the transactions of leasing of properties by our Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate of annual caps of rent payable to the associates of Chairman Hung as mentioned above by our Group for the 2020 Tenancy Agreements was HK$9,920,496 for the year ended 31 December 2020.

As one or more of the applicable ratios (other than the profits ratio) in respect of the annual caps for the 2020 Tenancy Agreements were more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2020 Tenancy Agreements in aggregate were subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

2021 Tenancy Agreements

The 2020 Tenancy Agreements had expired on 31 December 2020. Since the Directors considered that leasing the existing properties under the 2020 Tenancy Agreements would minimise the costs of relocation and prevent interruption of the Group's production, the Group has entered into the following tenancy agreements, namely, the 2021 Sky Fortune Tenancy Agreement, the 2021 Golden Ocean Wire Tenancy Agreement and the 2021 Tiannengyuan Charging Tenancy Agreement (collectively, the "2021 Tenancy Agreements"):

2021 Sky Fortune Tenancy Agreement

Date	:	31 December 2020
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Sky Fortune
Lessee	:	Ten Pao International
Monthly rental	:	HK$58,000
Term	:	1 January 2021 to 31 December 2021 (both days inclusive)
Usage	:	Office premises

The aggregate amount of rent payable by Ten Pao International to Sky Fortune for the year ending 31 December 2021 will not exceed HK$696,000. The rental payable under the 2021 Sky Fortune Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid of HK$696,000 for the year ended 31 December 2020; and (ii) the prevailing market rent for comparable properties of similar type, age and location.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2021 Sky Fortune Tenancy Agreement, please refer to the paragraph headed "2020 Tenancy Agreements — 2020 Sky Fortune Tenancy Agreement" in this section.

2021 Golden Ocean Wire Tenancy Agreement

Date	:	31 December 2020
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City, the PRC* (中國惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Golden Ocean Wire
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB260,000 (equivalent to approximately HK$291,186)
Term	:	1 January 2021 to 31 December 2021 (both days inclusive)
Usage	:	Production facilities and staff quarters

* For identification purpose only

The aggregate amount of rent payable by Jinhu Industrial to Golden Ocean Wire for the year ending 31 December 2021 will not exceed RMB3,120,000 (equivalent to approximately HK$3,494,232). The rental payable under the 2021 Golden Ocean Wire Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the rent paid to Golden Ocean Wire in respect of the leased properties under the 2020 Golden Ocean Wire Tenancy Agreement of RMB3,120,000 (equivalent to approximately HK$3,380,000) for the year ended 31 December 2020; (ii) the prevailing market rent for comparable properties of similar type, age and location; and (iii) the exchange rate movement of RMB and HKD during the lease term.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2021 Golden Ocean Wire Tenancy Agreement, please refer to the paragraph headed "2020 Tenancy Agreements — 2020 Golden Ocean Wire Tenancy Agreement" in this section.

2021 Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2020
Location	:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Tiannengyuan Charging
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB430,000 (equivalent to approximately HK$481,577)
Term	:	1 January 2021 to 31 December 2021 (both days inclusive)
Usage	:	Production facilities and staff quarters

The aggregate amount of rent payable by Jinhu Industrial to Tiannengyuan Charging for the year ending 31 December 2021 will not exceed RMB5,160,000 (equivalent to approximately HK$5,778,922). The rental payable under the 2021 Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid of RMB5,160,000 (equivalent to approximately HK$5,481,000) for the year ended 31 December 2020 paid by Ten Pao Electronic (Huizhou) under the 2020 Tiannengyuan Charging Tenancy Agreement; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2021 Tiennengyuan Charging Tenancy Agreement, please refer to the paragraph headed "2020 Tenancy Agreements — 2020 Tiennengyuan Charging Tenancy Agreement" in this section.

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent payable to the associates of Chairman Hung pursuant to the 2021 Tenancy Agreements by the Group for the year ending 31 December 2021 will not exceed approximately HK$9,969,154.

As one or more of the applicable ratios (other than the profits ratio) in respect of the annual caps for the 2021 Tenancy Agreements are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2021 Tenancy Agreements in aggregate are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Purchase of direct current ("DC") cables and copper wires from Huizhou Xinyang Cables Co., Limited (惠州市鑫洋線材有限公司) ("Huizhou Xinyang")*

On 29 December 2017, our Company entered into a framework purchase agreement with Huizhou Xinyang, pursuant to which Huizhou Xinyang agreed to supply DC cables and copper wires to our Group to be used in our products for domestic sales in the PRC for a term commencing from 1 January 2018 to 31 December 2020, both days inclusive (the "2018 Huizhou Xinyang Framework Purchase Agreement"). The 2018 Huizhou Xinyang Framework Purchase Agreement has expired on 31 December 2020.

Having considered several factors such as, the expected demand for the Group's products for sales within the PRC and the projected demand of DC cables and copper wires that the Group would purchase from Huizhou Xinyang in the three years ended 31 December 2018, 2019 and 2020, our Directors estimated that the maximum transaction amount under the 2018 Huizhou Xinyang Framework Purchase Agreement would not exceed HK$7,000,000, HK$7,000,000 and HK$7,000,000 for the three years ended 31 December 2018, 2019 and 2020, respectively. The actual transaction amount under the 2018 Huizhou Xinyang Framework Purchase Agreement during the year ended 31 December 2020 was HK$0.

Approximately 92.8% and 7.2% of the equity interest of Huizhou Xinyang is held by Mr. Xu Jianshe, brother-in-law of Chairman Hung, and an independent third party, respectively. Since Mr. Xu Jianshe is the brother-in-law of Chairman Hung, an executive Director and a controlling Shareholder, Huizhou Xinyang is deemed as a connected person of our Company and the transactions pursuant to the 2018 Huizhou Xinyang Framework Purchase Agreement constituted continuing connected transactions for our Company.

* For identification purpose only

(C) Purchase of DC cables and copper wires from Golden Ocean Copper

(i) 2018 Golden Ocean Copper Framework Purchase Agreement

On 29 December 2017, our Company entered into a framework purchase agreement with Golden Ocean Copper (the "2018 Golden Ocean Copper Framework Purchase Agreement"), pursuant to which Golden Ocean Copper agreed to supply DC cables and copper wires to our Group to be used in our products for overseas sales outside the PRC from 1 January 2018 to 31 December 2020 (both days inclusive).

Having considered several factors such as, the expected demand for the Group's products for sales outside the PRC and the projected demand of DC cables and copper wires that the Group would purchase from Golden Ocean Copper in the three years ended 31 December 2018, 2019 and 2020, our Directors estimated that the maximum transaction amount under the 2018 Golden Ocean Copper Framework Purchase Agreement would not exceed HK$70,000,000, HK$70,000,000 and HK$70,000,000 for the three years ended 31 December 2018, 2019 and 2020, respectively. The actual transaction amount under the 2018 Golden Ocean Copper Framework Purchase Agreement during the year ended 31 December 2020 was HK$69,928,000.

Golden Ocean Copper is a connected person of the Company. For details of such connected relationship, please refer to the paragraph headed "2020 Tenancy Agreements — 2020 Golden Ocean Wire Tenancy Agreement" in this section.

To aggregate the transactions of purchasing DC cables and copper wires by the Group from Huizhou Xinyang and Golden Ocean Copper under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate of annual caps payable by the Company pursuant to the 2018 Huizhou Xinyang Framework Purchase Agreement and the 2018 Golden Ocean Copper Framework Purchase Agreement (collectively, the "2018 Framework Purchase Agreements") for the year ended 31 December 2020 was HK$77,000,000.

Since one or more of the applicable ratios (other than the profits ratio) in respect of the annual caps for the 2018 Framework Purchase Agreements were more than 0.1% but less than 5% on an annual basis, the transactions under the 2018 Framework Purchase Agreements for the year ended 31 December 2020 were subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(ii) 2021 Golden Ocean Copper Framework Purchase Agreement

As the 2018 Golden Ocean Copper Framework Purchase Agreement has expired on 31 December 2020, on 31 December 2020, the Company entered into the 2021 Golden Ocean Copper Framework Purchase Agreement with Golden Ocean Copper, pursuant to which Golden Ocean Copper agreed to supply DC cables and copper wires to the Group to be used in its products for sales outside the PRC from 1 January 2021 to 31 December 2023 (both days inclusive).

The Directors estimate that the maximum transaction amounts under the 2021 Golden Ocean Copper Framework Purchase Agreement will not exceed HK$95,000,000, HK$95,000,000 and HK$95,000,000 for the three years ending 31 December 2021, 2022 and 2023, respectively. Such estimate is based on the following considerations: (a) the expected demand for the Group's products for sales outside the PRC for the three years ending 31 December 2021, 2022 and 2023; (b) the projected demand of DC cables and copper wires that the Group would purchase from Golden Ocean Copper to be used in the Group's products for sales outside the PRC for the three years ending 31 December 2021, 2022 and 2023; (c) the increasing demand of the smart chargers and controllers for the Group's power tools segment; (d) the estimated market prices of DC cables and copper wires in the PRC market; and (e) the historical increase of purchase of the DC cables and copper wires from Golden Ocean Copper of approximately 10% from HK$62,693,000 for the year ended 31 December 2019 to HK$68,974,000 for 11 months ended 30 November 2020.

Since one or more of the applicable ratios (other than the profits ratio) in respect of the annual caps for the 2021 Golden Ocean Copper Framework Purchase Agreement are more than 0.1% but less than 5% on an annual basis, the transactions under the 2021 Golden Ocean Copper Framework Purchase Agreement are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2020 and 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 agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 37 to the consolidated financial statements. Those related party transactions, which constituted connected transactions/continuing connected transactions under the Listing Rules, are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 42 to 51 in compliance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2020, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Chairman Hung, Even Joy Holdings Limited, TinYing Holdings Limited and TinYing Investments Limited (collectively, the "Controlling Shareholders") have entered into a deed of non-competition dated 23 November 2015 (the "Deed") with the Company. Pursuant to the Deed, each of the Controlling Shareholders shall not and shall procure that their associates (other than members of the Group) and companies excluded from the Group not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on their own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the existing business activities of the Group. Details of the Deed are set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 30 November 2015 (the "Prospectus").

The Company has received confirmation from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they fully complied with the Deed for the year ended 31 December 2020. The independent non-executive Directors have reviewed the confirmation from the Controlling Shareholders and concluded that the terms of the Deed were complied with and were effectively enforced during the year ended 31 December 2020.

The Company confirms that it has complied with the corporate governance measures as set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in shares of the Company

Name of Director	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Chairman Hung	Beneficial owner		17,540,000	1.75%
	Interest of a controlled corporation	1	338,012,000	33.79%
	Founder of a discretionary trust	2	300,000,000	29.99%
		Total	655,552,000	65.53%
Yang Bingbing	Beneficial owner		420,000	0.04%
Lam Cheung Chuen	Beneficial owner		1,000,000	0.10%

Notes:

1. These shares are held by Even Joy Holdings Limited, a company wholly owned by Chairman Hung. By virtue of the SFO, Chairman Hung is deemed to be interested in these shares held by Even Joy Holdings Limited.

2. These shares are held by TinYing Investments Limited, a company wholly owned by TinYing Holdings Limited, which is in turn wholly owned by Vistra Trust (BVI) Limited acting as the trustee of The TinYing Trust (the "Family Trust"). The Family Trust is a discretionary trust established by Chairman Hung as settlor. The beneficiaries of the Family Trust are Chairman Hung, certain of his family members and other persons who may be added or amended from time to time. By virtue of the SFO, Chairman Hung, TinYing Holdings Limited and Vistra Trust (BVI) Limited are deemed to be interested in these shares held by TinYing Investments Limited.

* The percentage represents the number of shares of the Company interested divided by the number of the Company's issued shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any 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), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company, as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long position in shares of the Company

Name of Shareholder	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Even Joy Holdings Limited	Beneficial owner	1	338,012,000	33.79%
TinYing Investments Limited	Beneficial owner	1	300,000,000	29.99%
TinYing Holdings Limited	Interest of a controlled corporation	1	300,000,000	29.99%
Vistra Trust (BVI) Limited	Trustee of a discretionary trust	1	300,000,000	29.99%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner		80,576,000	8.05%
FIL Limited	Interest of controlled corporations	2	80,076,000	8.00%
Pandanus Partners L.P.	Interest of controlled corporations	2	80,076,000	8.00%
Pandanus Associates Inc.	Interest of controlled corporations	2	80,076,000	8.00%

Notes:

1. These interests are also disclosed as the interests of Chairman Hung in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".

2. According to the disclosure of interest notice filed by Pandanus Associates Inc. ("Pandanus") on 26 August 2020, these shares are held by FIL Investment Management (Hong Kong) Limited ("FIL HK"), a wholly-owned subsidiary of FIL Asia Holdings Pte Limited ("FIL Asia"), which is in turn wholly-owned by FIL Limited ("FIL"). FIL is 37.01% controlled by Pandanus Partners L.P. ("Pandanus L.P."), which is in turn wholly-owned by Pandanus. By virtue of the SFO, Pandanus, Pandanus L.P., FIL and FIL Asia are deemed to be interested in these shares held by FIL HK.

* The percentage represents the number of shares of the Company interested divided by the number of the Company's issued shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, other than the Directors and the chief executive of the Company whose interests are set out in the above paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", no person had any interest or short position in the shares or underlying shares of the Company recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has met the Listing Rules requirement of having a sufficient public float, i.e. at least 25% of the Company's total number of issued shares (being the minimum prescribed percentage under the Listing Rules) were held by the public.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2021 AGM.

On behalf of the Board
Hung Kwong Yee
Chairman & Chief Executive Officer

Hong Kong, 19 March 2021

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Ten Pao Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 135, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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.

Key audit matter identified in our audit is related to the impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
We assessed the adequacy of the Group's disclosures related to impairment of trade receivables in Note 4.1 "Critical accounting estimates and assumptions" and Note 21(c) "Allowance for impairment of trade receivables" to the consolidated financial statements. We focused on this area because the allowance for impairment of trade receivables is mainly related to specific customers (HK$3.54 million as at 31 December 2020) and has decreased by approximately HK$11.65 million or 76.70% comparing with that of last year, as the Group has written off allowance for impairment of HK$14.08 million made in prior years as not recoverable during the year (31 December 2019: Nil). Management estimated the expected credit losses of trade receivables based on assessments about risk of default and expected credit loss rates. The Group used judgement in making these assessments and selecting the inputs used in the expected credit losses calculation, based on the Group's customers' credit history and relevant information, existing market conditions as well as forward looking estimates at the end of each reporting period. As at 31 December 2020, the carrying amounts of the receivable were approximate to their fair values.	In responding to this key audit matter, we performed the following procedures, (i) We obtained an understanding of the management's internal control and assessment process of impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We understood, evaluated and tested credit control procedures of the trade receivables including the monthly management review of ageing, repayment and impairment assessment of trade receivables. (iii) For those items with impairment provision being made, we reviewed the impairment calculations, focusing on the estimated amount to be recovered and timing of the recovery with reference to the supporting documents, e.g. repayment schedules of trade receivables. (iv) We requested confirmations for major year end balances. Where confirmations had not been received or received with difference, we sought explanation from client and checked to their original sales contracts, delivery documents and their subsequent settlement after year end date. (v) We assessed the adequacy of the Group's disclosures related to impairment of trade receivables in notes to the consolidated financial statements. Based on the procedures performed and evidence obtained, we found accounting estimates and judgments in relation to the provision for impairment of trade receivables as at 31 December 2020 is supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 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.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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.

Audit Committee are responsible for overseeing the Group's financial reporting process.

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. We report our opinion 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 HKSAs 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

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, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Cheung Chin Hoo, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Revenue	5	**4,488,625**	3,636,291
Cost of sales	7	**(3,661,286)**	(3,003,095)
Gross profit		**827,339**	633,196
Other income	6	**13,569**	10,945
Other losses — net	6	**(24,428)**	(4,912)
Selling expenses	7	**(155,675)**	(148,062)
Administrative expenses	7	**(278,977)**	(266,285)
Net impairment losses on financial assets	3.1(c)	**(1,383)**	(305)
Operating profit		**380,445**	224,577
Finance income	9	**581**	615
Finance expenses	9	**(7,205)**	(8,272)
Finance expenses — net	9	**(6,624)**	(7,657)
Profit before income tax		**373,821**	216,920
Income tax expense	10	**(85,189)**	(40,461)
Profit for the year		**288,632**	176,459
Profit for the year attributable to:			
Owners of the Company		**289,057**	176,752
Non-controlling interests		**(425)**	(293)
		288,632	176,459
Earnings per share			
— basic and diluted per share	11	**HK 28.9 cents**	HK 17.7 cents

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Profit for the year		**288,632**	176,459
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**80,118**	(15,417)
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		**(4,508)**	236
		75,610	(15,181)
Total comprehensive income for the year attributable to:			
Owners of the Company		**364,667**	161,571
Non-controlling interests		**(425)**	(293)
		364,242	161,278

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	**5,205**	4,763
Property, plant and equipment	*13*	**585,214**	495,038
Right-of-use assets	*14*	**116,611**	11,881
Investment properties	*15*	**7,100**	7,500
Intangible assets	*16*	**11,009**	10,600
Deferred income tax assets	*32*	**37,152**	22,517
Financial assets at fair value through profit or loss	*24*	**3,131**	3,043
Financial assets at fair value through other comprehensive income	*20*	**12,487**	17,017
Prepayments for the purchase of property, plant and equipment		**31,210**	27,721
		809,119	600,080
Current assets			
Inventories	*19*	**1,039,894**	574,382
Trade and other receivables	*21*	**1,216,560**	867,514
Amounts due from related parties	*37(c)*	**1,464**	1,320
Cash and cash equivalents	*22*	**426,573**	158,031
Restricted bank deposits	*25*	**138,855**	13,058
		2,823,346	1,614,305
Total assets		**3,632,465**	2,214,385
EQUITY			
Share capital	*26*	**10,005**	10,005
Share premium	*26*	**125,788**	125,788
Other reserves	*28*	**120,701**	37,280
Retained earnings		**745,030**	521,810
Equity attributable to owners of the Company		**1,001,524**	694,833
Non-controlling interests		**(718)**	(293)
Total equity		**1,000,806**	694,590

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*29*	**86,109**	41,580
Lease liabilities — non-current	*14*	**6,027**	5,775
Derivative financial instruments — non-current	*23*	**8,945**	153
Deferred income tax liabilities	*32*	**88,031**	59,726
Deferred government grants	*30*	**44,191**	27,225
		233,303	134,459
Current liabilities			
Trade and other payables	*31*	**2,090,532**	1,215,452
Contract liabilities		**14,253**	8,948
Amounts due to related parties	*37(d)*	**17,560**	22,164
Dividend payable		**12**	12
Income tax liabilities		**51,185**	17,214
Lease liabilities — current	*14*	**1,646**	1,319
Short-term bank borrowings	*29*	**142,850**	63,091
Current portion of non-current bank borrowings	*29*	**80,318**	57,136
		2,398,356	1,385,336
Total liabilities		**2,631,659**	1,519,795
Total equity and liabilities		**3,632,465**	2,214,385

The financial statements on pages 61 to 135 were approved by the Board of Directors on 19 March 2021 and were signed on its behalf.

Mr. Hung Kwong Yee
Director

Ms. Yang Bing Bing
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Other Reserves: Statutory reserves HK$'000	Capital reserves HK$'000	Financial assets at fair value through other comprehensive income ("FVOCI") HK$'000	Exchange reserves HK$'000	Share options HK$'000	Total HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2019	10,005	125,788	31,977	338	—	(21,892)	5,468	15,891	431,651	583,335	—	583,335
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	176,752	176,752	(293)	176,459
Other comprehensive income												
Currency translation difference	—	—	—	—	—	(15,417)	—	(15,417)	—	(15,417)	—	(15,417)
Fair value change of FVOCI	—	—	—	—	236	—	—	236	—	236	—	236
Total comprehensive income	—	—	—	—	236	(15,417)	—	(15,181)	176,752	161,571	(293)	161,278
Contributions by and distributions to owners of the Company recognised directly in equity												
Dividends	—	—	—	—	—	—	—	—	(50,023)	(50,023)	—	(50,023)
Total contributions by and distributions to owners of the Company for the year	—	—	—	—	—	—	—	—	(50,023)	(50,023)	—	(50,023)
Transaction with owners												
Appropriation to statutory reserves	—	—	36,570	—	—	—	—	36,570	(36,570)	—	—	—
Transaction with owners, recognised directly in equity	—	—	36,570	—	—	—	—	36,570	(36,570)	—	—	—
Balance at 31 December 2019	10,005	125,788	68,547	338	236	(37,309)	5,468	37,280	521,810	694,883	(293)	694,590

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Share capital HK$'000	Share premium HK$'000	Other Reserves: Statutory reserves HK$'000	Other Reserves: Capital reserves HK$'000	Other Reserves: Financial assets at FVOCI HK$'000	Other Reserves: Exchange reserves HK$'000	Other Reserves: Share options HK$'000	Other Reserves: Total HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2020	10,005	125,788	68,547	338	236	(37,309)	5,468	37,280	521,810	694,883	(293)	694,590
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	289,057	289,057	(425)	288,632
Other comprehensive income												
Currency translation difference	—	—	—	—	(3)	80,121	—	80,118	—	80,118	—	80,118
Fair value change of FVOCI	—	—	—	—	(4,508)	—	—	(4,508)	—	(4,508)	—	(4,508)
Total comprehensive income	—	—	—	—	(4,511)	80,121	—	75,610	289,057	364,667	(425)	364,242
Contributions by and distributions to owners of the Company recognised directly in equity												
Dividends (Note 33)	—	—	—	—	—	—	—	—	(58,026)	(58,026)	—	(58,026)
Total contributions by and distributions to owners of the Company for the year	—	—	—	—	—	—	—	—	(58,026)	(58,026)	—	(58,026)
Transaction with owners												
Appropriation to statutory reserves	—	—	7,811	—	—	—	—	7,811	(7,811)	—	—	—
Transaction with owners, recognised directly in equity	—	—	7,811	—	—	—	—	7,811	(7,811)	—	—	—
Balance at 31 December 2020	10,005	125,788	76,358	338	(4,275)	42,812	5,468	120,701	745,030	1,001,524	(718)	1,000,806

The above consolidated statement of changes in equity should be read in conjunction with the accompanying note.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	599,846	249,832
Interest paid		(7,296)	(8,403)
Income tax paid		(40,133)	(31,461)
Net cash generated from operating activities		552,417	209,968
Cash flows from investing activities			
Purchase of right-of-use assets		(105,718)	—
Purchase of property, plant and equipment		(162,983)	(170,201)
Purchase of intangible assets		(3,653)	(6,360)
Proceeds from disposal of property, plant and equipment	*34(b)*	5,583	7,036
Grants from government related to assets	*30*	15,285	24,170
Net cash used in investing activities		(251,486)	(145,355)
Cash flows from financing activities			
Proceeds from bank borrowings	*34(d)*	1,186,298	1,623,517
Repayments of bank borrowings	*34(d)*	(1,037,524)	(1,669,228)
Dividends paid		(58,026)	(50,023)
Increase in restricted bank deposits		(125,797)	(2,187)
Principal elements of lease payments		(1,417)	(813)
Net cash used in financing activities		(36,466)	(98,734)
Net increase/(decrease) in cash and cash equivalents		264,465	(34,121)
Cash and cash equivalents at beginning of the year		158,031	193,797
Exchange gains/(losses) on cash and cash equivalents		4,077	(1,645)
Cash and cash equivalents at end of the year		426,573	158,031
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		426,573	158,031

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

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 Drive, 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"). 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").

These financial statements are presented in HK dollars, unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 19 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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).

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the derivative financial instruments, the financial assets at fair value through profit or loss ("FVPL") and the financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of Material — amendments to HKAS 1 and HKAS 8*
- *Definition of a Business — amendments to HKFRS 3*
- *Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7*
- *Revised Conceptual Framework for Financial Reporting*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group (Continued)

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS Standards 2018–2020 Cycle*
- *Covid-19-Related Rent Concessions — amendments to HKFRS 16*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The Group has early adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (Continued)

Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by 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 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.7 Foreign currency translation

(a) 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"). Renminbi ("RMB") is the functional currency of principal operating subsidiaries of the Group. These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the presentation and functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of 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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

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. Currency translation differences arising are recognised as a separate component of equity in other comprehensive income.

2.8 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated statement of profit or loss over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.9 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining term of the lease and estimated useful lives of assets
Plant and machineries	3–10 years
Furniture and fixtures	5 years
Electronic equipment	3–10 years
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.14).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses — net' in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of profit or loss as part of a valuation gain or loss in 'Other losses — net'.

2.12 Intangible assets

Intangible assets represent patents, computer software and trademarks at historical costs.

Patents are amortised on a straight-line basis over useful lives of 10 years.

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years on a straight-line basis.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 years.

2.13 Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects relating to the design and testing of new and improved products are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Research and development expenditure (Continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives.

2.14 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows cash-generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Investments and other financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses — net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other losses — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(c) for further details.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if not, the gain or loss from fair value change is recognised immediately in the consolidated statement of profit or loss within 'Other losses — net'.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity. It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less or in the normal operating cycle if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Restricted bank deposits

Restricted bank deposits represent deposits held by the bank in a segregated account as security for borrowings from the bank. Such restricted bank deposits will be released when the Group repays the related bank borrowings.

2.22 Share capital

Ordinary shares are classified as equity.

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

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities is provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Employee benefits (Continued)

Housing funds, medical insurance and other social insurances

Full-time employees of the Group's subsidiaries in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made.

2.28 Share-based payment

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.29 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when control of the products has transferred; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods in the PRC and overseas

Revenue from the sale of good directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of products through banks. Cash or bank acceptance notes collected from the customers before product delivery is recognised as contract liability.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases

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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost 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.

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 incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.31 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity 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. Risk management is carried out by senior management of the Group approved by the board of directors.

(a) Foreign exchange risk

The Group operates mainly in the PRC, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HK$ and US dollar ("USD"). Exchange rate fluctuations and market trends have always been a concern of the Group. Foreign currency hedging of the Group has been managed by the Group's chief financial officer, and overseen by the Group's chief executive officer. In accordance with the hedging needs and the then foreign exchange situation, the Group's chief financial officer would gather and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then obtain quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into a hedging agreement. Several hedging contracts have been entered into during the past years.

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2020 HK$'000	2019 HK$'000
Assets		
USD	611,207	396,994
HK$	153,114	133,127
Total	764,321	530,121
Liabilities		
HK$	595,132	451,328
USD	309,860	218,435
Total	904,992	669,763

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable held constant, the profit before income tax would increase/decrease as follows:

	2020 Increase/(decrease) in profit before income tax if exchanges rates change by		2019 Increase/(decrease) in profit before income tax if exchanges rates change by	
	+5%	**−5%**	+5%	−5%
	HK$'000	**HK$'000**	HK$'000	HK$'000
HK$	**22,101**	**(22,101)**	15,910	(15,910)
USD	**(15,067)**	**15,067**	(8,928)	8,928

(b) Price risk

The Group is not exposed to equity securities price risk as it has no investment in equity securities that were publicly traded.

(c) Credit risk

The Group is exposed to credit risk mainly in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables, amounts due from related parties and FVPL.

(i) Risk management and Security

For cash and cash equivalents and restricted bank deposits, the management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade and other receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains an allowance for doubtful accounts and actual losses incurred have been within management's expectations. In addition, in order to reduce the credit risks involved in export sales, the Group maintains a policy of short-term export credit insurance with the China Export and Credit Insurance Corporation (中國出口信用保險公司), an independent insurance company established in the PRC, which covers various credit risks such as customers' bankruptcy, inability to settle payment and refusal to accept our finished products and political risks.

As at 31 December 2020, the Group's credit risk was concentrated to the extent that its five largest customers accounted for 60% (2019: 50%) of the total trade receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(i) Risk management and Security (Continued)

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory, and
- other receivables

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Impairment of trade receivables

Trade and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

As at 31 December 2020, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus, no loss allowance for other receivables was recognised.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of trade receivables (Continued)

Trade and other receivables (Continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows:

31 December 2020	**Less than 3 months**	**More than 3 months but not exceeding 1 year**	**More than 1 year**	**Total**
Expected loss rate	**0.18%**	**4.36%**	**100%**	
Gross carrying amount — trade receivables (HK$'000)	**1,108,673**	**35,184**	**—**	**1,143,857**
Loss allowance (HK$'000)	**2,002**	**1,534**	**—**	**3,536**

31 December 2019	Less than 3 months	More than 3 months but not exceeding 1 year	More than 1 year	Total
Expected loss rate	0.19%	0.94%	100%	
Gross carrying amount — trade receivables (HK$'000)	778,365	46,952	13,232	838,549
Loss allowance (HK$'000)	1,511	443	13,232	15,186

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of trade receivables (Continued)

Trade and other receivables (Continued)

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020 HK$'000	2019 HK$'000
Opening loss allowance at 1 January	**15,186**	15,207
Increase in trade receivables impairment allowance recognised in profit or loss during the year	**1,383**	305
Receivables written off during the year as uncollectible	**(14,084)**	—
Currency translation difference	**1,051**	(326)
At 31 December	**3,536**	15,186

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2020: HK$3,131,000; 2019: HK$3,043,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

The Group maintains prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates, or if floating based on rates at the year-end:

	On demand HK$'000	3 months or less HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
At 31 December 2019					
Bank borrowings	—	82,363	43,121	45,360	170,844
Trade and other payables (excluding non-financial liabilities)	—	807,865	251,537	—	1,059,402
Amounts due to related parties	22,164	—	—	—	22,164
Lease liabilities	—	—	1,319	5,775	7,094
Total	22,164	890,228	295,977	51,135	1,259,504

	On demand HK$'000	3 months or less HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
At 31 December 2020					
Bank borrowings	—	162,994	64,939	92,484	320,417
Trade and other payables (excluding non-financial liabilities)	—	1,493,473	361,704	6,927	1,862,104
Amounts due to related parties	17,560	—	—	—	17,560
Lease liabilities	—	—	1,646	6,027	7,673
Total	17,560	1,636,467	428,289	105,438	2,207,754

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has entered into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk. If the interest rate for variable rate borrowings had been 1% higher/lower for the year ended 31 December 2020 with all other variables being held constant, the Group's profit before tax would have been lower/higher by HK$1,664,000 (2019: HK$987,000).

As at 31 December 2019 and 2020, changes in interest rates within an expected range had no material impact on the interest income of restricted bank deposits and cash and cash equivalents.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2019 and 2020 was as follows:

	2020 HK$'000	2019 HK$'000
Total borrowings	309,277	161,807
Total equity	1,000,806	694,590
Gearing ratio	31%	23%

Gearing ratio has increased to 31% as at 31 December 2020, which is mainly due to the net increase in total borrowings during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by the levels of inputs to valuation techniques. The inputs to valuation techniques are categorized into three levels within a fair value hierarchy, as follows:

- Level 1 — Quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly that is, as prices or indirectly that is, derived from prices.
- Level 3 — Inputs for the asset or liability that are not based on observable market data that is, unobservable inputs.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019 and 2020.

	As at 31 December 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss — non-current	—	—	3,043	3,043
Financial assets at fair value through comprehensive income — non-current	—	—	17,017	17,017
Liabilities				
Derivative financial instruments	—	153	—	153

	As at 31 December 2020			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss — non-current	**—**	**—**	**3,131**	**3,131**
Financial assets at fair value through comprehensive income — non-current	**—**	**—**	**12,487**	**12,487**
Liabilities				
Derivative financial instruments	**—**	**8,945**	**—**	**8,945**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Note that all the resulting fair value estimates are included in level 2 except for certain insurance contracts and unlisted equity instruments as explained below.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

There were no transfers of financial assets between level 2 and level 3 fair value hierarchy classifications during the year.

Quantitative information about fair value measurements using significant unobservable inputs Level 3

Description	Fair value HK$'000	Valuation technique	Unobservable input	Assumption
Insurance for the Controlling Shareholder				
As at 31 December 2019	3,043	Discounted cash flow	Discount rate Death benefit Holding time	3.65% 80% of insurance fee Hold before 99 years old
As at 31 December 2020	3,131	Discounted cash flow	Discount rate Death benefit Holding time	3.65% 80% of insurance fee Hold before 99 years old
Unlisted equity investments				
As at 31 December 2019	17,017	Discounted cash flow	Net profit rate Discount rate	6.2%–13.5% 15.00%
As at 31 December 2020	12,487	Discounted cash flow	Net profit rate Discount rate	8.1%–13.0% 15.00%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Fair value through other comprehensive income HK$'000
Balance as at 1 January 2019	17,119
Fair value change	236
Currency translation differences	(338)
Closing balance as at 31 December 2019	17,017
Balance as at 1 January 2020	**17,017**
Fair value change	**(5,303)**
Currency translation differences	**773**
Closing balance as at 31 December 2020	**12,487**

(i) *Valuation inputs and relationships to fair value (FV)*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of equity investments at FVOCI. See (ii) for the valuation techniques adopted.

Description	Fair value at 31 December 2020 HK$'000	Fair value at 31 December 2019 HK$'000	Un-observable inputs*	Range of inputs (probability-weighted average) 2020	Range of inputs (probability-weighted average) 2019	Relationship of unobservable inputs to fair value
Unlisted equity investments	**12,487**	17,017	Discount rate for discounting estimated cash flows	**14%–16%**	14%–16%	Lower discount rate for discounting estimated cash flows (–1%) and higher net profit rate (+1%) would increase FV by HK$1,706,000; Higher discount rate for discounting estimated cash flows (+1%) and lower net profit rate (–1%) would decrease FV by HK$1,607,000
			Net profit rate	**10%–12%**	7.7%–9.7%	

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

(ii) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Net profit rate for unlisted equity investments are estimated based on market information for similar types of companies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes of the industry cycles of its products. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment of trade receivables

The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(c).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(d) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various interest rate swap contracts, insurance contracts and equity investments that are not traded in active markets.

5 SEGMENT INFORMATION

The chief operating decision-maker has 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.

5 SEGMENT INFORMATION (CONTINUED)

(a) The following tables present information on revenue of the Group by geographical segment.

Revenue from external customers

	2020 HK$'000	2019 HK$'000
PRC (excluding HK)	**2,615,248**	2,267,166
Europe	**575,345**	422,365
Asia (excluding PRC)	**546,300**	462,901
America	**541,018**	190,523
Africa	**166,754**	212,467
Others	**43,960**	80,869
	4,488,625	3,636,291

The revenue information above is based on the customers' delivery address.

(b) Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2020 HK$'000	2019 HK$'000
PRC (excluding HK)	**665,512**	486,382
Hungary	**76,429**	53,540
HK	**14,369**	17,544
Others	**39**	37
	756,349	557,503

5 SEGMENT INFORMATION (CONTINUED)

(c) 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 2020							
Revenue							
Revenue from external customers							
— At a point in time	1,585,568	396,256	172,496	456,064	1,721,640	156,601	4,488,625
Segment results	212,188	76,992	41,847	87,764	376,457	32,091	827,339
Other income							13,569
Other loss — net							(24,428)
Selling expenses							(155,675)
Administrative expenses							(278,977)
Finance expenses — net							(6,624)
Net impairment losses on financial assets							(1,383)
Profit before income tax							373,821

	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 loss — 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

5 SEGMENT INFORMATION (CONTINUED)

(d) Information regarding the Group's revenue by nature:

	2020 HK$'000	2019 HK$'000
Revenue		
Sales of goods	**4,488,625**	3,636,291

Revenue of approximately HK$683,843,000 (2019: HK$652,140,000) are derived from a single external customer. These revenues are mainly attributable to the telecommunication segment (2019: telecommunication segment).

6 OTHER LOSSES — NET

(a) Other income

	2020 HK$'000	2019 HK$'000
Sales of scrap materials	**2,623**	3,009
Sales of raw materials, samples and moulds	**4,951**	1,840
Inspection and certification fee income	**1,772**	2,717
Rental income	**1,390**	1,653
Others	**2,833**	1,726
	13,569	10,945

(b) Other losses — net

	2020 HK$'000	2019 HK$'000
Fair value changes on derivative financial instruments	**(8,792)**	(200)
Fair value changes on financial assets at fair value through profit or loss	**88**	54
Fair value changes on investment properties *(Note 15)*	**(400)**	1,100
Net foreign exchange loss	**(32,922)**	(11,559)
Government grants	**12,864**	9,887
Loss on disposal of property, plant and equipment *(Note 34(b))*	**(2,737)**	(259)
Others	**7,471**	(3,935)
	(24,428)	(4,912)

7 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Changes in inventories of finished goods and work in progress	**(255,913)**	(81,396)
Raw materials and consumables used	**3,336,482**	2,583,507
Employee benefit expenses *(Note 8)*	**560,599**	499,374
Research and development expenses		
— Employee benefit expenses *(Note 8)*	**93,074**	93,221
— Raw materials, consumables used and others	**33,108**	29,842
— Depreciation and amortisation	**10,718**	7,861
Depreciation, amortisation and impairment charges	**82,911**	77,120
Transportation and travelling expenses	**34,948**	32,882
Water and electricity expense	**34,091**	31,269
Commission expenses	**24,603**	23,623
Maintenance expenses	**21,627**	23,130
Operating lease payments *(Note 14)*	**20,742**	16,086
Consultancy fee	**14,308**	12,881
Business tax and surcharge	**14,109**	11,243
Allowance for impairment of inventory *(Note 19)*	**10,240**	9,107
Commercial insurance	**8,870**	7,634
Certificate and detection fees	**12,141**	7,392
Auditors' remuneration		
— Audit services	**3,393**	3,966
— Non-audit services	**2,223**	1,446
Entertainment expenses	**4,354**	5,058
Other taxes and levies	**6,143**	4,505
Communication expenses	**4,258**	3,154
Bank charges	**3,271**	2,902
Advertising expenses	**4,218**	2,878
Other expenses	**11,420**	8,757
Total cost of sales, selling expenses and administrative expenses	**4,095,938**	3,417,442

8 EMPLOYEE BENEFIT EXPENSE

	2020 HK$'000	2019 HK$'000
Wages and bonus	**592,389**	521,628
Pension costs — defined contribution plans (a)	**12,452**	32,170
Other social security costs	**30,749**	16,219
Others allowances and benefits	**18,083**	22,578
	653,673	592,595

(a) Retirement benefits obligation

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee.

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries make contribution to the funds which are calculated as 10%–20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees for the year.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group has no further payment obligations once the contributions have been paid.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors during the year ended 31 December 2020 (2019: 2), whose emoluments are reflected in the analysis presented in Note 40. The emoluments paid to the remaining 3 individuals during the year ended 31 December 2020 (2019: 3) are as follows:

	2020 HK$'000	2019 HK$'000
Wages, salaries, allowance and other benefits	**4,580**	5,109
Contributions to pension plans	**41**	42
	4,621	5,151

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments paid to the remaining individuals fell within the following bands:

	2020 HK$'000	2019 HK$'000
Emolument bands		
HK$250,001–HK$1,000,000	—	—
HK$1,000,001–HK$2,000,000	3	2
HK$2,000,001–HK$3,000,000	—	1
HK$3,000,001–HK$4,000,000	—	—
HK$4,000,001–HK$5,000,000	—	—
HK$5,000,001–HK$6,000,000	—	—

9 FINANCE EXPENSES — NET

	2020 HK$'000	2019 HK$'000
Finance expenses:		
Interest on bank borrowings	(7,178)	(8,205)
Interest expenses on lease liabilities *(Note 14)*	(27)	(67)
	(7,205)	(8,272)
Finance income:		
Interest income	581	615
Finance expenses — net	(6,624)	(7,657)

10 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax		
— PRC corporate income tax ("CIT")	52,603	26,474
— Hong Kong profits tax	21,484	10,689
Subtotal	74,087	37,163
Deferred income tax *(Note 32)*	11,102	3,298
	85,189	40,461

10 INCOME TAX EXPENSE (CONTINUED)

(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. ("Ten Pao Electronic (Huizhou)") was recognized as "New and High Technology Enterprises" and enjoys a preferential CIT rate of 15%. Its CIT rate for the year ended 31 December 2020 was 15% (2019: 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 (2019: Nil).

(f) Hungary corporate income tax

The corporate income tax rate in Hungary is 9% during the year (2019: Nil).

10 INCOME TAX EXPENSE (CONTINUED)

(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:

	2020 HK$'000	2019 HK$'000
Profit before income tax	**373,821**	216,920
Tax calculated at applicable corporate income tax rate of 25%	**93,456**	54,230
Effect of differences in tax rates	**(9,528)**	(4,507)
Preferential tax treatment of CIT	**(13,878)**	(10,327)
Withholding tax	**23,070**	6,876
Tax losses for which no deferred income tax asset was recognised	**2,650**	2,876
Utilisation of tax losses previously not recognised	**(4,281)**	(1,374)
Expenses not deductible for taxation purposes	**5,896**	4,744
Accelerated research and development deductible expenses	**(11,992)**	(11,805)
Income not subject to tax	**(204)**	(252)
	85,189	40,461

The effective corporate income tax rate was 23% for the year (2019: 19%). The increase in the effective corporate income tax rate of 2020 compared to 2019 was primarily due to the increase in the profits of its subsidiaries in the PRC.

11 EARNINGS PER SHARE

1. 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.

	2020	2019
Profit attributable to owners of the Company (HK$'000)	**289,057**	176,752
Weighted average number of shares issued (thousands)	**1,000,456**	1,000,456
Basic earnings per share (HK cents)	**28.9**	17.7

11 EARNINGS PER SHARE (CONTINUED)

2. 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 during the year as all the outstanding share options were lapsed on 15 September 2019.

12 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land which are held on leases in the PRC and freehold land in Hungary, the movement is analysed as follows:

	2020 **HK$'000**	2019 HK$'000
Opening net book amount as at 31 December 2019 as originally presented	**4,763**	9,936
Effects of the adoption of HKFRS 16	**—**	(5,047)
Net book amount as at 1 January 2020	**4,763**	4,889
Exchange differences	**442**	(126)
Closing net book amount	**5,205**	4,763

As at 31 December 2020, the Group's interests in land use rights represent freehold land in Hungary.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2019								
Opening net book amount	82,312	172,008	802	6,196	74,173	34,495	49,744	419,730
Currency translation differences	(1,849)	(1,826)	(29)	(227)	(1,257)	28,187	(1,132)	21,867
Additions	176	36,840	726	459	12,682	87,023	4,093	141,999
Disposals	(6)	(7,540)	357	520	(626)	—	—	(7,295)
Addition from construction in progress	1,606	48,779	63	150	17,954	(73,490)	4,938	—
Depreciation	(5,412)	(39,417)	(691)	(1,366)	(15,037)	—	(15,699)	(77,622)
Impairment Charge	—	(2,459)	—	(383)	(799)	—	—	(3,641)
Closing net book amount	76,827	206,385	1,228	5,349	87,090	76,215	41,944	495,038
At 31 December 2019								
Cost	145,653	453,674	16,215	9,142	165,115	76,215	93,942	959,956
Accumulated depreciation	(68,826)	(245,182)	(14,987)	(3,418)	(77,042)	—	(51,998)	(461,451)
Impairment	—	(2,107)	—	(375)	(983)	—	—	(3,467)
Net book amount	76,827	206,385	1,228	5,349	87,090	76,215	41,944	495,038

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2020								
Opening net book amount	76,827	206,385	1,228	5,349	87,090	76,215	41,944	495,038
Currency translation differences	(1,609)	27,866	1,775	281	5,847	(25,786)	3,417	11,791
Additions	22	52,782	336	471	18,097	94,929	6,593	173,230
Disposals *(Note 34(b))*	(692)	(8,145)	11	386	120	—	—	(8,320)
Addition from construction in progress	41,620	20,888	303	—	8,487	(99,833)	28,535	—
Depreciation	(6,112)	(42,419)	(1,181)	(924)	(18,015)	—	(15,685)	(84,336)
Impairment Charge	—	(2,116)	—	—	(73)	—	—	(2,189)
Closing net book amount	110,056	255,241	2,472	5,563	101,553	45,525	64,804	585,214
At 31 December 2020								
Cost	189,890	519,011	20,979	10,150	188,282	45,525	135,339	1,109,176
Accumulated depreciation	(79,834)	(261,323)	(18,507)	(4,587)	(86,507)	—	(70,535)	(521,293)
Impairment	—	(2,447)	—	—	(222)	—	—	(2,669)
Net book amount	110,056	255,241	2,472	5,563	101,553	45,525	64,804	585,214

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of profit or loss:

	2020 **HK$'000**	2019 HK$'000
Cost of sales	**52,897**	45,254
Selling expenses	**9,143**	9,903
Administration expenses	**22,296**	22,465
	84,336	77,622

14 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

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

	31 December **2020** **HK$'000**	31 December 2019 HK$'000
Right-of-use assets		
Land use rights	**108,862**	4,781
Buildings	**7,749**	7,100
	116,611	11,881
Lease liabilities		
Current	**1,646**	1,319
Non-current	**6,027**	5,775
	7,673	7,094

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2020, the remaining lease periods of the Group's land use rights ranged from 16 to 50 years (2019: 17 to 33). Amortisation was included in administrative expenses.

14 LEASE (CONTINUED)

(a) Amounts recognised in the balance sheet (Continued)

The movement of right-of-use assets is analysed as follows:

	HK$'000
Opening net book amount as at 31 December 2019 (audited)	11,881
Currency translation differences	758
Additions	107,166
Depreciation and amortization	(3,194)
Closing net book amount as at 31 December 2020	**116,611**

(b) Amounts recognised in statement of profit or loss

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

	2020 HK$'000	2019 HK$'000
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**1,821**	163
Buildings	**1,373**	875
	3,194	1,038
Interest expenses *(Note 9)*	**27**	67
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses) *(Note 7)*	**20,742**	16,086

15 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
Opening balance at 1 January	**7,500**	6,400
Net (losses)/gains from fair value adjustment *(Note 6)*	**(400)**	1,100
Closing balance at 31 December	**7,100**	7,500

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

The valuation of the Group's investment properties was performed by the valuer, Dudley Surveyors (Hong Kong) Limited, to determine the fair value of the investment properties as at 31 December 2020 and 2019.

The revaluation gains or losses are included in 'Other losses — net' in the consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

		Office units — Hong Kong		
Description	**Quoted prices in active markets for identical assets Level 1** HK$'000	**Significant other observable inputs Level 2** HK$'000	**Significant unobservable inputs Level 3** HK$'000	**Total** HK$'000
Recurring fair value measurements method				
Investment properties:				
As at 31 December 2019	—	7,500	—	7,500
As at 31 December 2020	**—**	**7,100**	**—**	**7,100**

There were no transfers between Level 1, 2, and 3 during the year (2019: Nil).

As at 31 December 2020, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$7,100,000 (2019: HK$7,500,000) (Note 29(a)).

16 INTANGIBLE ASSETS

	Patents HK$'000	Computer software HK$'000	Total HK$'000
At 31 December 2019			
Opening net book amount	—	7,075	7,075
Currency translation differences	—	(155)	(155)
Additions	1,610	4,750	6,360
Amortisation charge	(966)	(1,714)	(2,680)
Closing net book amount	644	9,956	10,600
At 31 December 2019			
Cost	3,619	27,862	31,481
Accumulated amortisation	(2,975)	(17,906)	(20,881)
Net book amount	644	9,956	10,600

	Patents HK$'000	**Computer software HK$'000**	**Total HK$'000**
At 31 December 2020			
Opening net book amount	**644**	**9,956**	**10,600**
Currency translation differences	**—**	**666**	**666**
Additions	**11**	**3,642**	**3,653**
Amortisation charge	**(644)**	**(2,049)**	**(2,693)**
Impairment charge	**—**	**(1,217)**	**(1,217)**
Closing net book amount	**11**	**10,998**	**11,009**
At 31 December 2020			
Cost	**3,630**	**30,954**	**34,584**
Accumulated amortisation	**(3,619)**	**(19,956)**	**(22,358)**
Impairment charge	**—**	**—**	**(1,217)**
Net book amount	**11**	**10,998**	**11,009**

Amortisation was included in administrative expenses. The impairment charge was HK$1,217,281 during the year (2019: Nil).

17 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2020, all of which are limited liability companies:

Company name	Place of incorporation	Registered/Issued and paid-up capital	Equity interest held 2020	Principal activities/ Place of operation
Directly owned:				
Goldasia Group Limited	BVI	USD50,000/USD1	100%	Investment holding/Hong Kong ("HK")
Indirectly owned:				
Ten Pao Precision Electronics Company Limited	HK	HK$1,000,000/ HK$1,000,000	100%	Investment holding/HK
Ten Pao Industrial Company Limited	HK	HK$300,000/ HK$300,000	100%	Investment holding/HK
Ten Pao International Limited	HK	HK$4,000,000/ HK$4,000,000	100%	Investment holding and trading of power supply devices and raw materials/HK
Huizhou Jinhu Industrial Development Co., Ltd.#	PRC	RMB10,000,000/ RMB2,280,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Electronic Co., Ltd.	Samoa	US$1,000,000/US$1	100%	Investment holding/PRC
Ten Pao Electronic (Huizhou) Co., Ltd.#	PRC	HK$375,000,000/ HK$375,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao International Co., Ltd.	South Korea	KRW50,000,000/ KRW50,000,000	100%	Representative office/South Korea
Hanzhong Jinhu Precision Parts Company Limited#	PRC	HK$8,000,000/ HK$8,000,000	100%	Manufacture and trading of power supply devices/PRC
Hanzhong Ten Pao Precision Parts Company Limited#	PRC	HK$12,000,000/ HK$12,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Electronics Hungary Kft.	Hungary	EUR€2,500,000/ EUR€2,500,000	100%	Manufacture and trading of power supply devices/ Hungary
Shenzhen MODO Innovation Technology Co., Ltd.#	PRC	RMB3,000,000/ RMB3,000,000	100%	Trading of audio devices and power supply devices/PRC

17 SUBSIDIARIES (CONTINUED)

Company name	Place of incorporation	Registered/Issued and paid-up capital	Equity interest held 2020	Principal activities/Place of operation
Dazhou Ten Pao Innovation Technology Co., Ltd.#	PRC	HK10,000,000/ HK$200,000	100%	Manufacture and trading of power supply devices/PRC
Dazhou Ten Pao Jin Hu Electronic Co., Ltd.#	PRC	RMB10,640,000/ RMB9,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Chuangneng Technology (Beijing) Co., Ltd.@	PRC	RMB10,000,000/ RMB710,000	70%	Trading of substation cabinet and power supply devices/ PRC
Huizhou Ten Pao Chuangneng Technology Co., Ltd.#	PRC	RMB64,150,000/ RMB64,150,000	100%	Manufacture and trading of power supply devices/PRC
Sky Harvest Investment Limited	HK	HK$10,000/HK$10,000	100%	Investment holding/HK
Sky Intelligent Investment Limited	HK	HK$10,000/HK$10,000	100%	Investment holding/HK
Giga Charge Pte. Ltd.*	SGP	US$1/US$1	100%	Investment holding/Singapore
Ten Pao Industrial India Private Limited*	India	Rs100,000/Rs100,000	100%	Manufacture and trading of power supply devices/India

* Incorporated during the year

\# Registered as wholly foreign owned enterprises under PRC law

@ Registered as sino-foreign equity joint venture under PRC law

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	1,198,016	853,538
Amounts due from related parties	1,464	1,320
Restricted bank deposits	138,855	13,058
Cash and cash equivalents	426,573	158,031
Financial assets at FVOCI	12,487	17,017
Financial assets at FVPL	3,131	3,043
	1,780,526	1,046,007

	2020 HK$'000	2019 HK$'000
Financial liabilities		
Liabilities at amortised cost		
Trade payables	1,715,975	1,011,732
Bank borrowings	309,277	161,807
Accrual for expenses and other payables	34,976	40,949
Amounts due to related parties	17,560	22,164
Derivative financial instruments	8,945	153
	2,086,733	1,236,805

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	438,764	216,092
Work in progress	265,185	64,580
Finished goods	384,374	329,066
	1,088,323	609,738
Less: allowance for impairment	(48,429)	(35,356)
	1,039,894	574,382

The movements of allowance for impairment are analysed as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	35,356	26,999
Currency translation difference	2,833	(750)
Allowance for impairment of inventory	10,240	9,107
At 31 December	48,429	35,356

The cost of inventories included in cost of sales during the year ended 31 December 2020 was HK$3,647,177,000 (2019: HK$2,991,851,000).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at FVOCI comprise the following individual investments:

	2020 HK$'000	2019 HK$'000
Non-current assets		
Unlisted equity investments		
GCteq Wireless	6,110	5,741
EOLOCK Co.	6,377	11,276
	12,487	17,017

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of FVOCI is analysed as follows:

	2020 HK$'000	2019 HK$'000
At beginning of year	**17,017**	17,119
Fair value change	**(5,303)**	236
Currency translation differences	**773**	(338)
At end of year	**12,487**	17,017

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

21 TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**1,141,969**	838,549
Less: allowance for impairment of trade receivables	**(3,536)**	(15,186)
Trade receivables, net	**1,138,433**	823,363
Bills receivable	**560**	4,064
Prepayments	**18,544**	13,976
Deposits	**15,034**	10,933
Advances to employees	**950**	922
Value added tax allowance	**14,053**	—
Employee welfare	**5,808**	4,645
Export tax refund receivables	**8,935**	1,869
Others	**14,243**	7,742
	1,216,560	867,514

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
USD	572,452	366,580
RMB	479,567	381,033
HK$	89,950	90,934
Others	—	2
	1,141,969	838,549

(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:

	2020 HK$'000	2019 HK$'000
Less than 3 months	1,041,274	778,366
More than 3 months but not exceeding 1 year	100,695	46,981
More than 1 year	—	13,202
	1,141,969	838,549

The Group's sales are made to various customers. While there is concentration of credit risk within a few major customers, these customers are reputable with good track record.

(c) Allowance for impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(c)(ii) provides for details about the calculation of the allowance.

As at 31 December 2020, the Group has written off allowance for impairment of HK$14,084,000 (31 December 2019: Nil).

(d) Fair value of trade receivables and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Risk exposure

As at 31 December 2020, the Group's maximum exposure to credit risk of trade and other receivables was the carrying values of each class of receivables mentioned above.

As at 31 December 2020, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$340,188,000 (2019: HK$305,302,000) (Note 29).

22 CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Cash and bank balances	**426,573**	158,031

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at year end.

Cash and cash equivalents are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
RMB	**252,737**	63,309
USD	**117,847**	59,016
HK$	**51,973**	33,704
Others	**4,016**	2,002
	426,573	158,031

Cash and cash equivalents including the following for the purpose of the statement of cash flows:

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**426,573**	158,031

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Derivative financial liabilities — Non-current	**8,945**	153

	Amount HK$'000	Notional amount HK$'000
As at 31 December 2020		
Derivative financial liabilities — Non-current		
Types of contracts		
Interest rate swap contracts	**8,945**	**168,876**
As at 31 December 2019		
Derivative financial liabilities — Non-current		
Types of contracts		
Interest rate swap contracts	153	52,533

Changes in fair values of derivative financial instruments are recorded in 'Other losses — net' in the consolidated statement of profit or loss.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Fair value of insurance contract for a member of key management	**3,131**	3,043

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other losses — net' in the statement of profit or loss (Note 6).

The fair value of the insurance is based on the unobservable inputs (Note 3.3(c)).

As at 31 December 2020, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,131,000 (2019: HK$3,043,000) (Note 29(a)).

25 RESTRICTED BANK DEPOSITS

As at 31 December 2020, bank deposits amounting to HK$138,855,000 (2019: HK$13,058,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 29(a)).

As at 31 December 2020, the weighted average interest rates were 3.01% (2019: 3.46%).

26 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
As at 1 January 2019, 31 December 2019 and 31 December 2020	1,000,456,000	10,005	125,788	135,793

27 SHARE-BASED PAYMENTS

On 15 September 2016, options over 19,348,000 shares were granted to directors of the Company and eligible participants under the share option scheme adopted by the written resolutions of the shareholders of the Company on 23 November 2015 at the exercise price of HK$1.31 per ordinary share with no vesting condition. The exercise price of the granted options was equal to the market price of the shares on the date of the grant. The options are exercisable within three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Exercise price in HKD per share option	**Number of share options (thousands)**	Exercise price in HKD per share option	Number of share options (thousands)
At 1 January	—	—	1.31	18,168
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	—	(18,168)
At 31 December	—	—	1.31	—

The 18,168,000 share options outstanding at the beginning of the year expired on 14 September 2019 at the exercise price of HK$1.31 per ordinary share.

28 OTHER RESERVES

Other reserves comprise statutory reserves, capital reserves, exchange reserves and share-based compensation reserves of the Group.

	Statutory reserves HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Share options HK$'000	FVOCI reserves HK$'000	Total HK$'000
At 1 January 2019	31,977	338	(21,892)	5,468	—	15,891
Transfer to statutory reserves	36,570	—	—	—	—	36,570
Fair value change of FVOCI	—	—	—	—	236	236
Currency translation differences	—	—	(15,417)	—	—	(15,417)
At 31 December 2019	68,547	338	(37,309)	5,468	236	37,280

	Statutory reserves HK$'000	**Capital reserves HK$'000**	**Exchange reserves HK$'000**	**Share options HK$'000**	**FVOCI reserves HK$'000**	**Total HK$'000**
At 1 January 2020	**68,547**	**338**	**(37,309)**	**5,468**	**236**	**37,280**
Transfer to statutory reserves	**7,811**	**—**	**—**	**—**	**—**	**7,811**
Fair value change of FVOCI	**—**	**—**	**—**	**—**	**(4,508)**	**(4,508)**
Currency translation differences	**—**	**—**	**80,121**	**—**	**(3)**	**80,118**
At 31 December 2020	**76,358**	**338**	**42,812**	**5,468**	**(4,275)**	**120,701**

(a) Statutory reserves

In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group are required to make appropriation of not less than 10% of its net income after taxes to reserves. Further appropriation is optional when the accumulated statutory reserve is 50% or more of its registered capital. The statutory reserves can be used to offset accumulated losses of the PRC subsidiaries upon the approval of their respective boards of directors.

29 BORROWINGS

	2020 HK$'000	2019 HK$'000
Non-current		
Bank borrowings		
— secured (a)	**166,427**	98,716
Less: current portion of non-current borrowings	**(80,318)**	(57,136)
	86,109	41,580
Current		
Bank borrowings		
— secured (a)	**142,850**	63,091
Total short-term bank borrowings	**142,850**	63,091
Current portion of non-current borrowings	**80,318**	57,136
	223,168	120,227
Total borrowings	**309,277**	161,807

(a) As at 31 December 2020, bank borrowings amounting to HK$309,277,000 (2019: HK$161,807,000) are secured over the following assets:

	2020 HK$'000	2019 HK$'000
Restricted bank deposits *(Note 25)*	**138,855**	13,058
Financial assets at fair value through profit or loss		
— non current *(Note 24)*	**3,131**	3,043
Investment properties *(Note 15)*	**7,100**	7,500
Trade and other receivables *(Note 21(e))*	**340,188**	305,302
	489,274	328,903

29 BORROWINGS (CONTINUED)

(b) The carrying amounts of the borrowings at 31 December 2020 and 2019, respectively, are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**173,604**	114,885
RMB	**82,879**	31,034
USD	**52,794**	15,888
	309,277	161,807

(c) The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2020 HK$'000	2019 HK$'000
Borrowings at floating rates		
6 months or less	**37,041**	32,741
6–12 months	**43,277**	24,395
1–5 years	**86,109**	41,580
Borrowings at fixed rates	**142,850**	63,091
	309,277	161,807

(d) The borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**223,168**	120,227
Between 1 and 2 years	**22,736**	30,360
Between 2 and 5 years	**63,373**	11,220
	309,277	161,807

29 BORROWINGS (CONTINUED)

(e) The effective interest rates at the balance sheet dates are as follows:

	2020	2019
Bank borrowings denominated in:		
HK$	**2.21%**	3.62%
USD	**2.71%**	3.42%
RMB	**3.85%**	4.79%

(f) The carrying amounts and fair value of non-current borrowings are as follows:

	2020 HK$'000	2019 HK$'000
Carrying amounts	**86,109**	41,580
Fair value (level 2)	**80,545**	38,459
Weighted average discount rate used for fair value (%)	**2.40%**	3.50%

30 DEFERRED GOVERNMENT GRANTS

	2020 HK$'000	2019 HK$'000
Opening net book amount	**27,225**	9,390
Receipt of grants	**15,285**	24,170
Credited to statement of profit or loss	**(159)**	(6,023)
Currency translation differences	**1,840**	(312)
Closing net book amount	**44,191**	27,225

The amount represented the subsidies granted by the local government authority in the PRC relating to the upgrading of the equipment amounted to RMB2,000,000 (equivalent to HK$2,376,000) and the local government authorities in Hungary relating to the establishment of plant, purchasing equipment and upgrading production lines amounted to EUR 1,076,000 (equivalent to HK$10,263,000), and subsidies granted by the local government authority in Hong Kong relating to the construction of intelligent automated production lines amounted to HK$2,646,000 in 2020.

The deferred government grants will be amortised to other gains from the point at which the relevant assets are ready for use on a straight-line basis over the related assets' useful lives.

31 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**1,715,975**	1,011,732
Notes payable	**111,153**	7,391
Wages and staff welfare benefits payable	**218,895**	155,380
Accrual for expenses and other payables	**34,976**	40,949
Other taxes payable	**9,533**	—
	2,090,532	1,215,452

(a) The Group's trade payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	**1,087,347**	566,270
HK$	**333,309**	256,649
USD	**291,500**	187,441
Others	**3,819**	1,372
	1,715,975	1,011,732

The carrying amounts of accrued expenses and other payables were primarily denominated in RMB.

(b) The ageing analysis of trade payables based on invoices date is as follows:

	2020 HK$'000	2019 HK$'000
Less than 3 months	**1,347,344**	760,195
More than 3 months but not exceeding 1 year	**361,704**	251,537
More than 1 year	**6,927**	—
	1,715,975	1,011,732

(c) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2020 and 2019.

32 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2020 HK$'000	2019 HK$'000
Deferred income tax assets:		
— to be recovered after 12 months	**37,152**	22,517
Deferred income tax liabilities:		
— to be settled after 12 months	**(88,031)**	(59,726)

The movements in deferred income tax assets and liabilities are as follows:

Deferred income tax assets	**Provisions** HK$'000	**Unrealized gross margin** HK$'000	**Total** HK$'000
As at 1 January 2019	17,192	2,191	19,383
Recognised in the profit or loss	3,470	108	3,578
Currency translation differences	(444)	—	(444)
As at 31 December 2019	20,218	2,299	22,517
As at 1 January 2020	**20,218**	**2,299**	**22,517**
Recognised in the profit or loss	**8,855**	**3,113**	**11,968**
Recognised in the other comprehensive income	**—**	**778**	**778**
Currency translation differences	**1,842**	**47**	**1,889**
As at 31 December 2020	**30,915**	**6,237**	**37,152**

32 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Withholding income tax HK$'000	Unrealized gross margin HK$'000	Total HK$'000
At 1 January 2019	54,128	—	54,128
Recognised in the profit or loss	6,876	—	6,876
Recognised in the other comprehensive income	—	42	42
Currency translation differences	(1,320)	—	(1,320)
At 31 December 2019	59,684	42	59,726
At 1 January 2020	**59,684**	**42**	**59,726**
Recognised in the profit or loss	**23,070**	**—**	**23,070**
Recognised in the other comprehensive income	**—**	**(17)**	**(17)**
Currency translation differences	**5,252**	**—**	**5,252**
At 31 December 2020	**88,006**	**25**	**88,031**

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable.

As at 31 December 2020, the Group did not recognise deferred income tax asset of HK$2,650,000 (2019: HK$2,876,000) in respect of the tax losses amounting to HK$17,542,000 (2019: HK$15,869,000), as their recoverability is uncertain.

32 DEFERRED INCOME TAX (CONTINUED)

As of 31 December 2020, the Group had tax loss carryforwards of HK$37,864,000 (2019: HK$24,393,000) which can be carried forward to offset future taxable income.

	2020	2019
	HK$	HK$
2021	**3,023,000**	3,023,000
2022	**3,226,000**	3,226,000
2023	**3,857,000**	3,857,000
2024	**10,439,000**	14,287,000
2025	**17,319,000**	—
	37,864,000	24,393,000

33 DIVIDENDS

	2020	2019
	HK$'000	HK$'000
Interim dividend paid per ordinary share: HK 3.0 cents (2019: HK 2.5 cents)	**30,013**	25,011
Proposed final dividend per ordinary share: HK 5.5 cents (2019: HK 2.8 cents)	**55,025**	28,013
	85,038	53,024

The dividends paid in 2020 and 2019 were HK$58,026,000 and HK$50,023,000 respectively.

A proposed final dividend in respect of the year ended 31 December 2020 of HK 5.5 cents per ordinary share, amounting to HK$55,025,000 to be proposed at the annual general meeting of the Company held on 28 May 2021.

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2020	2019
	HK$'000	HK$'000
Profit before income tax	**373,821**	216,920
Adjustments for:		
Interest expenses *(Note 9)*	**7,205**	8,272
Depreciation of property, plant and equipment *(Note 13)*	**84,336**	77,622
Impairment of property, plant and equipment *(Note 13)*	**2,189**	3,641
Amortisation of intangible assets *(Note 16)*	**2,693**	2,680
Impairment of intangible assets *(Note 16)*	**1,217**	—
Depreciation and amortisation of right-of-use assets *(Note 14)*	**3,194**	1,038
Loss on disposal of property, plant and equipment *(Note 6)*	**2,737**	259
Fair value changes on derivative financial instruments *(Note 6)*	**8,792**	200
Fair value changes on financial assets at fair value through profit or loss *(Note 6)*	**(88)**	(54)
Allowance for impairment of inventory *(Note 19)*	**10,240**	9,107
Allowance for of trade receivables *(Note 3.1(c))*	**1,383**	305
Fair value changes on investment properties *(Note 15)*	**400**	(1,100)
Deferred government grant credited to profit and loss *(Note 30)*	**(159)**	(6,023)
Changes in working capital:		
Inventories	**(478,584)**	(92,686)
Trade and other receivables	**(281,495)**	(236,250)
Due from related parties	**(144)**	(224)
Trade and other payables	**866,713**	256,763
Due to related parties	**(4,604)**	9,362
Cash generated from operations	**599,846**	249,832

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2020	2019
	HK$'000	HK$'000
Net book amount		
Other disposals *(Note 13)*	**8,320**	7,295
Loss on disposal *(Note 6)*	**(2,737)**	(259)
Proceeds from disposal	**5,583**	7,036

(c) Non-cash financing transactions

The Group had no non-cash financing transactions during the year (2019: Nil).

(d) Net assets/(liabilities) reconciliation

This section sets out an analysis of net liabilities and the movements in net liabilities for each of the periods presented.

	2020	2019
Cash and cash equivalents	**426,573**	158,031
Borrowings — repayable within one year	**(223,168)**	(120,227)
Borrowings — repayable after one year	**(86,109)**	(41,580)
Lease Liabilities	**(7,673)**	(7,094)
Net assets/(liabilities)	**109,623**	(10,870)
Cash	**426,573**	158,031
Gross debt — fixed interest rates	**(142,850)**	(70,185)
Gross debt — variable interest rates	**(166,427)**	(98,716)
Net assets/(liabilities)	**117,296**	(10,870)

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Net assets/(liabilities) reconciliation (Continued)

	Other assets	Liabilities from financing activities			
Net assets	Cash	Lease	Borrowing due within 1 year	Borrowing due after 1 year	Total
As at 1 January 2019	193,797	—	(147,907)	(59,690)	(13,800)
Cash flows	(34,121)	813	27,612	18,099	12,403
Acquisition — lease	—	(7,907)	—	—	(7,907)
Foreign exchange adjustments	(1,645)	—	68	11	(1,566)
As at 31 December 2019	158,031	(7,094)	(120,227)	(41,580)	(10,870)
Cash flows	264,465	1,417	(103,855)	(44,919)	117,108
Acquisition — lease	—	(1,453)	—	—	(1,453)
Foreign exchange adjustments	4,077	(543)	914	390	4,838
As at 31 December 2020	**426,573**	**(7,673)**	**(223,168)**	**(86,109)**	**109,623**

35 CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities (2019: Nil).

36 COMMITMENTS

(a) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements.

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2020 HK$'000	2019 HK$'000
Not later than one year	**9,657**	10,888

36 COMMITMENTS (CONTINUED)

(b) Capital commitments

	2020 HK$'000	2019 HK$'000
In respect of the acquisitions of property, plant and equipment, contracted but not provided for	52,000	71,241

37 RELATED PARTY TRANSACTIONS

(a) Names and relationship

The following companies and individuals were related parties of the Group that had transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Huizhou Xinyang Cables Co., Limited ("Huizhou Xinyang")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Golden Ocean Wire Co., Limited ("Huizhou Golden Ocean Wire")*	An entity controlled by a relative of the Controlling Shareholder
Huizhou Tiannengyuan Charging Technology Co., Ltd. ("Tiannengyuan Charging")	An entity controlled by the Controlling Shareholder
Golden Ocean Copper Manufacture Company Limited	An entity controlled by the Controlling Shareholder
Sky Fortune Enterprise Limited ("Sky Fortune")	An entity controlled by the Controlling Shareholder
Golden Lake (HK) Limited ("Golden Lake (HK)")	An entity controlled by the Controlling Shareholder

(b) Transactions with related parties during the year

(i) Purchases of goods and services

	2020 HK$'000	2019 HK$'000
Purchase of goods		
Golden Ocean Copper Manufacture Company Limited	69,928	62,693
Huizhou Xinyang	—	28
	69,928	62,721

Goods and services are bought from entities controlled by the Controlling Shareholder on normal commercial terms and conditions.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties during the year (Continued)

(ii) Operating lease expenses

	2020 HK$'000	2019 HK$'000
Tiannengyuan Charging	**5,481**	4,443
Huizhou Golden Ocean Wire	**3,380**	2,603
Sky Fortune	**696**	624
Golden Lake (HK)	**—**	154
	9,557	7,824

The amounts represented rental expenses for land and buildings for factory and office purposes in accordance with the lease agreements.

(iii) Key management personnel compensation

The compensation paid or payable to key management personnel for employee services are shown below:

	2020 HK$'000	2019 HK$'000
Wages, salaries and bonuses	**33,732**	38,476
Pension costs — defined contribution plans	**151**	157
	33,883	38,633

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances due from related parties

	2020 Maximum balance outstanding during the year HK$'000	2020 HK$'000	2019 Maximum balance outstanding during the year HK$'000	2019 HK$'000
Tiannengyuan Charging	**1,248**	**1,248**	1,172	1,172
Huizhou Golden Ocean	**112**	**100**	—	—
Sky Fortune	**116**	**116**	104	104
Golden Lake (HK)	**44**	**—**	44	44
	1,520	**1,464**	1,320	1,320

The balances due from related parties were mainly denominated in RMB. They were unsecured, interest-free, trading in nature and repayable on demand. Their fair values approximate their carrying amounts at 31 December 2020.

(d) Balances due to related parties

	2020 HK$'000	2019 HK$'000
Golden Ocean Copper Manufacture Company Limited	**17,242**	21,932
Huizhou Golden Ocean Wire	**318**	232
	17,560	22,164

The balances due to related parties were mainly denominated in RMB. They were unsecured and interest-free. These balances were trading in nature and due within 3 months. Their fair values approximate their carrying amounts at each of the year end date.

38 SUBSEQUENT EVENTS

No significant events took place after 31 December 2020.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**383,279**	383,279
Deposits		**8,000**	8,000
Current assets			
Cash and cash equivalents		**246**	290
Total assets		**391,525**	391,569
Equity attributable to owners of the Company			
Share capital		**10,005**	10,005
Share premium	*(a)*	**489,188**	489,188
Share option reserve		**5,468**	5,468
Accumulated losses	*(a)*	**(231,810)**	(175,182)
Total equity		**272,851**	329,473
Liabilities			
Current liabilities			
Other payables		**118,674**	62,096
Total liabilities		**118,674**	62,096
Total equity and liabilities		**391,525**	391,569

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Accumulated losses HK$'000	Share premium HK$'000
At 1 January 2020	(175,182)	489,188
Profit for the year	1,398	—
Dividends payment	(58,026)	—
At 31 December 2020	(231,810)	489,188
At 1 January 2019	(125,697)	489,188
Profit for the year	538	—
Dividends payment	(50,023)	—
At 31 December 2019	(175,182)	489,188

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2020:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Share options HK$'000	Total HK$'000
Executive Directors										
Mr. Hung Kwong Yee	—	5,460	8,601	—	—	—	18	—	—	14,079
Ms. Yang Bing Bing	—	1,001	2,217	—	18	—	5	—	—	3,241
Mr. Hung Sui Tak	—	833	—	—	—	—	15	—	—	848
Independent Non-executive Directors										
Mr. Lam Cheung Chuen	—	300	—	—	—	—	—	—	—	300
Mr. Chu Yat Pang Terry	—	300	—	—	—	—	—	—	—	300
Mr. Lee Kwan Hung	—	300	—	—	—	—	—	—	—	300
	—	20,515	10,818	—	18	—	38	—	—	31,389

Notes:

(i) Mr. Hung Kwong Yee is also the chief executive officer.

(ii) Mr. Hung Sui Tak passed away in Hong Kong on 10 October 2020.

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below: (Continued)

For the year ended 31 December 2019:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Share options HK$'000	Total HK$'000
Executive Directors										
Mr. Hung Kwong Yee	—	5,430	5,139	—	—	—	18	—	—	10,587
Ms. Yang Bing Bing	—	2,423	250	—	16	—	6	—	—	2,695
Mr. Hung Sui Tak	—	1,067	325	—	—	—	18	—	—	1,410
Independent Non-executive Directors										
Mr. Lam Cheung Chuen	—	320	—	—	—	—	—	—	—	320
Mr. Chu Yat Pang Terry	—	320	—	—	—	—	—	—	—	320
Mr. Lee Kwan Hung	—	320	—	—	—	—	—	—	—	320
	—	9,880	5,714	—	16	—	42	—	—	15,652

Notes:

(i) Mr. Hung Kwong Yee is also the chief executive officer.

(ii) Ms. Yang Bing Bing appointed as the executive director of the Company since July 2019.

(b) No directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services and loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, subsisted at the end of the year or at any time during the year.

(c) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 37, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below.

	Year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Results					
Revenue	2,583,404	3,007,015	3,202,452	3,636,291	**4,448,625**
Profit before income tax	262,215	200,924	67,894	216,920	**373,821**
Income tax expense	(68,146)	(43,349)	(12,478)	(40,461)	**(85,189)**
Profit for the year attributable to owners of the Company	194,069	157,575	55,416	176,752	**289,057**
Assets, Liabilities and Equity					
Total assets	1,534,265	1,879,715	1,854,787	2,214,385	**3,632,465**
Total liabilities	1,080,383	1,287,366	1,271,452	1,519,795	**2,631,659**
Total equity	453,882	592,349	583,335	694,590	**1,000,806**